



CONSOLIDATED FINANCIAL STATEMENTS (AMENDED)

(Expressed in US Dollars)

Years Ended December 31, 2015, 2014 and 2013

Corporate Head Office

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INTERNATIONAL TOWER HILL MINES LTD.

December 31, 2015, 2014 and 2013

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March 15, 2016

Report of Independent Registered Public Accounting Firm

To the Shareholders of International Tower Hill Mines Ltd.

We have audited the accompanying consolidated financial statements of International Tower Hill Mines Ltd., which comprise the consolidated balance sheets as at December 31, 2015 and December 31, 2014, 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, 2015, and the related notes, which comprise a summary of significant accounting policies and other explanatory information. Management is responsible for these consolidated financial statements. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits 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 the consolidated financial statements are free of material misstatement. Our audits of the consolidated financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall consolidated financial statement presentation. We were not engaged to perform an audit of the company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control over financial reporting. Accordingly, we express no such opinion. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of International Tower Hill Mines Ltd. as of December 31, 2015 and December 31, 2014 and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2015 in conformity with accounting principles generally accepted in the United States of America.

signed "PricewaterhouseCoopers LLP"

Chartered Professional Accountants

Vancouver, British Columbia

March 15, 2016

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INTERNATIONAL TOWER HILL MINES LTD.

(An Exploration Stage Company)

CONSOLIDATED BALANCE SHEETS

As at December 31, 2015 and 2014

(Expressed in U.S. Dollars)

	Note	December 31, 2015	December 31, 2014
ASSETS			
Current assets			
Cash and cash equivalents		\$ 6,493,486	\$ 13,521,473
Prepaid expenses and other		192,226	242,058
Total current assets		6,685,712	13,763,531
Property and equipment		30,083	37,128
Capitalized acquisition costs	4	55,204,041	55,204,041
Total assets		\$ 61,919,836	\$ 69,004,700
Current liabilities			
Accounts payable		\$ 122,043	\$ 270,488
Accrued liabilities		394,436	878,682
Total current liabilities		516,479	1,149,170
Non-current liabilities			
Derivative liability	6	13,900,000	14,700,000
Total liabilities		14,416,479	15,849,170
Shareholders' equity			
Share capital, no par value; authorized 500,000,000 shares; 116,313,638 shares issued and outstanding at December 31, 2015 and December 31, 2014	8	243,692,185	243,692,185
Contributed surplus		33,979,717	33,439,249
Accumulated other comprehensive income		816,435	2,196,252
Deficit accumulated during the exploration stage		(230,984,980)	(226,172,156)
Total shareholders' equity		47,503,357	53,155,530
Total liabilities and shareholders' equity		\$ 61,919,836	\$ 69,004,700

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, 2015, 2014 and 2013

(Expressed in U.S. Dollars)

	Note	December 31, 2015	December 31, 2014	December 31, 2013
Operating Expenses				
Consulting fees		\$ 418,424	\$ 333,145	\$ 1,344,578
Depreciation		7,047	15,779	21,800
Insurance		259,753	270,724	284,993
Investor relations		132,305	221,665	304,797
Mineral property exploration	4	2,381,868	2,631,974	8,188,995
Office		33,643	68,941	97,560
Other		19,789	28,792	52,518
Professional fees		230,227	389,218	467,510
Regulatory		160,503	119,154	125,019
Rent		153,178	225,405	226,477
Travel		93,829	121,740	196,811
Wages and benefits		2,559,610	3,946,751	6,863,713
Total operating expenses		(6,450,176)	(8,373,288)	(18,174,771)
Other income (expense)				
Gain on foreign exchange		990,690	453,161	917,301
Interest income		43,670	56,670	103,759
Impairment of available-for-sale securities		(219,402)	-	(298,769)
Unrealized gain on derivative	6	800,000	100,000	7,600,000
Other		22,394	(3,639)	-
Total other income (expense)		1,637,352	606,192	8,322,291
Net loss for the year		(4,812,824)	(7,767,096)	(9,852,480)
Other comprehensive income (loss)				
Unrealized loss on marketable securities		(5,838)	(24,717)	(118,917)
Impairment of available-for-sale securities		219,402	-	298,769
Exchange difference on translating foreign operations		(1,593,381)	(800,312)	(1,260,539)
Total other comprehensive loss for the year		(1,379,817)	(825,029)	(1,080,687)
Comprehensive loss for the year		\$ (6,192,641)	\$ (8,592,125)	\$ (10,933,167)
Basic and fully diluted net loss per share		\$ (0.04)	\$ (0.08)	\$ (0.10)
Weighted average number of shares outstanding		116,313,638	99,068,364	98,068,638

