

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, 2012. All currency amounts are stated in US dollars unless noted otherwise.

Current Business Activities

General

During the six months ended June 30, 2013, and to the date of this MD&A, the Company advanced its Livengood Gold Project in Alaska with the issuance of feasibility study (the "Feasibility Study") results. The Feasibility Study for the Livengood Gold Project has been underway since early 2012.

Livengood Gold Project - Feasibility Study Results

The Company announced the results of the Feasibility Study on July 23, 2013. The purpose of the Feasibility Study is to advance the Livengood Gold Project to a level that will enable a decision to advance to permitting and the execution phase of the Project. Using the trailing three year gold price of \$1,500 per ounce, the Project generates an after-tax internal rate of return of 1.7%.

Mining and Production

The Project design is a conventional, owner-operated, surface mine that will utilize large-scale mining equipment in a blast/load/haul operation. Ore is planned to be processed in a 100,000 ton per day ("tpd") comminution circuit consisting of a primary gyratory crusher, wet grinding in a single semi-autogenous (SAG) mill and two ball mills, followed by a gravity gold circuit, a conventional carbon in leach (CIL) circuit and a refinery.

The 100,000 tpd mine plan contains 501 million tons of ore mined from the Livengood open pit over the 14 year operating life. Total gold recovered is expected to be 8 million ounces. Average annual gold production over the life-of-mine ("LOM") is 577,600 ounces, averaging 698,500 ounces during the first five years of operations. Mining and ore stockpiling will begin during construction phase and will be two years in advance of plant commissioning

Project Economics

The project economics were generated using the trailing three year average gold price of \$1,500 per ounce resulting in an after-tax internal rate of return (IRR) of 1.7% with an all-in cost of production of \$1,474 per ounce. The following table provides additional details of the Project's economics (after-tax) at various gold prices.

Gold Price per Ounce	NPV5% (\$M)	IRR (%)	Payback (years)
\$1,200	(1,835)	(16.1)	n/a
\$1,300	(1,336)	(7.2)	n/a
\$1,400	(854)	(1.9)	n/a
\$1,500	(440)	1.7	10.8
\$1,600	(50)	4.6	8.8
\$1,700	336	7.3	7.2
\$1,800	723	9.7	6.1
\$1,900	1,109	12.0	5.2
\$2,000	1,493	14.1	4.6
\$2,100	1,869	16.1	4.2
\$2,200	2,219	17.8	3.8

Capital Costs

The total estimated cost to design, procure, construct and commission the facilities described in this section is \$2.79 billion and sustaining capital of \$893 million. In addition to the large-scale mining equipment and comminution

circuit described above, the Project will include a lined tailings management system, two water reservoirs, an administration office/shop/warehouse complex and a 440 person camp. The Project will also include construction of an 80 kilometer (50 mile) transmission line to the site from the existing grid power near Fairbanks, Alaska. The capital costs estimate is expressed in nominal 2013 US dollars. No provision has been included to offset future escalation, and the estimate excludes sunk costs (costs prior to the start of detailed design) and risks due to labor disputes, permitting delays, weather delays or any other force majeure occurrences.

Site deconstruction and reclamation will proceed in stages at a total cost of \$353 million. Initial reclamation and salvage will take 5 years with costs projected at \$253.4 million. After site stabilization, preparation of final site configuration and ongoing water treatment is anticipated. The initial and sustaining capital included a fully lined tailings management facility; this facility has been included as best practices for environmental stewardship.

Key capital expenditures for initial and sustaining capital requirements are identified in the following table:

Capital Expenditures (\$Millions)	Initial Capital	Sustaining Capital
Process facilities	\$ 1,119	\$ 26
Infrastructure facilities	708	506
Power supply	129	-
Mine equipment	189	126
Mine development	177	-
Other owners costs	166	9
Contingency	271	-
Funding of reclamation trust fund ⁽¹⁾	32	226
Total capital	\$ 2,790	\$ 893

Note: may not add due to rounding.

⁽¹⁾ Total estimated reclamation costs are \$353 million.

