INTERNATIONAL TOWER HILL MINES LTD

CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in US Dollars)

Years Ended December 31, 2014, 2013 and 2012

<u>Corporate Head Office</u>

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INTERNATIONAL TOWER HILL MINES LTD.

December 31, 2014, 2013 and 2012

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Audited Consolidated Financial Statements

Report of Independent Registered Public Accounting Firm

To the Shareholders of International Tower Hill Mines Ltd.

We have completed integrated audits of International Tower Hill Mines Ltd.'s December 31, 2014, 2013 and 2012 consolidated financial statements and its internal control over financial reporting as at December 31, 2014. Our opinions, based on our audits are presented below.

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of International Tower Hill Mines Ltd., which comprise the consolidated balance sheets as at December 31, 2014 and December 31, 2013 and the consolidated statements of operations and comprehensive loss, changes in shareholders' equity and cash flow for each of the years in the three year period ended December 31, 2014, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. Canadian generally accepted auditing standards also require that we comply with ethical requirements.

An audit involves performing procedures to obtain audit evidence, on a test basis, about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting principles and policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of International Tower Hill Mines Ltd. as at December 31, 2014 and December 31, 2013 and its financial performance and its cash flows for each of the three years in the period ended December 31, 2014 in accordance with accounting principles generally accepted in the United States of America.

Report on internal control over financial reporting

We have also audited International Tower Hill Mines Ltd.'s internal control over financial reporting as at December 31, 2014, based on criteria established in Internal Control - Integrated Framework (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Management's responsibility for internal control over financial reporting
Management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting.

Auditor's responsibility
Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit. We conducted our audit of internal control over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

An audit of internal control over financial reporting includes obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control, based on the assessed risk, and performing such other procedures as we consider necessary in the circumstances.

We believe that our audit provides a reasonable basis for our audit opinion on the company's internal control over financial reporting.

Definition of internal control over financial reporting
A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent limitations
Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

Opinion
In our opinion, International Tower Hill Mines Ltd. maintained, in all material respects, effective internal control over financial reporting as at December 31, 2014, based on criteria established in Internal Control - Integrated Framework (2013) issued by COSO.

/s/ PricewaterhouseCoopers LLP
Chartered Accountants
Vancouver, British Columbia
March 11, 2015

INTERNATIONAL TOWER HILL MINES LTD.
(An Exploration Stage Company)
CONSOLIDATED BALANCE SHEETS
As at December 31, 2014 and 2013
(Expressed in U.S. Dollars)

	Note	December 31, 2014	December 31, 2013
ASSETS			
Current assets			
Cash and cash equivalents		$ 13,521,473	$ 13,925,601
Prepaid expenses and other		242,058	267,322
Total current assets		13,763,531	14,192,923
Restricted cash		-	30,477
Property and equipment		37,128	67,913
Capitalized acquisition costs	4	55,204,041	55,173,564
Total assets		$ 69,004,700	$ 69,464,877
Current liabilities			
Accounts payable		$ 270,488	$ 42,469
Accrued liabilities		878,682	1,451,227
Total current liabilities		1,149,170	1,493,696
Non-current liabilities			
Derivative liability	6	14,700,000	14,800,000
Total liabilities		15,849,170	16,293,696
Shareholders' equity			
Share capital, no par value; authorized 500,000,000 shares; 116,313,638 and 98,068,638 shares issued and outstanding at December 31, 2014 and 2013, respectively	8	243,692,185	236,401,096
Contributed surplus		33,439,249	32,153,864
Accumulated other comprehensive income		2,196,252	3,021,281
Deficit accumulated during the exploration stage		(226,172,156)	(218,405,060)
Total shareholders' equity		53,155,530	53,171,181
Total liabilities and shareholders' equity		$ 69,004,700	$ 69,464,877

Nature and continuance of operations (note 1)
Commitments (note 10)

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

INTERNATIONAL TOWER HILL MINES LTD.