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, 2015, 2014 and 2013

(Expressed in U.S. Dollars)

	Number of shares	Share capital	Contributed surplus	Accumulated other comprehensive income/(loss)	Deficit	Total
Balance, December 31, 2012	98,068,638	\$ 236,401,096	\$ 28,589,591	\$ 4,101,968	\$ (208,552,580)	\$ 60,540,075
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
Stock based compensation	-	-	540,468	-	-	540,468
Unrealized loss on available-for-sale securities	-	-	-	(5,838)	-	(5,838)
Impairment of available-for-sale securities	-	-	-	219,402	-	219,402
Exchange difference on translating foreign operations	-	-	-	(1,593,381)	-	(1,593,381)
Net loss	-	-	-	-	(4,812,824)	(4,812,824)
Balance, December 31, 2015	116,313,638	\$ 243,692,185	\$ 33,979,717	\$ 816,435	\$ (230,984,980)	\$ 47,503,357

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, 2015, 2014 and 2013
(Expressed in U.S. Dollars)

	December 31, 2015	December 31, 2014	December 31, 2013
Operating Activities			
Loss for the year	\$ (4,812,824)	\$ (7,767,096)	\$ (9,852,480)
Add items not affecting cash:			
Depreciation	7,047	15,779	21,800
Share-based payments	540,468	1,285,385	3,564,273
Unrealized gain on derivative liability	(800,000)	(100,000)	(7,600,000)
Impairment of available-for-sale securities	219,402	-	298,769
Write-down of advance to contractors	-	-	482,009
Other	-	15,004	-
Changes in non-cash items:			
Accounts receivable	115,527	44,744	393,437
Prepaid expenses	(27,786)	25,727	18,193
Advance to contractors	30,682	(30,682)	100,000
Accounts payable and accrued liabilities	(612,304)	(332,439)	(2,246,348)
Cash used in operating activities	(5,339,788)	(6,843,578)	(14,820,347)
Financing Activities			
Issuance of share capital	-	7,315,917	-
Share issuance costs	-	(24,828)	-
Cash provided by financing activities	-	7,291,089	-
Investing Activities			
Change in restricted cash	-	30,477	(30,477)
Capitalized acquisition costs	-	(30,477)	-
Cash used in investing activities	-	-	(30,477)
Effect of foreign exchange on cash	(1,688,199)	(851,639)	(1,394,480)
Decrease in cash and cash equivalents	(7,027,987)	(404,128)	(16,245,304)
Cash and cash equivalents, beginning of year	13,521,473	13,925,601	30,170,905
Cash and cash equivalents, end of year	\$ 6,493,486	\$ 13,521,473	\$ 13,925,601

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

INTERNATIONAL TOWER HILL MINES LTD.
(An Exploration Stage Company)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in U.S. Dollars)

1. GENERAL INFORMATION, NATURE OF OPERATIONS AND LIQUIDITY RISK

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, 2015, 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 Company will require significant additional financing to continue its operations in connection with advancing activities at the Livengood Gold Project, to make the Additional Payment due on January 12, 2017 (see Note 6) and for the development of any mine that may be determined to be built at the Livengood Gold Project. There is no assurance that the Company will be able to obtain the additional financing required on acceptable terms, if at all.

As of December 31, 2015, the Company's estimate of the amount of the Additional Payment is \$13,900,000, which significantly exceeds the Company's available cash resources, and therefore the Company will be required to obtain significant additional financing on or before January 12, 2017 in order to be able to make this payment.

Should the Company be unable to make the Additional Payment, the Company will have 30 days to remedy the event of default. Should the default not be remedied, the Company may be required to deliver the underlying claims, which are not part of the project's gold resource but are part of the 75 square mile Livengood land package, into a trust in order for them to be sold. Should the proceeds from sale not be sufficient to satisfy the outstanding amount of the Additional Payment, the beneficiaries will have recourse against the Company for any shortfall. The Company considers it highly likely that the proceeds from any such sale, should it prove necessary, would be sufficient to satisfy the amount of the Additional Payment.