Operating Costs

The following table presents a breakdown of all-in operating cost of production over the projected life of the Project. Operating costs were estimated based on second quarter 2013 current US dollars without escalation. LOM operating cost is anticipated to be \$1,030/oz and all-in after-tax LOM costs is anticipated to be \$1,474/oz. All-in sustaining cost of production is a non-GAAP financial measure and substantially conforms to the World Gold Council guidance on production cost reporting issued in June 2013. Non-GAAP financial measures are not defined under GAAP and are provided as additional information and should not be considered in isolation or as a substitute for other financial measures prepared in accordance with GAAP. See further discussion of non-GAAP measures below.

All-in Sustaining Cost of Production	\$/Ounce	LOM (\$Million)
On-site mine operating costs	\$ 933	\$ 7,543
Royalties	45	362
Third-party smelting, refining and transport costs	9	75
Sub-total	987	7,980
Reclamation and remediation	43	353
Sub-total production cost before capital	1,030	8,333
Capital expenditures (initial and sustaining) ⁽¹⁾	416	3,367
All-in costs – pre-tax	1,447	11,700
Mining and income taxes	27	220
All-in costs – after-tax	\$ 1,474	\$ 11,920

Rounding of some figures in the table above may lead to minor discrepancies in totals.

⁽¹⁾ Excludes \$32 million upfront funding included in reclamation and remediation above and \$57 million for recoverable initial stores inventory.

Annual Production

The table below highlights the anticipated production schedule. Total life-of-mine production is projected to be approximately 8,086,000 ounces. For the first five years, it is anticipated that average annual production would be 698,500 ounces.

Years	Mill Feed Grade (g/tonne)	Ounces Produced (000's)
1	1.08	763.2
2	0.94	844.2
3	0.67	594.0
4	0.76	671.3
5	0.74	619.7
6	0.63	558.3
7	0.66	590.3
8	0.66	582.3
9	0.67	554.2
10	0.72	562.9
11	0.82	720.7
12	0.54	421.6
13	0.39	321.4
14	0.39	282.2
LOM	0.69	8,086.4

Project Mineral Resources and Reserves

The global mineral resource estimate has been updated from that published in August 2011 to include drilling in the deposit since that time. The resource model was constructed using Gemcom GEMS® and the Stanford GSLIB (Geostatistical Software Library) MIK post processing routine. The resource was estimated using Multiple Indicator Kriging techniques.

A three-dimensionally defined stratigraphic model, based on interpretations by ITH geologists, was used to code the rock type block model. A three-dimensionally defined probability grade shell (0.1 g/t) was used to constrain the gold estimation. Gold contained within each block was estimated using nine indicator thresholds. The block model was tagged with the geologic model using a block majority coding method. Because there are significant grade discontinuities at stratigraphic contacts, hard boundaries were used between each of the stratigraphic units so that data for each stratigraphic unit was used only for that unit.

A summary of the estimated global (in-situ) mineral resource is presented in the table below for cutoff grades of 0.2, 0.3, 0.5, and 0.7 g/t gold.

Classification	Gold Cutoff (g/t)	Tonnes (Millions)	Gold (g/t)	Gold Ounces (Millions)
Measured	0.20	994	0.52	16.4
Indicated	0.20	112	0.45	1.6
Measured & Indicated	0.20	1,106	0.51	18.0
Inferred	0.20	438	0.41	5.8
Measured	0.30	731	0.61	14.4
Indicated	0.30	71	0.56	1.3
Measured & Indicated	0.30	802	0.61	15.7
Inferred	0.30	266	0.52	4.4
Measured	0.50	370	0.82	9.8
Indicated	0.50	31	0.80	0.8
Measured & Indicated	0.50	401	0.82	10.6
Inferred	0.50	92	0.76	2.3
Measured	0.70	179	1.08	6.2
Indicated	0.70	13	1.09	0.5
Measured & Indicated	0.70	192	1.08	6.7
Inferred	0.70	34	1.08	1.2

Mineral resources that are not mineral reserves do not have demonstrated economic viability. Mineral resource estimates do not account for mineability, selectivity, mining loss and dilution. These mineral resource estimates include inferred mineral resources that are normally considered too speculative geologically to have economic considerations applied to them that would enable them to be categorized as mineral reserves. There is also no certainty that these inferred mineral resources will be converted to measured and indicated categories through further drilling, or into mineral reserves, once economic considerations are applied.

The Feasibility Study has converted a portion of these mineral resources into proven reserves of 434 million tonnes at an average grade of 0.69 g/tonne (9.6 million ounces) and probable reserves of 20 million tonnes at an average grade of 0.70 g/tonne (454,000 ounces) at the gold price of \$1,500 per ounce (the trailing three year average).

