

**INTERNATIONAL TOWER HILL MINES LTD.**

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March 20<sup>th</sup>, 2006

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**MANAGEMENT DISCUSSION & ANALYSIS**

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This Management Discussion & Analysis should be read in conjunction with our consolidated financial statements and the accompanying notes for the nine months ended February 28<sup>th</sup>, 2006. Except where otherwise noted, all dollar amounts are stated in Canadian dollars. Additional information relating to International Tower Hill Mines Ltd. is available on SEDAR at [www.sedar.com](http://www.sedar.com).

**Overview**

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We are a British Columbia incorporated company. We were originally incorporated under the name "*Ashnola Mining Company Ltd.*" on May 26, 1978. We changed our name to "*Tower Hill Mines Ltd.*" on June 1, 1988, and subsequently changed our name to "*International Tower Hill Mines Ltd.*" on March 15, 1991.

Our wholly-owned subsidiary, 813034 Alberta Ltd., an Alberta corporation, was incorporated in 1999. We incorporated this subsidiary because, pursuant to the laws of the Province of Alberta, mineral permits can only be registered to either an Alberta resident or corporation. Our subsidiary does not have any operations except for holding permits for our Alberta properties in its name.

We are publicly traded on the TSX Venture Exchange under the trading symbol "*ITH*". We trade on the OTC BB under the trading symbol "*ITHMF*", and trade on the Berlin Stock Exchange -- Unofficial Regulated Market and the Frankfurt Stock Exchange under the trading symbol "*TW9*".

Since inception in 1978, we have been in the business of acquiring, exploring and evaluating interests in mineral properties. Our current property interests are held for the purposes of exploration for precious metals and diamonds. Any exploration and sampling activities that we may conduct are generally carried out during the months of May through September. During the months of October to March, snow often prevents effective exploration and sampling activities. Drilling, however, can be conducted on a year-round basis.

Our properties in British Columbia, Alberta and Quebec are at an early exploration stage, with no established mineral reserves. The exploration work on these properties primarily consists of airborne surveys, which may reveal magnetic anomalies followed by ground sampling programs, for the purpose of identifying potential drill targets. Any drilling operations are

conducted with small scale equipment only. We are only required to obtain permits when mechanized equipment is used by our contractors. We obtain any permits that we may require from the provincial government ministry responsible for mining operations in which our property is situated. The process to obtain a permit involves filing an application form with the appropriate mining regulatory authority in Alberta and Quebec. In British Columbia, we are required to file an application form and mark the actual property with stakes. The Company currently has permits in Quebec.

We hold interests in the following properties: Siwash Creek Property, British Columbia; Tornгат Property, Quebec; Fort Vermillion Property, Alberta; and Chinchaga Property, Alberta.

We entered into a joint venture with Ravencrest Resources Inc. ("*Ravencrest*"), a public company reporting in British Columbia, whereby we granted the right to Ravencrest to acquire a 50% interest in two claim groups on the Siwash Creek Property, the Siwash 4 Mineral Claim, consisting of 16 units, and the Siwash 3 Mineral Claim, consisting of 16 units (the "*Joint Venture Claims*").

Pursuant to the terms of the Mining Venture Agreement, Ravencrest will be responsible for conducting all exploration and development of the Joint Venture Claims.

In order to earn its 50% interest in the Joint Venture Claims, Ravencrest must pay the sum of \$25,000 and issue up to 100,000 common shares in the capital stock of Ravencrest at a deemed price of \$0.10 per share, which has been paid and issued, respectively. Ravencrest is also required to carry out further work on the Joint Venture Claims based on a work program recommended by APEX Geoscience Ltd. in the sum of \$112,500 on or before March 31<sup>st</sup>, 2006, which has now been extended to October 31<sup>st</sup>, 2006.

Ravencrest is a reporting company in British Columbia. The transaction is non-arm's length as Anton J. Drescher, our director and controlling shareholder, is an officer and controlling shareholder of Ravencrest.

