

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Current Business Activities

General

Livengood Gold Project Developments

During the year ended December 31, 2012 and to the date of this report, the Company advanced its Livengood Gold Project in Alaska with the continuation of activities in support of a Feasibility Study. Completed FS work included advancement of metallurgical test programs; geotechnical, condemnation, infrastructure, hydraulic gradient, borrow source, and large diameter well drill programs; analyzing results thereof; and the advancement of engineering and environmental studies.

Highlights of activities during and subsequent to the year ended December 31, 2012 include:

- Environmental baseline data collection for the Livengood Gold Project permitting activities continued, including data collection for groundwater hydrogeology; rock characterization; geohydrology; surface water and hydrology; meteorology and air quality; wetlands and vegetation; aquatic life and resources; wildlife and habitat; cultural resources; and large-scale field testing of material geochemical characteristics.
- In January 2012, two major contracts were awarded: process engineering services and geotechnical infrastructure engineering services for the FS. Feasibility level work commenced in February 2012.
- In March 2012, results of the 2011 drill program validated the resource estimate used in the August 25, 2011 NI43-101 technical report on the Livengood Gold Project.
- Between February 25 and April 15, 2012, completion of a 47-hole, 1,936-metre chilled brine geotechnical drilling program.
- In May 2012 the Company commenced multi-faceted field drill programs consisting of condemnation and geotechnical drilling at Livengood. These programs entail more than 70 holes and approximately 5,000 meters of drilling, utilizing core, sonic, and auger methods.
- Between May 1 and June 30, 2012, completion of a 4-hole, 1,378-metre pit slope stability geotechnical drilling program.
- In June 2012, the Company determined that the most efficient and cost-effective path to permitting the Livengood Gold Project is to incorporate results from current engineering and metallurgical test work directly into a definitive feasibility study.
- In June 2012, the Company implemented a cost rationalization program to focus on field work necessary to support the completion of a feasibility study and the environmental work needed to keep its permitting schedule on track. The Company postponed its district-wide exploration program and reduced its condemnation drill program.
- Between July 1, 2012 and October 21, 2012, 2,536 meters were drilled in 26 holes for hydraulic gradient and infrastructure; 1,292 meters were drilled in 7 holes for condemnation. In addition 2,695 meters were drilled in 73 holes for the geotechnical and borrow source program, and 1,031 meters were drilled in 7 holes for large diameter wells for pump tests.
- During the third quarter of 2012, the Company closed a two stage non-brokered private placement financing consisting of 11,384,719 common shares of the Company at an average price of \$2.60 per common share for gross proceeds of approximately \$29.8 million. The proceeds of the offering will be used to complete the feasibility study as well as general corporate purposes.

- On September 19, 2012, Donald C. Ewigleben was appointed President and Chief Executive Officer of the Company. Mr. Ewigleben has served as the Chairman of the Board since November 2011 and was involved during the early stages of Livengood's exploration and development in the 1990's. He also has extensive experience on various mining projects in Alaska over his 35 year career in the resource sector.
- The development team made significant advancements on project design which are being driven by an extensive metallurgical test program. Metallurgical studies have determined that the gold recovery for the four key rock types that comprise the majority of the Livengood Gold resource will range between 77% and 88%. Based on this successful test program and related engineering tradeoff studies, the Company has determined that a gravity circuit followed by a whole ore CIL circuit will be the mill flow sheet developed in the Feasibility Study.

Other Developments

In December 2011, the Company completed two acquisitions in connection with the Livengood Gold Project. The first acquisition consisted of the exercise of an existing lease buyout option with respect to certain mining claims leased by the Company, thereby giving the Company a 100% ownership interest. The second acquisition was of certain placer mining claims and related rights in the vicinity of the Livengood Gold Project, and included all of the shares of Livengood Placers, Inc. (which corporation holds some of the subject placer mining claims). This land was previously vacant or was used for placer gold mining. The acquisitions completed a planned lease buyout and also enables the Company to pursue additional site facility locations and to investigate other land use opportunities including the potential for placer gold extraction.

Livengood Gold Project — Feasibility Study

The FS for the Livengood Gold Project is currently underway. During the first quarter of 2012, the Company selected Samuel Engineering, Inc. of Greenwood Village, Colorado, to provide process engineering services for its FS. The Company has also engaged AMEC Environment & Infrastructure, Inc. of Denver, Colorado, to provide geotechnical infrastructure engineering services.