The table below illustrates the updated reserve estimate for the Project, calculated at a gold price of \$1,500 per ounce.

Rock Type	Tonnes (000s)	Average Grade g Au/t	Ounces (000s)
RT4 Cambrian	58,247.3	0.639	1,196.6
RT5 Sunshine Upper Sediments	126,592.2	0.576	2,344.6
RT6 Upper Sediments	80,912.3	0.733	1,906.0
RT7 Lower Sediments-Bleached	51,020.0	0.772	1,266.3
RT8 Sunshine Volcanics	6,707.4	0.659	142.1
RT9 Volcanics	111,013.9	0.775	2,766.0
Total proven:	434,493.0	0.689	9,621.5
RT4 Cambrian	5,129.8	0.720	118.7
RT5 Sunshine Upper Sediments	1,503.4	0.535	25.8
RT6 Upper Sediments	2,754.6	0.637	56.4
RT7 Lower Sediments-Bleached	4,005.3	0.726	9.5
RT8 Sunshine Volcanics	2,321.2	0.669	49.9
RT9 Volcanics	4,416.4	0.773	109.7
Total probable:	20,130.8	0.702	454.0
RT4 Cambrian	63,377.1	0.645	1,315.2
RT5 Sunshine Upper Sediments	128,095.6	0.576	2,370.4
RT6 Upper Sediments	83,666.9	0.730	1,962.4
RT7 Lower Sediments-Bleached	55,025.3	0.769	1,359.8
RT8 Sunshine Volcanics	9,028.6	0.662	192.0
RT9 Volcanics	115,430.3	0.775	2,875.7
Total proven and probable:	454,623.8	0.689	10,075.6

Rounding of some figures may lead to minor discrepancies in totals.

Metallurgy, Processing and Infrastructure

ITH has completed extensive metallurgic test work on the five rock types that comprise 98% of the reserve, announced in a separate press release dated December 11 2012.

ITH's metallurgic test work programs evaluated: (1) ore hardness estimates that showed the Money Knob deposit is consistent and does not change at depth; (2) the selection of a SAG mill and two ball mills instead of High Pressure Grinding Roll technology; (3) the use of a grind, gravity, flotation, CIL circuit versus grind, gravity, whole ore CIL; (4) estimated gold recovery rates based on optimized grind size and leach conditions for the various rock types; and (5) the use of heap leaching of Livengood ores.

The comminution circuit is designed to process material with an average bond-work index 5% in excess of actual rock hardness based on the test work completed. Gold will be recovered through a traditional crusher, grinding, gravity and CIL circuit. Recovery rates are based on the results of 99 variability tests.

Rock Type	Gold Recovery %
RT4 Cambrian	84.2
RT5 Sunshine Upper Sediments	87.7
RT6 Upper Sediments	76.7
RT7 Lower Sediments-Bleached	58.5
RT9 Volcanics	84.8

The Livengood Gold Project is located approximately 110 kilometers (70 miles) northwest of the town of Fairbanks in Central Alaska and is connected by an existing paved highway. The Project is located in an active mining district that has been mined for gold since 1914. The State of Alaska land use plan designates mining as the primary surface use for the Livengood area.

Next Steps and Opportunities

The Company believes that mill throughput and production schedule optimization studies may provide opportunities to reduce project capital costs. A lower mill throughput may offer an opportunity to enhance mill head grades in early years by a more aggressive stockpile management strategy than is assumed in the Feasibility Study.

The Company will also continue to advance environmental baseline work in support of future permitting in order to better position the Livengood Gold Project for a construction decision when warranted by market conditions.

There is also opportunity to expand the mineable resource by increasing the in-pit resource, as additional drilling may improve the classification of the material contained within the pit. Additional drilling may expand the resource at depth and to the southwest, incorporating mineralized material below the current grade model. Multiple exploration targets have been identified and may increase the resource with additional exploration.

The Company has also identified several opportunities to improve the performance of the Project that warrant further study, including verification of preliminary indications of a higher head grade, verify modeling to improve recovery through intensive cyanide leach reactors, reducing reagent consumption and energy costs.