(An Exploration Stage Company)

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

For the Years Ended December 31, 2014, 2013 and 2012

(Expressed in U.S. Dollars)

	Note	December 31, 2014	December 31, 2013	December 31, 2012
Operating Expenses				
Consulting fees		$ 333,145	$ 1,344,578	$ 3,310,425
Depreciation		15,779	21,800	31,660
Insurance		270,724	284,993	310,549
Investor relations		221,665	304,797	479,836
Mineral property exploration	4	2,631,974	8,188,995	36,253,519
Office		68,941	97,560	160,047
Other		28,792	52,518	73,145
Professional fees		389,218	467,510	613,056
Regulatory		119,154	125,019	174,542
Rent		225,405	226,477	251,835
Travel		121,740	196,811	283,708
Wages and benefits		3,946,751	6,863,713	13,643,058
Total operating expenses		(8,373,288)	(18,174,771)	(55,585,380)
Other income (expense)				
Gain on foreign exchange		453,161	917,301	68,113
Interest income		56,670	103,759	183,253
Income from mineral property earn-in		-	-	290,552
Impairment of available-for-sale securities		-	(298,769)	-
Unrealized gain/(loss) on derivative	6	100,000	7,600,000	(1,600,000)
Other		(3,639)	-	-
Total other income (expense)		606,192	8,322,291	(1,058,082)
Net loss for the period		(7,767,096)	(9,852,480)	(56,643,462)
Other comprehensive income (loss)				
Unrealized loss on marketable securities		(24,717)	(118,917)	(163,176)
Impairment of available-for-sale securities		-	298,769	-
Exchange difference on translating foreign operations		(800,312)	(1,260,539)	741,019
Total other comprehensive income (loss) for the period		(825,029)	(1,080,687)	577,843
Comprehensive loss for the period		$ (8,592,125)	$ (10,933,167)	$(56,065,619)
Basic and fully diluted net loss per share		$ (0.08)	$ (0.10)	$ (0.62)
Weighted average number of shares outstanding		99,068,364	98,068,638	91,112,934

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

INTERNATIONAL TOWER HILL MINES LTD.

(An Exploration Stage Company)

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the Years Ended December 31, 2014, 2013 and 2012

(Expressed in U.S. Dollars)

	Number of shares	Share capital	Contributed surplus	Accumulated other comprehensive income/(loss)	Deficit	Total
Balance, December 31, 2011	86,683,919	$ 207,186,847	$ 19,382,616	$ 3,524,125	$ (151,909,118)	$ 78,184,470
Private placement	11,384,719	29,768,529	-	-	-	29,768,529
Share issuance costs	-	(554,280)	-	-	-	(554,280)
Stock based compensation	-	-	9,206,975	-	-	9,206,975
Unrealized loss on available-for-sale securities	-	-	-	(163,176)	-	(163,176)
Exchange difference on translating foreign operations	-	-	-	741,019	-	741,019
Net loss	-	-	-	-	(56,643,462)	(56,643,462)
Balance, December 31, 2012	98,068,638	236,401,096	28,589,591	4,101,968	(208,552,580)	60,540,075
Private placement	-	-	-	-	-	-
Share issuance costs	-	-	-	-	-	-
Stock based compensation	-	-	3,564,273	-	-	3,564,273
Unrealized loss on available-for-sale securities	-	-	-	(118,917)	-	(118,917)
Impairment of available-for-sale securities	-	-	-	298,769	-	298,769
Exchange difference on translating foreign operations	-	-	-	(1,260,539)	-	(1,260,539)
Net loss	-	-	-	-	(9,852,480)	(9,852,480)
Balance, December 31, 2013	98,068,638	236,401,096	32,153,864	3,021,281	(218,405,060)	53,171,181
Private placement	18,245,000	7,315,917	-	-	-	7,315,917
Share issuance costs	-	(24,828)	-	-	-	(24,828)
Stock based compensation	-	-	1,285,385	-	-	1,285,385
Unrealized loss on available-for-sale securities	-	-	-	(24,717)	-	(24,717)
Exchange difference on translating foreign operations	-	-	-	(800,312)	-	(800,312)
Net loss	-	-	-	-	(7,767,096)	(7,767,096)
Balance, December 31, 2014	116,313,638	$ 243,692,185	$ 33,439,249	$ 2,196,252	$ (226,172,156)	$ 53,155,530

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

INTERNATIONAL TOWER HILL MINES LTD.
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2014, 2013 and 2012
(Expressed in U.S. Dollars)