We are also evaluating whether to continue exploration of our other mineral properties in which we currently hold an interest and whether we may acquire additional properties for exploration and development.

#### *Siwash Creek Property*

We carried out a diamond drill program on our 100% owned Siwash Property in south central British Columbia. The Siwash Property is located in close proximity to both Brenda Mines Ltd. (copper and molybdenum production) and Almaden Minerals Ltd. (gold production) mineral projects. The 2004 program was designed to further delineate the gold, silver and copper values intersected in the northeastern portion of the property. Drill results to date indicate a similar style of mineralization as that found at Brenda Mines. In addition, these drill results indicate that the gold/silver/copper mineralization extends approximately 500 meters in a north-south direction and 800 meters in an east-west direction to a depth of

approximately 125 meters. Drilling also indicates that this zone is still open to the west, north, east and depth.

The 2004 diamond drill program, carried out between May and August, extended the CU/AU bearing horizon to the south and north between sections 52+00E and 62+00E. A total of 1013 metres were drilled in 5 holes in the same areas as the last four diamond drill programs. 50 metres of meta-volcanics were intersected. This favourable horizon was cut out by intrusives of quartz-feldspar-porphyry over 203 metres while granodiorite was intersected in 738 metres of the total 1013 metres drilled.

Nine of the 153 samples assayed contained more than 0.010 ppm gold and four samples contained more than 1000 ppm copper. The weighted average of these gold assays over 9.6 metres was 1.547 ppm (assays are not contiguous), which is equal to 1.547 grams per tonne. Zinc assays averaged 1.131 ppm or 0.113 per cent with several assays carrying values between 1.0 percent to a maximum of 7.71 percent.

During the diamond drill program, we instigated the staking of ninety-nine more units to the east of and contiguous to our Siwash Property. These units, comprising 17 claims are in addition to the mineral claims acquired by us in 1996.

We completed a drilling program in 2004 on the Siwash Creek Property. During the course of the drilling program, we acquired 17 new mineral claims adjacent to our Siwash Creek Property by staking. We subsequently retained Apex Geoscience Ltd., of Edmonton, Alberta, which has prepared a 43-101 report, "*Technical Report on the Precious and Base Metal potential of the Siwash Creek Property, Similkameen Mining Division, NTS 092H, British Columbia, Canada*" dated November 29<sup>th</sup>, 2004 (the "*Report*"), which Report is currently being reviewed by the TSX Venture Exchange prior to being filed on SEDAR.

Apex Geoscience has recommended a three phase exploration program for the Siwash Creek Property. Phase I is to consist of a helicopter borne, high-resolution magnetic and electromagnetic survey over the entire property at 200 metre line spacing (approximately 500 line kilometers at \$175/line km = \$87,500), which airborne survey should be overseen by a geophysicist to ensure proper quality control and quality assurance are met (\$5,000). As well, an Interpretation of the newly acquired geophysical data in conjunction with a re-interpretation/compilation of all existing geochemical, geological and drill core data may help to identify new target areas (\$20,000).

Phase 2, which would not be contingent upon the results of Phase I, would consist of:

- (a) a field based program with the establishment of a property wide grid and the collection of soil samples at 100 metre spacing over areas with pre-existing data and at a spacing of 150 metres for the new portion of property. In total, about 5,000 samples would be collected. As well, as part of a standard quality control/quality assurance program, 15% of all samples would be collected in duplicate (750 samples)(approximately \$60/sample all-up = \$307,500);

- (b) ground-proofing of geophysical anomalies returned from the airborne survey and the acquisition of ground magnetic and electromagnetic geophysical data on selected targets. In total, the cost to complete five grids (43 line kilometers each) where lines would need to be cut, with both magnetics and electromagnetics is about \$100,000; and
- (c) property scale geological mapping in conjunction with the mapping and sampling of old trenches. All workings, trenches, and significant rock samples should be re-located and checked assayed. (\$5,000 to complete mapping and assaying approximately 200 rock samples at \$20/sample = \$9,000).