In addition, any significant delays in the issuance of required permits for the ongoing work at the Livengood Gold Project, or unexpected results in connection with the ongoing work, could result in the Company being required to raise additional funds to advance permitting efforts. The Company's review of its financing options includes pursuing a future strategic alliance to assist in further development, permitting and future construction costs.

Despite the Company's success to date in raising significant equity financing to fund its operations, there is significant uncertainty that the Company will be able to secure any additional financing in the current or future equity markets. The amount of funds to be raised and the terms of any proposed equity financing that may be undertaken will be negotiated by management as opportunities to raise funds arise. Specific plans related to the use of proceeds will be devised once financing has been completed and management knows what funds will be available for these purposes. Due to this uncertainty, if the Company is unable to secure additional financing, it may be required to reduce all discretionary activities at the Project to preserve its working capital to fund anticipated non-discretionary expenditures beyond the 2016 fiscal year.

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"). On March 15, 2016, the Board approved the consolidated financial statements dated December 31, 2015.

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:

Significant estimates

- 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 impairment, and provisions, if any, for environmental rehabilitation and restoration.

The Company's assessment of impairment related to its capitalized acquisition costs at December 31, 2015 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, 2015.

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%.

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. 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, 2015.

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.

In August 2015, the FASB issued Accounting Standards Update 2014-15, Presentation of Financial Statements – Going Concern (Topic 205-40): Disclosures Related to Uncertainties About Going Concern (“ASU 2014-15”). ASU 2014-15 provides guidance about management’s responsibility to evaluate whether there is substantial doubt about an entity’s ability to continue as a going concern or to provide related footnote disclosure. The new standard incorporates some of the principles of the current auditing standards and builds upon them, as follows:

- Requires an assessment each annual and interim reporting period.
- Defines substantial doubt.
- Sets a look-forward period of one year from the financial statement issuance date.
- Requires disclosures even when an initially-identified substantial doubt is alleviated by management's plans.

The amendments in ASU 2014-15 are effective for years ending after December 15, 2016 and for years and interim periods thereafter.

Early adoption of this standard is permitted but the Company has not yet adopted the standard. The Company is currently assessing the impact of adoption but expects the impact to be minimal.

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, 2015		
	Level 1	Level 2
Financial assets:		
Marketable securities	\$ 11,741	\$ -
	\$ 11,741	\$ -
Financial liabilities:		
Derivative liability (Note 6)	\$ -	\$ 13,900,000
	\$ -	\$ 13,900,000

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

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
Additions	-
Balance, December 31, 2015	\$ 55,204,041

The following table presents costs incurred for exploration and evaluation activities for the years ended December 31, 2015 and 2014:

	Year ended December 31, 2015	Year ended December 31, 2014
Exploration costs:		
Aircraft services	\$ 4,185	\$ 10,286
Assay	9,984	8,163
Drilling	-	119,036
Environmental	639,172	1,201,642
Equipment rental	44,514	52,709
Field costs	186,661	211,848
Geological/geophysical	945,390	70,388
Land maintenance & tenure	501,321	530,543
Legal	21,887	367,556
Surveying and mapping	-	26,503
Transportation and travel	28,754	33,300
Total expenditures for the year	\$ 2,381,868	\$ 2,631,974

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 1% is payable to the lessor with respect to the unpatented federal mining claims subject to the lease described in b) below and an NSR production royalty of between 0.5% and 1.0% (depending upon the price of gold) is payable to the lessor with respect to the lands acquired by the Company as a result of the purchase of Livengood Placers, Inc. in December 2011. As of December 31, 2015 the Company has paid \$1,975,890 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, 2015, the Company has paid \$580,000 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, 2015, the Company has paid \$145,000 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, 2015, the Company has paid \$98,000 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, 2015 and 2014.

	December 31, 2015	December 31, 2014
Accrued liabilities	\$ 247,034	\$ 334,423
Accrued severance	19,900	390,659
Accrued salaries and benefits	127,502	153,600
Total accrued liabilities	\$ 394,436	\$ 878,682

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 payment based on the five-year average daily gold price ("Average Gold Price") from the date of the acquisition ("Additional Payment"). The Additional 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 consideration due.