Project Risks

Successful commercial production, if any, is subject to successful construction of the designed facilities in the Feasibility Study. Project risks include, but are not limited to, the following, which may have negative implications to both the execution schedule and project cost:

The Project design requires excavation, processing, movement, placement, and preparation of a large quantity of soil, colluvium, alluvial material, and rock. There is a risk that the contractors and owner's crews and equipment may not be able to move this material as efficiently as estimated.

The Project has a large surface footprint. While subsurface ground conditions have been investigated by drilling in support of this feasibility study, not all areas have been completely investigated. The actual subsurface ground conditions encountered during construction may be different than currently understood.

The Project will require the surface preparation and placement of approximately 38 million square feet of LLDPE liner and other appurtenances at the tailings management facility during the two planned summer construction seasons available after construction start and prior to production. There is risk that the contractor may not be able to place the quantity of liner required in the time available.

The Feasibility Study execution plan assumes an August 1 project release date, with mobilization to the site and construction to begin on October 1. This date was selected to conform to the optimum period for mobilization to the site and establishment of temporary support facilities prior to the onset of winter. This date also is optimum to allow full utilization of the entire winter season to pioneer construction activities at the various project facilities, all of which are located in permafrost terrain. The actual project release date is uncertain, given the combination of market variables and the multi-year permitting process that must be completed prior to a construction decision. There is a risk that a project release-date could be substantially different than August 1.

2013 Outlook

During the remainder of 2013, the Company will continue to review opportunities as identified with the completion of the Feasibility Study including smaller capital expenditure options for the Project, and alternate mine plans with higher cutoffs which allow future development expansion and without compromising the total identified gold resource. The Company also plans to continue critical baseline environmental studies to maintain the integrity of five years of historical data already compiled.

In light of the recent decrease in the gold price and its effect on the gold mining industry, the Company has prepared for the potential of a continuing lower gold price by revising its 2013 program to limit spending to essential activities. These activities include the completion of the Feasibility Study, environmental baseline work as well as required corporate and compliance matters.

The Company will continue to seek a strategic alliance with a larger entity to possibly fund the future development of the Project. The strength of the gold asset, the favorable location, and the proven permitting team are the reason the Company would potentially attract a strategic partner with a long term development horizon who understands the Project is highly leveraged to gold prices. To date ITH has signed multiple confidentiality agreements with large and intermediate mining companies and will be providing the final Feasibility Study results on the 100,000 TPD case as well as various opportunities to be considered by those companies.

Results of Operations

Summary of Quarterly Results

	June 30, 2013	March 31, 2013	December 31, 2012	September 30, 2012
Net loss	\$ (642,050)	\$ (4,063,282)	\$ (7,258,397)	\$ (25,033,780)
Basic and diluted net loss per common share	\$ (0.01)	\$ (0.04)	\$ (0.07)	\$ (0.27)

Description	4 months			
	June 30, 2012	March 31, 2012	December 31, 2011	August 31, 2011
Net loss	\$ (12,909,320)	\$ (11,441,965)	\$ (16,727,561)	\$ (26,582,396)
Basic and diluted net loss per common share	\$ (0.15)	\$ (0.13)	\$ (0.19)	\$ (0.31)

Three Months Ended June 30, 2013 compared to Three Months Ended June 30, 2012

The Company incurred a net loss of \$642,050 for the three months ended June 30, 2013, compared to a net loss of \$12,909,320 for the three months ended June 30, 2012. The following discussion highlights certain selected financial information and changes in operations between the three months ended June 30, 2013 and the three months ended June 30, 2012.

Mineral property expenditures decreased significantly to \$2,452,664 for the three months ended June 30, 2013 from \$11,833,137 for the three months ended June 30, 2012, primarily due to the Company completing its current exploration and drilling programs and shifting to activities related to the completion of the Feasibility Study including metallurgical, process engineering, and environmental baseline work.

Share-based payment charges were \$1,171,853 during the three months ended June 30, 2013 compared to \$1,062,378 during the three months ended June 30, 2012. The increase in share-based payment charges during the period was mainly the result of vesting related to option grants in March 2013 and the second half of 2012. The Company did not grant any options during the three month periods ended June 30, 2013 and 2012.