	December 31, 2014	December 31, 2013	December 31, 2012
Operating Activities			
Loss for the period	$ (7,767,096)	$ (9,852,480)	$ (56,643,462)
Add items not affecting cash:			
Depreciation	15,779	21,800	31,660
Share-based payments	1,285,385	3,564,273	9,206,975
Unrealized (gain) loss on derivative liability	(100,000)	(7,600,000)	1,600,000
Impairment of available-for-sale securities	-	298,769	-
Write-down of advance to contractors	-	482,009	-
Other	15,004	-	(42,017)
Changes in non-cash items:			
Accounts receivable	44,744	393,437	174,537
Prepaid expenses	25,727	18,193	(42,512)
Advance to contractors	(30,682)	100,000	(102,009)
Accounts payable and accrued liabilities	(332,439)	(2,246,348)	(6,582,823)
Cash used in operating activities	(6,843,578)	(14,820,347)	(52,399,651)
Financing Activities			
Issuance of share capital	7,315,917	-	29,768,529
Share issuance costs	(24,828)	-	(554,280)
Cash provided by financing activities	7,291,089	-	29,214,249
Investing Activities			
Change in restricted cash	30,477	(30,477)	-
Capitalized acquisition costs	(30,477)	-	(2,127,693)
Expenditures on property and equipment, net	-	-	3,635
Cash used in investing activities	-	(30,477)	(2,124,058)
Effect of foreign exchange on cash	(851,639)	(1,394,480)	768,292
Decrease in cash and cash equivalents	(404,128)	(16,245,304)	(24,541,168)
Cash and cash equivalents, beginning of period	13,925,601	30,170,905	54,712,073
Cash and cash equivalents, end of period	$ 13,521,473	$ 13,925,601	$ 30,170,905

Supplemental cash flow information (note 11)

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

1. GENERAL INFORMATION, NATURE AND CONTINUANCE OF OPERATIONS

International Tower Hill Mines Ltd. ("ITH" or the "Company") is incorporated under the laws of British Columbia, Canada. The Company's head office address is 2300-1177 West Hastings Street, Vancouver, British Columbia, Canada. International Tower Hill Mines Ltd. consists of ITH and its wholly owned subsidiaries Tower Hill Mines, Inc. ("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 December 31, 2014, the Company was in the exploration stage and controls a 100% interest in its Livengood Gold Project in Alaska, U.S.A.

These consolidated 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.

The business of mining and exploration involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The Company has no source of revenue, and has significant cash requirements to meet its administrative overhead and maintain its mineral property interests. The recoverability of amounts shown for capitalized acquisition costs is dependent on several factors. These include the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development of these properties, and future profitable production or proceeds from disposition of capitalized acquisition costs. The success of the above initiatives cannot be assured. In the event that the Company is unable to obtain the necessary financing, it may be necessary to defer certain discretionary expenditures and other planned activities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These consolidated financial statements are presented in United States dollars and have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP").

Basis of consolidation

These consolidated financial statements include the accounts of ITH and its wholly owned subsidiaries TH Alaska, TH US, LPI and 813034 Alberta Ltd. All intercompany transactions and balances have been eliminated.

Significant judgments, estimates and assumptions

The preparation of financial statements in accordance 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 regularly 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.

The areas which require significant judgment and estimates that management has made at the financial reporting date, that could result in a material change to the carrying amounts of assets and liabilities, in the event actual results differ from the assumptions made, relate to, but are not limited to the following:

<u>Significant estimates</u>

- the fair value determination and inputs used in the valuation of the derivative liability (see note 6).

Significant judgments

- the determination of functional currencies;
- quantitative and qualitative factors used in the assessment of impairment of the Company's capitalized acquisition costs; and
- the analysis of resource calculations, drill results, labwork, etc. which can impact the Company's assessment of impairments, and provisions, if any, for environmental rehabilitation and restoration.

Cash and cash equivalents

Cash equivalents include highly liquid investments with original maturities of three months or less, and which are subject to an insignificant risk of change in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Marketable securities

Marketable securities held in companies with an active market are classified as available-for-sale securities. Available-for-sale securities are recorded at fair value in the financial statements with unrealized gains and losses recorded in accumulated other comprehensive income. Accumulated unrealized gains and losses are recognized in the statement of operations upon the sale of the security or if the security is determined to be impaired.