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. Using this forward curve, the Company estimated an Average Gold Price based on actual gold prices to December 31, 2015 and projected gold prices from December 31, 2015 to the end of the five year period in December 2016 of \$1,320 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, 2013	\$ 14,800,000	\$ 1,360
Unrealized gain for the year	(100,000)	
Derivative value at December 31, 2014	14,700,000	\$ 1,356
Unrealized gain for the year	(800,000)	
Derivative value at December 31, 2015	\$ 13,900,000	\$ 1,320

7. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows for the years ended December 31, 2015 and 2014:

	December 31, 2015	December 31, 2014
Loss before income taxes	\$ (4,812,824)	\$ (7,767,096)
Statutory Canadian corporate tax rate	25.00%	25.00%
Income tax recovery at statutory rates	\$ (1,203,207)	\$ (1,941,774)
Share-based payments	135,117	321,346
Unrecognized items for tax purposes	(172,870)	(5,383)
Difference in tax rates in other jurisdictions	(756,235)	(1,072,910)
Change in valuation allowance	1,997,195	2,698,721
Income tax recovery	\$ -	\$ -

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

	December 31, 2015	December 31, 2014
Deferred income tax assets (liabilities):		
Mineral properties	\$ 57,243,323	\$ 57,243,322
Derivative liability	(1,996,400)	(1,822,800)
Donations	92,160	-
Other	55,349	62,329
Share issue costs	31,438	148,685
Non-capital losses available for future periods	33,462,392	31,229,931
	88,888,262	86,861,467
Valuation allowance	(88,888,262)	(86,861,467)
Deferred income tax asset	\$ -	\$ -

At December 31, 2015, the Company has available net operating losses for Canadian income tax purposes of approximately \$17,942,000 and net operating losses for US income tax purposes of approximately \$66,767,000 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
2035	406,000	4,910,000
	17,942,000	66,767,000

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, 2015 and 2014 there were 116,313,638 shares issued and outstanding.

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 adopted an incentive stock option plan in 2006, as amended September 19, 2012 and re-approved on May 28, 2015 at the Company's Annual General Meeting (the "2006 Plan"). The essential elements of the 2006 Plan provide that the aggregate number of common shares of the Company's capital stock that may be made issuable pursuant to options granted under the 2006 Plan may not exceed 10% of the number of issued shares of the Company at the time of the granting of the options. Options granted under the 2006 Plan will have a maximum term of ten years. The exercise price of options granted under the 2006 Plan shall be fixed in compliance with the applicable provisions of the TSX Company Manual in force at the time of grant and, in any event, shall not be less than the closing price of the Company's common shares on the TSX on the trading day immediately preceding the day on which the option is granted, or such other price as may be agreed to by the Company and accepted by the Toronto Stock Exchange. Options granted under the 2006 Plan vest immediately, unless otherwise determined by the directors at the date of grant.

During the year ended December 31, 2015, the Company granted incentive stock options to certain officers, employees and consultants of the Company to purchase a total of 2,135,200 common shares in the capital stock of the Company. All options granted during the years ended December 31, 2015 and 2014 vest as to one-third on the grant date, one-third on the first anniversary, and one-third on the second anniversary.

A summary of the status of the stock option plan as of December 31, 2015 and 2014 and changes during the periods is presented below:

	Year Ended December 31, 2015		Year Ended December 31, 2014	
	Number of Options	Weighted Average Exercise Price (C\$)	Number of Options	Weighted Average Exercise Price (C\$)
Balance, beginning of the year	5,854,000	\$ 2.68	5,493,000	\$ 3.57
Granted	2,135,200	\$ 0.80	2,480,000	\$ 1.00
Expired	-	\$ -	-	\$ -
Forfeited	-	\$ -	(600,000)	\$ 3.17
Cancelled	(1,923,000)	\$ 4.01	(1,519,000)	\$ 2.97
Balance, end of the year	6,066,200	\$ 1.60	5,854,000	\$ 2.68

The weighted average remaining life of options outstanding at December 31, 2015 was 5.1 years.