Share-based payment charges

Share-based payment charges for the three month periods ended June 30, 2013 and 2012 were allocated as follows:

Expense category:	June 30, 2013	June 30, 2012
Consulting	\$ 398,113	\$ 36,778
Investor relations	(26,515)	-
Wages and benefits	800,255	1,025,600
	\$ 1,171,853	\$ 1,062,378

Excluding share-based payment charges of \$800,255 and \$1,025,600, respectively, wages and benefits decreased to \$962,868 during the three months ended June 30, 2013 from \$1,890,976 during the three months ended June 30, 2012 as a result of decreased severance charges and decreased personnel during the current year period.

Excluding share-based payment charges of \$398,113 and \$36,778, respectively, consulting fees decreased to \$81,331 during the three months ended June 30, 2013 from \$191,386 during the three months ended June 30, 2012 due to additional fees incurred in the prior period primarily for general corporate matters.

Other expense categories reflected only moderate change period over period.

Other items amounted to a gain of \$4,436,515 during the three month period ended June 30, 2013 compared to a gain of \$2,577,151 during the three month period ended June 30, 2012. The gain in the current period resulted primarily from an unrealized gain of \$4.2 million on the revaluation of the derivative liability at June 30, 2013 resulting from a decrease in the average price of gold, compared to an unrealized gain of \$2.1 million on the revaluation of the derivative liability during the prior period which resulted from a smaller decrease in the average price of gold. In addition to the unrealized gain on the derivative liability, the Company had foreign exchange gain of \$511,994 during the three month period ended June 30, 2013 compared to a gain of \$448,164 during the three month period ended June 30, 2012 as a result of an increase in the value of the Canadian dollar compared to the US dollar. The increase in other income was partially offset by a loss of \$298,769 related to the other than temporary impairment of certain available-for-sale securities during the three months ended June 30, 2013.

Six Months Ended June 30, 2013 compared to Six Months Ended June 30, 2012

The Company incurred a net loss of \$4,705,332 for the six month period ended June 30, 2013, compared to a net loss of \$24,351,285 for the six month period ended June 30, 2012. The following discussion highlights certain selected financial information and changes in operations between the six months ended June 30, 2013 and the six months ended June 30, 2012.

Mineral property expenditures decreased significantly to \$5,247,099 for the six months ended June 30, 2013 from \$16,955,013 for the six months ended June 30, 2012 primarily due to the Company completing its current exploration and drilling programs and shifting to activities related to the completion of the Feasibility Study such as metallurgical, process engineering, and environmental baseline work.

Share-based payment charges were \$2,749,881 during the six months ended June 30, 2013 compared to \$2,948,367 during the six months ended June 30, 2012. The decrease in share-based payment charges during the period was primarily the result of a reduction in the number and fair value of options granted during the period and vesting of prior option grants. The Company granted 613,000 options during the six months ended June 30, 2013 compared to 680,000 during the six months ended June 30, 2012.

Share-based payment charges

Share-based payment charges for the six month periods ended June 30, 2013 and 2012 were allocated as follows:

Expense category:	June 30, 2013	June 30, 2012
Consulting	\$ 942,543	\$ 73,558
Investor relations	17,310	1,472
Professional fees	-	393
Wages and benefits	1,790,028	2,872,944
	<u>\$ 2,749,881</u>	<u>\$ 2,948,367</u>

Excluding share-based payment charges of \$1,790,028 and \$2,872,944, respectively, wages and benefits decreased to \$1,850,059 during the six months ended June 30, 2013 from \$3,306,268 during the six months ended June 30, 2012 as a result of decreased severance charges and decreased personnel during the current year period.

Excluding share-based payment charges of \$942,543 and \$73,558, respectively, consulting fees decreased to \$175,904 during the six months ended June 30, 2013 from \$415,492 during the three months ended June 30, 2012 due to additional fees incurred in the prior period primarily for general corporate matters and compensation benefits design and implementation.

Other expense categories reflected only moderate change period over period.