Property and equipment

On initial recognition, property and equipment are valued at cost. Property and equipment is subsequently measured at cost less accumulated depreciation, less any accumulated impairment losses, with the exception of land which is not depreciated. Depreciation is recorded over the estimated useful life of the assets at the following annual rates:

Computer equipment - 30% declining balance;
Computer software - 3 years straight line;
Furniture and equipment - 20% declining balance; and
Leasehold improvements - straight-line over the lease term.

Additions during the year are depreciated at one-half the annual rates. Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

Mineral properties and exploration and evaluation expenditures

The Company's mineral project is currently in the exploration and evaluation phase. Mineral property acquisition costs are capitalized when incurred. Mineral property exploration costs are expensed as incurred. At such time that the Company determines that a mineral property can be economically developed, subsequent mineral property expenses will be capitalized during the development of such property.

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

The Company's assessment of impairment related to its capitalized acquisition costs at December 31, 2014 was based on estimated undiscounted future cash flows expected to result from the use and eventual disposition of these assets. The assessment took into account the Company's expectation for the future price of gold as well as the probability of achieving certain opportunities to enhance the economics of the Livengood Gold Project as set out in the September 2013 Study and as subsequently developed by the Company. Based on this assessment, no impairments were recorded at December 31, 2014.

Asset retirement obligations

The Company records a liability based on the best estimate of costs for site closure and reclamation activities that the Company is legally or contractually required to remediate and recorded at the time environmental disturbance occurs. The provision for closure and reclamation liabilities is estimated using expected cash flows based on engineering and environmental reports and accreted to full value over time through periodic charges to income. The Company does not have any material provisions for environmental rehabilitation as of December 31, 2014.

Derivatives

Derivative financial liabilities include the Company's future contingent mineral property payment valued using estimated future gold prices. Derivatives are initially recognized at their fair value on the date the derivative contract is entered into and are subsequently re-measured at their fair value at each reporting period with changes in the fair value recognized in the statement of operations.

Income taxes

The Company accounts for income taxes under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Under the asset and liability method, the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is recognized if it is more likely than not that some portion or the entire deferred tax asset will not be recognized.

Net loss per share

Basic loss per share is calculated using the weighted average number of common shares outstanding during the period. Diluted loss per share reflects the potential dilution that could occur if securities or contracts that may require the issuance of common shares in the future were converted, unless the impact is anti-dilutive.

Stock-based compensation

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

Recently Issued Accounting Pronouncements

In June 2014, the FASB issued Accounting Standards Update 2014-12, Compensation - Stock Compensation (Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period ("ASU 2014-12"). The amendments in ASU 2014-12 require that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. A reporting entity should apply existing guidance in ASC 718, as it relates to awards with performance conditions that affect vesting to account for such awards. The amendments in ASU 2014-12 are effective for annual periods and interim periods within those annual periods beginning after December 15, 2015. Early adoption is permitted. The adoption of ASU 2014-12 is not expected to have a material impact on our financial position, results of operations or cash flows.

Recently Adopted Accounting Pronouncements

In June 2014, the FASB issued Accounting Standards Update 2014-10, Development Stage Entities (Topic 915): Elimination of Certain Financial Reporting Requirements ("ASU 2014-10"). ASU 2014-10 eliminates the distinction of a development stage entity and certain related disclosure requirements, including the elimination of inception-to-date information on the statements of operations, cash flows and stockholders' equity. The amendments in ASU 2014-10 are effective for annual reporting periods beginning after December 15, 2014, and interim periods within those annual periods. Early adoption of this standard is permitted and the Company adopted the provisions of ASU 2014-10 during the quarter ended June 30, 2014. The adoption of ASU 2014-10 impacts the presentation of the statements of operations and comprehensive income and the statements of cash flows as these statements no longer contain financial information from the inception of the Company to the date of the financial statements.