Phase 3, which would be contingent on the results of Phases 1 and 2, would involve one or more of the collection of infill soil samples, ground geophysics and/or a diamond drill program to test historic targets and new targets developed during Phases 1 and 2.

The total cost to complete the recommended Phase 1 and 2 exploration is \$530,000 Cdn. The cost for Phase 3 cannot be determined at this time.

#### Torngat Property

Although we have no current plans to carry out an exploration program on the Torngat property we may, at some point in the future, carry out a follow-up sampling and mapping program on the property with the objective to take significantly larger samples from various locations on the 5-metre wide dyke and to explore for additional dykes on the basis of airborne geophysical data.

#### Fort Vermillion Property

We have no current plans to carry out any exploration on the Fort Vermillion Property.

#### Chinchaga Property

To date, cumulative exploration activities that we have carried out on the Chinchaga Property have not generated results that justify a high level of ongoing exploration activities. We have placed the Chinchaga Property on hold in respect of ongoing exploration.

### **Corporate Information**

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Our Board of Directors is as follows:

**Anton J. Drescher**  
**Rowland Perkins**  
**Gerhard Drescher**

Our officers are:

**Anton J. Drescher** *President and Chief Executive Officer*

**Donna M. Moroney** *Corporate Secretary and Chief Financial Officer*

## **Share Capital**

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Our authorized share capital consists of 20,000,000 common shares without par value. As of March 15<sup>th</sup>, 2006, the total number of issued and outstanding common shares is 10,012,183 common shares. During the three months ended February 28, 2006 and the three months ended February 28, 2005, we did not issue any shares.

### *Options*

Our shareholders approved our 2005 Stock Option Plan on November 15<sup>th</sup>, 2005, which provides for the issuance of stock options to acquire up to 1,001,218 common shares in our capital stock. As of March 15<sup>th</sup>, 2006, no stock options have been granted under the 2005 Stock Option Plan.

### *Warrants*

As of March 15<sup>th</sup>, 2006, there were a total of 1,000,000 share purchase warrants outstanding, with each warrant entitling the holder thereof to purchase one additional common share at a price of \$0.26 per share, exercisable on or before October 21<sup>st</sup>, 2007.

## **Plan of Operation**

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Our plans over the next 12 months are to proceed with additional exploration of the Siwash Creek Property, subject to raising sufficient capital, likely by the issuance of equity securities and by way of joint venture with Ravencrest, which has been granted an option to acquire a 50% interest in two claim groups on our Siwash Creek Property.

While we may evaluate other properties for acquisition, we do not have any specific plans to purchase any additional properties over the following 12 months. In the event that we decide to purchase additional properties, we will finance such a purchase through the sale of marketable securities.

Our long-term goal is to carry out additional exploration programs on our Siwash Creek Property as warranted, subject to funding, and to seek out and acquire additional properties for exploration and development.

### Summary of Quarterly Results

Description	Nine months ended Feb 28 2006 \$	Six months ended Nov. 30 2005 \$	Three months ended Aug. 31 2005 \$	Year ended May 31 2005 \$	Nine months ended Feb 28 2005 \$	Six months ended Nov. 30 2004 \$	Three months ended Aug. 31 2004 \$	Year ended May 31 2004 \$
<i>Interest Income</i>	342	6	5	132	127	5	0	4,519
<i>Net income or loss for period</i>								
<i>Total</i>	(100,057)	(78,604)	(27,940)	(121,483)	(50,120)	(45,881)	(30,466)	(244,330)
<i>Per share</i>	(0.01)	(0.008)	(0.003)	(0.01)	(0.005)	(0.005)	(0.003)	(0.03)

### Liquidity and Capital Resources

As of February 28, 2006, we reported cash and cash equivalents of \$35,479 compared to \$543 for the nine months ended February 28, 2005. The increase of \$34,936 was the amount remaining from the recent private placement of 1,000,000 units at a price of \$0.20 per unit, for total proceeds of \$200,000. We have historically satisfied our capital needs by issuing securities.