Other items amounted to a gain of \$6,368,573 during the six month period ended June 30, 2013 compared to a gain of \$383,292 during the six month period ended June 30, 2012. The gain in the current period resulted mainly from an unrealized gain of \$5.7 million on the revaluation of the derivative liability at June 30, 2013 resulting from a decrease in the average price of gold, compared to an unrealized loss of \$0.3 million on the revaluation of the derivative liability during the prior period which resulted from an increase in the average price of gold. In addition to the unrealized gain on the derivative liability, the Company had foreign exchange gain of \$909,823 during the six month period ended June 30, 2013 compared to a gain of \$427,744 during the six month period ended June 30, 2012 as a result of an increase in the value of the Canadian dollar compared to the US dollar. The increase in other income was partially offset by a loss of \$298,769 related to the other than temporary impairment of certain available-for-sale securities during the six months ended June 30, 2013. Furthermore, income of \$141,948 from mineral property earn-in was recognized during the six month period ended June 30, 2012 which was related to the Terra and Chisna properties transferred to Corvus Gold Inc. in 2010 compared to no mineral property earn-in income for the six month period ended June 30, 2013.

Liquidity and Capital Resources

The Company has no revenue generating operations from which it can internally generate funds. To date, the Company's ongoing operations have been predominantly financed through sale of its equity securities by way of private placements and the subsequent exercise of share purchase and broker warrants and options issued in connection with such private placements. However, the exercise of warrants/options is dependent primarily on the market price and overall market liquidity of the Company's securities at or near the expiry date of such warrants/options (over which the Company has no control) and therefore there can be no guarantee that any existing warrants/options will be exercised.

As at June 30, 2013, the Company reported cash and cash equivalents of \$19,874,686 compared to \$30,170,905 at December 31, 2012. The decrease of approximately \$10.3 million resulted mainly from expenditures on the Livengood Gold Project, advancing work towards completion of the Feasibility Study. The Company continues to utilize its cash resources to fund the Livengood Gold Project permitting, feasibility study recommendations, including related metallurgical and geotechnical studies, and corporate administrative requirements.

The Company had no investing cash flows during the six months ended June 30, 2013. Investing activities during the six months ended June 30, 2012 comprised of mineral property acquisitions of approximately \$2 million. Mineral property acquisitions during 2012 related to certain mining claims and related rights in the vicinity of the Livengood Gold Project.

The Company had no cash flows from financing activities during the six month periods ended June 30, 2013 and 2012.

As at June 30, 2013, the Company had working capital of \$19,014,619 compared to working capital of \$27,676,797 at December 31, 2012. 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 the non-discretionary activities at the Livengood Gold Project, and its currently anticipated general and administrative costs, through the 2014 fiscal year. To advance the Livengood Gold Project towards permitting and development, the Company anticipates maintaining certain essential development activities for the fiscal year ending December 31, 2013. The additional financing completed by the Company in the third quarter of 2012 will fund the continued operations for the 2013 fiscal year and the planned environmental baseline activities for continuing the Livengood Gold Project towards permitting and its currently anticipated general and administrative costs through the 2014 fiscal year. The Company will require significant additional financing to continue its operations (including general and administrative expenses) in connection with post- Feasibility Study 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.

Despite the Company's success to date in raising significant equity financing to fund its operations, there is significant uncertainty that the Company will be able to secure any additional financing in the current or future equity markets. See "Risk Factors – We will require additional financing to fund exploration and, if warranted, development and production. Failure to obtain additional financing could have a material adverse effect on our financial condition and results of operation and could cast uncertainty on our ability to continue as a going concern" in the Company's Annual Report on Form 10-K for the year ended December 31, 2012. The quantity of funds to be raised and the terms of any proposed equity financing that may be undertaken will be negotiated by management as opportunities to raise funds arise. Specific plans related to the use of proceeds will be devised once financing has been completed and management knows what funds will be available for these purposes. Due to this uncertainty, if the Company is unable to secure additional financing, it may be required to reduce all discretionary activities at Livengood to preserve its working capital to fund anticipated non-discretionary expenditures beyond the 2013 fiscal year.

Other than cash held by its subsidiaries for their immediate operating needs in Alaska and Colorado, 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. However, to achieve greater security for the preservation of its capital, the Company has, of necessity, been required to accept lower rates of interest which has also lowered its potential interest income.