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 December 31, 2014	
	Level 1	**Level 2**
Financial assets:		
Marketable securities	$ 26,894	$ -
	$ 26,894	$ -
Financial liabilities:		
Derivative liability (note 6)	$ -	$ 14,700,000
	$ -	$ 14,700,000

	Fair value as at December 31, 2013	
	Level 1	**Level 2**
Financial assets:		
Marketable securities	$ 55,002	$ -
	$ 55,002	$ -
Financial liabilities:		
Derivative liability (note 6)	$ -	$ 14,800,000
	$ -	$ 14,800,000

4. CAPITALIZED ACQUISITION COSTS

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

Capitalized acquisition costs	Amount
Balance, December 31, 2013	$ 55,173,564
Additions	30,477
Balance, December 31, 2014	$ 55,204,041

The following table presents costs incurred for exploration and evaluation activities for the years ended December 31, 2014 and 2013:

	Year ended December 31, 2014	Year ended December 31, 2013
Exploration costs:		
Aircraft services	$ 10,286	$ 68,577
Assay	8,163	21,712
Drilling	119,036	451,286
Environmental	1,201,642	2,235,287
Equipment rental	52,709	344,063
Field costs	211,848	825,642
Geological/geophysical	70,388	3,367,799
Land maintenance & tenure	530,543	470,489
Legal	367,556	256,965
Surveying and mapping	26,503	95,638
Transportation and travel	33,300	51,537
Total expenditures for the period	$ 2,631,974	$ 8,188,995

Properties acquired from AngloGold, Alaska

Pursuant to an Asset Purchase and Sale and Indemnity Agreement dated June 30, 2006, as amended on July 26, 2007 (the "AngloGold Agreement"), among the Company, AngloGold Ashanti (U.S.A.) Exploration Inc. ("AngloGold") and TH Alaska, the Company acquired all of AngloGold's interest in a portfolio of seven mineral exploration projects in Alaska and referred to as the Livengood, Chisna, Gilles, Coffee Dome, West Pogo, Blackshell, and Caribou properties (the "Sale Properties") in exchange for a cash payment of $50,000 on August 4, 2006, and the issuance of 5,997,295 common shares, representing approximately 19.99% of the Company's issued shares following the closing of the acquisition and two private placement financings raising an aggregate of C$11,479,348. AngloGold had the right to maintain its percentage equity interest in the Company, on an ongoing basis, provided that such right terminated if AngloGold's interest was reduced below 10% at any time after January 1, 2009.

As further consideration for the transfer of the Sale Properties, the Company granted to AngloGold a 90 day right of first offer with respect to the Sale Properties and any additional mineral properties in Alaska in which the Company acquires an interest and which interest the Company proposes to farm out or otherwise dispose of. Upon AngloGold's equity interest in the Company being reduced to less than 10%, this right of first offer would then terminate. On December 11, 2014 the Company closed a private placement financing (see note 8 below) in which AngloGold elected not to participate. As a result of the shares issued in this private placement, AngloGold's ownership in the Company was reduced to less than 10% and thus both AngloGold's right to maintain its ownership percentage interest and its right of first offer on the Company's Alaskan properties terminated upon the closing of the private placement.

Details of the Livengood Property (being the only Sale Property still held by the Company) are as follows:

Livengood Property:

The Livengood property is located in the Tintina gold belt approximately 113 kilometers (70 miles) north 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 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 l% 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. As of December 31, 2014 the Company has paid $1,648,923 from the inception of this lease.

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. As of December 31, 2014, the Company has paid $530,000 from the inception of this lease.

c) a lease of patented lode claims having an initial term of ten years commencing January 18, 2007, and continuing for so long thereafter as advance minimum royalties are paid. The lease requires an advance minimum royalty of $20,000 on or before each anniversary date through January 18, 2017 and $25,000 on or before each subsequent anniversary (all of which minimum royalties are recoverable from production royalties). An NSR production royalty of 3% is payable to the lessors. The Company may purchase all interests of the lessors in the leased property (including the production royalty) for $1,000,000 (less all minimum and production royalties paid to the date of purchase), of which $500,000 is payable in cash over four years following the closing of the purchase and the balance of $500,000 is payable by way of the 3% NSR production royalty. As of December 31, 2014, the Company has paid $125,000 from the inception of this lease.

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. As of December 31, 2014, the Company has paid $83,000 from the inception of this lease.

Title to mineral properties

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

5. ACCRUED LIABILITIES

The following table presents the accrued liabilities balances at December 31, 2014 and 2013.