As of February 28, 2005, we had a working capital of \$45,206, compared to a working capital deficiency of \$38,909 as at February 28, 2005. We anticipate that our working capital reserve is sufficient to cover our current administrative and operating expenses for the next six months. We estimate that we will require approximately \$7,500 per month, or \$90,000 annually, to fund our general and administrative expenses. We have historically satisfied our capital needs primarily by issuing equity securities, although there is no assurance that we will be able to obtain any additional financing on terms acceptable to us, if at all.

We expect that we will operate at a loss for the foreseeable future. We will require additional financing to fund further exploration of our mineral properties or to acquire additional mineral properties. We have historically satisfied our capital needs primarily by issuing equity securities. We have no funding commitments or arrangements for additional financing at this time and there is no assurance that we will be able to obtain any additional financing on terms acceptable to us, if at all. The quantity of funds to be raised and the terms of any 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 a financing has been completed and management knows what funds will be available for these purposes.

We did not raise any funds for the three months ended February 28, 2006 or the three months ended February 28, 2005.

## **Results of Operations**

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For the nine months ended February 28, 2006 we reported nominal interest income of \$342 compared to nominal interest income of \$127 for the nine months ended February 28, 2005. The interest we earned in 2006 increased as a result of the monies we received from our recent private placement of 2,000,000 units at a price of \$0.20 per unit. For the nine months ended February 28, 2006, we had net losses of \$100,057 as compared to net losses of \$50,120 for the nine months ended February 28, 2005. The increase in net losses for the nine months ended February 28, 2006 was the result of mineral property due diligence costs of \$20,881 and a credit in 2005 of \$14,888 for recovery of exploration and permit expenses from the Government of Quebec on the Torngat Property and a \$9,140 gain from the sale of marketable securities.

General and administrative (operating) expenses for the nine months ended February 28, 2006 consisted of management fees of \$45,000 (2005 - \$45,000), professional fees of \$12,290 (2005 - \$11,376), rent of \$5,400 (2005 - \$5,400), stock exchange and filing fees of \$8,561 (2005 - \$5,761), transfer agent fees of \$3,948 (2005 - \$3,457), mineral property due diligence costs of \$20,881 (2005 - \$Nil), office and miscellaneous of \$3,170 (2005 - \$2,589), and travel and promotion costs of \$1,149 (2005 - \$692) were incurred during the nine months ended February 28, 2005. During the nine months ended February 28, 2005, we also recorded a gain of \$9,140 on the sale of marketable securities and we recovered \$14,888 for exploration and permit expenses from the Government of Quebec on the Torngat Property.

During the nine months ended February 28, 2005 and the nine months ended February 28, 2004, no share purchase warrants or stock options were granted or exercised.

We do not have any employees; all of our services are carried out by the directors and officers or by consultants retained on an as needed basis.

## **Transactions with Related Parties**

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During the nine months ended February 28, 2006 we paid management fees of \$45,000 (2005 - \$45,000) and professional fees of \$1,070 (2005 - \$856) to a company controlled by one of our directors.

## **Deferred Exploration Costs**

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### *Siwash Property*

Accumulated costs in respect of mineral claims owned, leased or under option for the nine months ended February 28, 2006 consist of the following:

	Siwash Silver Leases	2006 Total	2005 Total
<b>Acquisition costs</b>			
Beginning balance	\$ 182,761	\$ 182,761	\$ 205,000
Lease costs	-	-	12,760
Ending balance	182,761	182,761	217,760
<b><i>Deferred exploration</i></b>			
Beginning balance	843,751	843,751	764,907
Assay and sampling	-	-	3,120
Drilling	-	-	51,052
Geological assessment report	-	-	15,062
Geological and consulting services	-	-	20,689
Misc; survey, field, travel etc	267	267	9,544
Ending balance	844,018	844,018	864,374
<b>Total deferred costs</b>	<b>\$ 1,026,779</b>	<b>\$ 1,026,779</b>	<b>\$1,082,134</b>