Stock options outstanding are as follows:

Expiry Date	December 31, 2015			December 31, 2014		
	Exercise Price (C\$)	Number of Options	Exercisable	Exercise Price (C\$)	Number of Options	Exercisable
August 23, 2016	\$ -	-	-	\$ 8.07	600,000	600,000
January 9, 2017	\$ -	-	-	\$ 4.60	30,000	30,000
August 24, 2017	\$ 3.17	1,675,000	1,675,000	\$ 3.17	2,275,000	2,275,000
March 14, 2018	\$ 2.18	319,000	319,000	\$ 2.18	469,000	312,660
February 25, 2022	\$ 1.11	1,030,000	686,666	\$ 1.11	1,360,000	453,333
February 25, 2022	\$ 0.73	594,000	396,000	\$ 0.73	690,000	230,000
March 10, 2022	\$ 1.11	430,000	286,666	\$ 1.11	430,000	143,333
March 16, 2023	\$ 1.00	1,260,000	419,999	\$ -	-	-
March 16, 2023	\$ 0.50	728,200	242,733	\$ -	-	-
June 9, 2023	\$ 1.00	30,000	10,000	\$ -	-	-
		6,066,200	4,036,064		5,854,000	4,044,326

A summary of the non-vested options as of December 31, 2015 and 2014 and changes during the fiscal years ended December 31, 2015 and 2014 is as follows:

Non-vested options:	Number of options	Weighted average grant-date fair value (C\$)
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
Granted	2,135,200	\$0.25
Vested	(1,914,738)	\$0.39
Outstanding at December 31, 2015	2,030,136	\$0.34

At December 31, 2015 there was unrecognized compensation expense of C\$164,678 related to non-vested options outstanding. The cost is expected to be recognized over a weighted-average remaining period of approximately 0.82 years.

Share-based payments

During the year ended December 31, 2015, the Company granted 2,135,200 stock options with a fair value of C\$540,101, calculated using the Black-Scholes option pricing model. The Company recognized share-based payment expense of \$540,468, \$1,285,385 and \$3,564,273 during the years ended December 31, 2015, 2014 and 2013, respectively.

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

	Year ended December 31, 2015	Year ended December 31, 2014
Expected life of options	6 years	6 years
Risk-free interest rate	0.97%	1.83%
Expected volatility	80.60%	81.02%
Dividend rate	0.00%	0.00%
Exercise price (C\$)	\$0.80	\$1.00

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, 2015			
Capitalized acquisition costs	\$ -	\$ 55,204,041	\$ 55,204,041
Property and equipment	9,563	20,520	30,083
Current assets	6,106,135	579,577	6,685,712
Total assets	\$ 6,115,698	\$ 55,804,138	\$ 61,919,836
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

	Year ended December 31, 2015	Year ended December 31, 2014	Year ended December 31, 2013
Net loss for the year - Canada	\$ (702,851)	\$ (1,936,065)	\$ (4,216,835)
Net loss for the year - United States	(4,109,973)	(5,831,031)	(5,635,645)
Net loss for the year	\$ (4,812,824)	\$ (7,767,096)	\$ (9,852,480)

10. COMMITMENTS

The following table discloses, as of December 31, 2015, the Company's contractual obligations including anticipated mineral property payments and work commitments. 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 does not exercise any lease purchase or royalty buyout options:

	Payments Due by Year						Total
	2016	2017	2018	2019	2020	2021 and beyond	
Livengood Property							
Purchase ⁽¹⁾	\$ -	\$ 13,900,000	\$ -	\$ -	\$ -	\$ -	\$ 13,900,000
Mineral Property							
Leases ⁽²⁾	381,872	421,850	426,903	432,032	442,237	447,521	2,552,415
Mining Claim							
Government Fees	114,445	114,445	114,445	114,445	114,445	114,445	686,670
Total	\$ 496,317	\$ 14,436,295	\$ 541,348	\$ 546,477	\$ 556,682	\$ 561,966	\$ 17,139,085

1. The amount payable in January 2017 of \$13,900,000 represents the fair value of the Company's derivative liability as at December 31, 2015 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. RELATED PARTY TRANSACTIONS

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

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

CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

As of December 31, 2015, 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, 2015, 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 judgment 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, 2015. 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, 2015.

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.

This Annual Report on Form 10-K does not include an attestation report of the Company's independent public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's independent public accounting firm pursuant to rules of the Securities and Exchange Commission that permit the Company to provide only management's report 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, 2015 that have materially, or are reasonably likely to materially affect, the Company's internal control over financial reporting.