	December 31, 2014	December 31, 2013
Accrued liabilities	$ 334,423	$ 540,486
Accrued severance	390,659	719,375
Accrued salaries and benefits	153,600	191,366
Total accrued liabilities	$ 878,682	$ 1,451,227

Accrued liabilities at December 31, 2014 include accruals for general corporate costs and project costs of $74,413 and $260,010, respectively. Accrued liabilities at December 31, 2013 include accruals for general corporate costs and project costs of $115,020 and $425,466, 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 contingent payment based on the five-year average daily gold price (“Average Gold Price”) from the date of the acquisition. The contingent payment will equal $23,148 for every dollar that the Average Gold Price exceeds $720 per troy ounce. If the Average Gold Price is less than $720, there will be no additional contingent payment.

At initial recognition on December 13, 2011 the derivative liability was valued at $23,100,000. The key assumption used in the valuation of the derivative is the estimate of the future Average Gold Price. The estimate of the future Average Gold Price was determined using a forward curve on future gold prices as published by the CME Group. The CME Group represents the merger of the Chicago Mercantile Exchange (CME), the Chicago Board of Trade (CBOT), the New York Mercantile Exchange (NYMEX) and its commodity exchange division, Commodity Exchange, Inc. (COMEX). Using this forward curve, the Company estimated an Average Gold Price based on actual gold prices to December 31, 2014 and projected gold prices from December 31, 2014 to the end of the five year period in December 2016 of $1,356 per ounce of gold.

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

	Fair value	Average Gold Price/oz.
Derivative value at December 31, 2012	$ 22,400,000	$ 1,688
Unrealized gain for the year	(7,600,000)	
Derivative value at December 31, 2013	14,800,000	$ 1,360
Unrealized gain for the year	(100,000)	
Derivative value at December 31, 2014	$ 14,700,000	$ 1,356

7. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows for the years ended December 31, 2014 and 2013:

	December 31, 2014	December 31, 2013
Loss before income taxes	$ (7,767,096)	$ (9,852,480)
Statutory Canadian corporate tax rate	25.00%	25.00%
Income tax recovery at statutory rates	$ (1,941,774)	$ (2,463,120)
Share-based payments	321,346	891,068
Unrecognized items for tax purposes	(5,383)	(1,634,335)
Difference in tax rates in other jurisdictions	(1,072,910)	(1,036,959)
Unrecognized amounts	2,698,721	4,243,346
Income tax recovery	$ -	$ -

The significant components of the Company's deferred income tax assets and liabilities are as follows:

	December 31, 2014	December 31, 2013
Deferred income tax assets (liabilities):		
Mineral properties	$ 57,243,322	$ 57,243,322
Derivative liability	(1,822,800)	(1,801,100)
Other	62,329	63,539
Share issue costs	148,685	409,503
Non-capital losses available for future periods	31,229,931	28,245,574
	86,861,467	84,160,838
Valuation allowance	(86,861,467)	(84,160,838)
Deferred income tax asset	$ -	$ -

At December 31, 2014, the Company has available net operating losses for Canadian income tax purposes of approximately $17,536,000 and net operating losses for US income tax purposes of approximately $61,857,000 available for carry-forward to reduce future years' taxable income, if not utilized, expiring as follows:

	Canada	United States
2025	$ 65,000	$ -
2026	78,000	-
2027	907,000	1,252,000
2028	1,253,000	1,350,000
2029	2,074,000	2,600,000
2030	2,829,000	5,691,000
2031	4,180,000	14,730,000
2032	2,629,000	18,371,000
2033	1,827,000	11,962,000
2034	1,694,000	5,901,000
	17,536,000	61,857,000

In addition, the Company has available mineral resource related expenditure pools for Canadian income tax purposes totalling approximately $2,628,000 which may be deducted against future taxable income in Canada on a discretionary basis. The Company also has available mineral resource expenses that are related to the Company's exploration activities in the United States of approximately $185,999,000 which may be deductible for U.S. tax purposes. Future tax benefits, which may arise as a result of applying these deductions to taxable income, have not been recognized in these accounts due to the uncertainty of future taxable income.

8. SHARE CAPITAL

Authorized

500,000,000 common shares without par value. At December 31, 2014 and 2013 there were 116,313,638 and 98,068,638 shares issued and outstanding, respectively.

Share issuances

During the fourth quarter of 2014, the Company closed a non-brokered private placement financing through the issuance of 18,245,000 common shares issued at C$0.46 per share for gross proceeds of $7,315,917. The financing closed on December 11, 2014. Total share issuance costs for this non-brokered private placement financing amounted to $24,828.