Contractual Obligations

The following table discloses the Company's contractual obligations for optional mineral property payments and work commitments and committed office and equipment lease obligations as of June 30, 2013. The table also includes amounts payable under the purchase agreement related to the acquisition of certain mining claims and related rights in the vicinity of the Livengood Gold Project ("Livengood Property Purchase"). The Company does not have any other long-term debt or loan 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							Total
	2013	2014	2015	2016	2017	2018	2019 and beyond	
Livengood Property Purchase ⁽¹⁾	\$ -	\$ -	\$ -	\$ 16,700,000	\$ -	\$ -	\$ -	\$ 16,700,000
Mineral Property Leases ⁽²⁾	-	396,563	396,563	396,563	396,563	401,563	401,563	2,389,378
Mining Claim Government Fees	89,110	89,110	89,110	89,110	89,110	89,110	89,110	623,770
Office and Equipment Lease Obligations	79,526	102,825	362	362	362	362	362	184,161
Total	\$ 168,636	\$ 588,498	\$ 486,035	\$ 17,186,035	\$ 486,035	\$ 491,035	\$ 491,035	\$ 19,897,309

1. The amount payable in December 2016 of \$16,700,000 represents the fair value of the Company's derivative liability as at June 30, 2013 and will be revalued at each subsequent reporting period.
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).

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, 2012, 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."

Non-GAAP Financial Measures

Non-GAAP financial measures are not defined under GAAP and are provided as additional information and should not be considered in isolation or as a substitute for other financial measures prepared in accordance with GAAP.

All-in Sustaining Cost of Production

All-in sustaining costs of production are non-GAAP financial measures. This measure includes operating costs, including royalties and refining and transportation costs, reclamation and remediation costs, and initial capital and sustaining capital costs related to the Livengood Gold Project as outlined in the Feasibility Study results. All-in sustaining cost measures are provided to assist management, investors and analysts with information with which to compare to other companies. All-in sustaining costs are intended to provide additional information and should not be considered in isolation or as a substitute for other financial measures prepared in accordance with GAAP. The all-in sustaining cost of production calculations were prepared using guidance released by the World Gold Council in June 2013.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company has exposure to market risk in areas of interest rate risk, foreign currency exchange rate risk, and other price risk.

Interest Rate Risk

Interest rate risk consists of the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company's cash and cash equivalents consists of cash and cash equivalents held in bank accounts with two major Canadian financial institutions that earn interest at variable interest rates. Future cash flows from interest income on cash and cash equivalents will be affected by interest rate fluctuations. Due to the short-term nature of these financial instruments, fluctuations in market rates do not have a significant impact on estimated fair values.

The Company manages interest rate risk by maintaining an investment policy that focuses primarily on preservation of capital and liquidity. The Company's sensitivity analysis suggests that a 0.5% change in interest rates would affect interest income by approximately \$100,000.

Foreign Currency Risk

The Company is exposed to foreign currency risk to the extent that certain monetary financial instruments and other assets are denominated in Canadian dollars. As the majority of the Company's assets, aside from cash, are denominated in U.S. dollars, currency risk is limited to those Canadian cash balances. The Company has not entered into any foreign currency contracts to mitigate this risk. The Company's sensitivity analysis suggests that a consistent 5% change in the absolute rate of exchange for the Canadian dollar would affect net assets by approximately \$250,000. Furthermore, depending on the amount of cash held by the Company in Canadian dollars at the end of each reporting period using the period end exchange rate, significant changes in the exchange rates could cause significant changes to the currency translation amounts recorded to accumulated other comprehensive income.

As at June 30, 2013, Canadian balances were converted at a rate of C\$1 to US \$0.9513.

Credit Risk

Concentration of credit risk exists with respect to the Company's Canadian cash and cash equivalents as all amounts are held at two major Canadian financial institutions. Credit risk with regard to cash held in the United States is mitigated as the amount held in the United States is only sufficient to cover short-term requirements.

Other Price Risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or foreign exchange risk. The Company's investments in marketable securities are exposed to such risk. The Company's derivative liability, which consists of a future contingent payment valued using historic and estimated future gold prices, is also exposed to other price risk. See Note 5 to the unaudited condensed consolidated interim financial statements included elsewhere in this Quarterly Report on Form 10-Q. The fair value of this liability will fluctuate with the average daily price of gold as well as with future projections for the average price of gold over the life of the obligation. For every dollar change in the average daily price of gold, the value of the derivative liability will change by \$23,148.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

As of June 30, 2013, an evaluation was carried out under the supervision of and with the participation of the Company's management, including the Chief Executive Officer (the principal executive officer) and Chief Financial Officer (the principal financial officer and accounting 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, 2013, 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.

Changes in Internal Control over Financial Reporting

There were no changes in internal controls over financial reporting during the quarter ended June 30, 2013 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.