Stock options

The Company has adopted an incentive stock option plan (the "2006 Plan"). The essential elements of the 2006 Plan provide that the aggregate number of common shares of the Company's capital stock that may be made issuable pursuant to options granted under the 2006 Plan may not exceed 10% of the number of issued shares of the Company at the time of the granting of the options. Options granted under the 2006 Plan will have a maximum term of ten years. The exercise price of options granted under the 2006 Plan 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. All options granted during the years ended December 31, 2014 and 2013 vest as to one-third on the date of grant, one-third on the first anniversary, and the balance on the second anniversary.

A summary of the status of the stock option plan as of December 31, 2014 and 2013 and changes during the periods is presented below:

	Year Ended December 31, 2014		**Year Ended December 31, 2013**	
	Number of Options	Weighted Average Exercise Price (C$)	Number of Options	Weighted Average Exercise Price (C$)
Balance, beginning of the period	5,493,000	$ 3.57	8,570,000	$ 4.73
Granted	2,480,000	$ 1.00	613,000	$ 2.18
Expired	-	$ -	(1,040,000)	$ 7.78
Forfeited	(600,000)	$ 3.17	(1,550,000)	$ 3.27
Cancelled	(1,519,000)	$ 2.97	(1,100,000)	$ 8.27
Balance, end of the period	5,854,000	$ 2.68	5,493,000	$ 3.57

The weighted average remaining life of options outstanding at December 31, 2014 was 4.5 years.

Stock options outstanding are as follows:

	December 31, 2014			**December 31, 2013**		
Expiry Date	Exercise Price (C$)	Number of Options	Exercisable	Exercise Price (C$)	Number of Options	Exercisable
August 23, 2016	$ 8.07	600,000	600,000	$ 8.07	600,000	600,000
January 9, 2017	$ 4.60	30,000	30,000	$ 4.60	30,000	20,000
August 24, 2017	$ 3.17	2,275,000	2,275,000	$ 3.17	3,350,000	2,233,322
September 19, 2017	-	-	-	$ 2.91	1,000,000	666,666
March 14, 2018	$ 2.18	469,000	312,660	$ 2.18	513,000	170,995
February 25, 2022	$ 1.11	1,360,000	453,333	-	-	-
February 25, 2022	$ 0.73	690,000	230,000	-	-	-
March 10, 2022	$ 1.11	430,000	143,333	-	-	-
		5,854,000	4,044,326		5,493,000	3,690,983

A summary of the non-vested options as of December 31, 2014 and 2013 and changes during the fiscal years ended December 31, 2014 and 2013 is as follows:

Non-vested options:	Number of options	Weighted average grant-date fair value (C$)
Outstanding at December 31, 2012	4,386,680	$2.05
Granted	613,000	$0.50
Vested	(2,547,660)	$2.27
Forfeited	(650,003)	$1.57
Outstanding at December 31, 2013	1,802,017	$1.38
Granted	2,480,000	$0.49
Vested	(2,272,342)	$1.10
Forfeited	(200,001)	$1.61
Outstanding at December 31, 2014	1,809,674	$0.49

At December 31, 2014 there was unrecognized compensation expense of C$308,850 related to non-vested options outstanding. The cost is expected to be recognized over a weighted-average remaining period of approximately 0.93 years.

Share-based payments

During the year ended December 31, 2014, the Company granted 2,480,000 stock options with a fair value of C$1,224,537, calculated using the Black-Scholes option pricing model. The Company recognized share-based payment expense of $1,285,385, $3,564,273 and $9,206,975 during the years ended December 31, 2014, 2013 and 2012, respectively.

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

	Year ended December 31, 2014	**Year ended December 31, 2013**
Expected life of options	6 years	4 years
Risk-free interest rate	1.83%	1.29%
Expected volatility	81.02%	59.48%
Dividend rate	0.00%	0.00%
Exercise price (C$)	$1.00	$2.18

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

9. SEGMENT AND GEOGRAPHIC INFORMATION

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

	Canada	**United States**	**Total**
December 31, 2014			
Capitalized acquisition costs	$ -	$ 55,204,041	$ 55,204,041
Property and equipment	10,477	26,651	37,128
Current assets	13,003,412	760,119	13,763,531
Total assets	$ 13,013,889	$ 55,990,811	$ 69,004,700
December 31, 2013			
Capitalized acquisition costs	$ -	$ 55,173,564	$ 55,173,564
Restricted cash	-	30,477	30,477
Property and equipment	11,994	55,919	67,913
Current assets	13,289,752	903,171	14,192,923
Total assets	$ 13,301,746	$ 56,163,131	$ 69,464,877

	Year ended December 31, 2014	**Year ended December 31, 2013**	**Year ended December 31, 2012**
Net loss for the period - Canada	$ (1,936,065)	$ (4,216,835)	$ (10,589,464)
Net loss for the period - United States	(5,831,031)	(5,635,645)	(46,053,998)
Net loss for the period	$ (7,767,096)	$ (9,852,480)	$ (56,643,462)

10. COMMITMENTS

The following table discloses, as of December 31, 2014, the Company's contractual obligations including anticipated mineral property payments and work commitments and committed office and equipment lease obligations. Under the terms of the Company's mineral property purchase agreements, mineral leases and the terms of the unpatented mineral claims held by it, the Company is required to make certain scheduled acquisition payments, incur certain levels of expenditures, make lease or advance royalty payments, make payments to government authorities and incur assessment work expenditures as summarized in the table below in order to maintain and preserve the Company's interests in the related mineral properties. If the Company is unable or unwilling to make any such payments or incur any such expenditures, it is likely that the Company would lose or forfeit its rights to acquire or hold the related mineral properties. The following table assumes that the Company retains the rights to all of its current mineral properties, but no other lease purchase or royalty buyout options:

	Payments Due by Year						
	2015	2016	2017	2018	2019	2020 and beyond	Total
Livengood Property Purchase(1)	$ -	$ -	$ 14,700,000	$ -	$ -	$ -	$ 14,700,000
Mineral Property Leases(2)	412,398	417,309	422,294	427,353	437,488	442,701	2,559,543
Mining Claim Government Fees	115,205	77,230	77,230	77,230	77,230	77,230	501,355
Office and Equipment Lease Obligations	86,584	-	-	-	-	-	86,584
Total	$ 614,187	$ 494,539	$ 15,199,524	$ 504,583	$ 514,718	$ 519,931	$ 17,847,482

1. The amount payable in January 2017 of $14,700,000 represents the fair value of the Company's derivative liability as at December 31, 2014 and will be revalued at each subsequent reporting period. See note 6.
2. Does not include required work expenditures, as it is assumed that the required expenditure level is significantly below the work for which will actually be carried out by the Company. Does not include potential royalties that may be payable (other than annual minimum royalty payments). See note 4.

11. SUPPLEMENTAL CASH FLOW INFORMATION

	December 31, 2014	December 31, 2013	December 31, 2012
Income taxes paid	$ -	$ -	$ 150,607

CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

As of December 31, 2014, 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 December 31, 2014, 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 is (i) 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.

Management's Annual Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Exchange Act Rule 13a-15(f). Management evaluated, with the participation of our Chief Executive Officer and Chief Financial Officer, the effectiveness of internal control over financial reporting as of December 31, 2014. In conducting this evaluation, management used the framework established by the Committee of Sponsoring Organizations of the Treadway Commission as set forth in Internal Control – Integrated Framework (2013). Based on this evaluation under the framework in Internal Control – Integrated Framework (2013), management concluded that internal control over financial reporting was effective as of December 31, 2014.

Because of its inherent limitations, a system of internal control over financial reporting may not prevent or detect misstatements. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. The design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will achieve its stated objectives under all future conditions.

The effectiveness of our internal control over financial reporting as of December 31, 2014, has been audited by PricewaterhouseCoopers LLP, the independent registered public accounting firm who also audited the Company's consolidated financial statements included in this Annual Report on Form 10-K. PricewaterhouseCoopers LLP's report on the Company's internal control over financial reporting is included as part of Part II, Item 8, Financial Statements and Supplementary Data in this Annual Report on Form 10-K.

Changes in Internal Control over Financial Reporting

There were no changes in internal controls over financial reporting during the fourth quarter ended December 31, 2014 that have materially, or are reasonably likely to materially affect, the Company's internal control over financial reporting.