A number of trade-off studies and project design alternatives have been evaluated during 2012, including various grinding circuits, heap leaching and various reagent additions. At present, the large mill concept has generated results superior to all alternatives.

In May 2012, the Company commenced an 18-hole program of condemnation drilling to either sterilize or establish the presence of significant mineralization in the area surrounding the Money Knob deposit. The purpose of the condemnation drilling program was to determine appropriate areas for infrastructure development. Additionally, 4 of these holes are also being used for hydrological studies. The program was completed in July with 3,065 meters in 19 holes.

Also in May 2012, the Company commenced multi-faceted drill programs consisting of hydraulic gradient, infrastructure, borrow source identification, and large-diameter wells for pump tests. The hydraulic gradient and infrastructure drilling consisted of 5,826 meters in 49 holes utilizing core drilling. The geotechnical and borrow source information was obtained from 2,695 meters drilled in 73 holes, utilizing core, sonic, and auger drilling methods. Seven large diameter wells have been drilled for a total of 1,031 meters.

The drill program from February through October 2012 totaled 15,731 meters in 199 holes.

Metallurgical studies were conducted throughout 2012 and results have determined that the gold recovery for the four key rock types that comprise the majority of the Livengood Gold resource will range between 77% and 88%. Based on this successful test program and related engineering tradeoff studies, the Company has determined that a gravity circuit followed by a whole ore CIL circuit will be the mill flow sheet developed in the Feasibility Study. Project cost estimates will be developed, mine design will re-examine cut-off grades and optimum grade to the mill, which will produce the most economically robust project.

Geotechnical work for surface facility sites has progressed significantly with a key focus on potential tailing and overburden locations and design.

Environmental baseline data collection for Livengood permitting activities continues for groundwater hydrogeology; rock characterization; geohydrology; surface water and hydrology; meteorology and air quality; wetlands and

vegetation; aquatic life and resources; wildlife and habitat; cultural resources; and large-scale field testing of material geochemical characteristics. Testing included additional drilling and samples collected during the 2012 field season for geochemical testing.

The advanced level of on-going engineering work allowed the Company to bypass the preparation of a pre-feasibility study and move directly to completion of a definitive FS. The Livengood FS will provide an update of the anticipated project configuration and an overview of the geology, exploration, surface mine planning, metallurgical test work, process plant and infrastructure engineering, and environmental baseline studies that have been completed to date.

During 2012, the Company spent approximately \$11,725,000 on drilling activity related to gathering geotechnical and geohydrological data for the feasibility study.

The Company is focusing on completing all the engineering and analysis to support the completion of its FS and the environmental work needed to maintain its current permitting schedule. In order to support the completion of these work programs, the Company anticipates spending approximately \$24 million for the 2013 fiscal year ending December 31, 2013.

The Company will review its budgetary and financing options as the feasibility process advances including considering a future strategic alliance to assist in further development and future construction costs.

Use of Financing Proceeds

The Company closed a bought deal short form prospectus and a private placement financing on November 10, 2010. The Company disclosed that it intended to use the net proceeds from the two financings for continued work on the Livengood Gold Project and for general working capital purposes. The "Use of Proceeds" plan contained in the Company's short form prospectus dated November 5, 2010, projected total Livengood Gold Project expenditures dating from September 1, 2010 (beginning of Q2 for the Fiscal Year ending May 31, 2011) to May 31, 2014. The use of proceeds plan totaled \$136.9 million for the period ending May 31, 2014. Table 1 shows the expenditures to August 31, 2012, the month in which the total budgeted spending was reached, compared with the intended use of proceeds.

Table 1: Comparison of Proposed Use of Proceeds with Actual Use of Proceeds to August 31, 2012

Project Cost Center	Total Budget Year ended May 2011 to Period ended May 2014 ⁽²⁾	Actual September 1, 2010 through August 31, 2012 ⁽¹⁾	Variance (Total Budget - Actual through August 31, 2012 ⁽¹⁾)
Project administration	\$ 31,176,400	\$ 9,894,305	\$ 21,282,095
Geological and field operations	67,297,100	68,930,338	(1,633,238)
Metallurgical studies	6,899,800	6,633,701	266,099
Infrastructure and engineering	8,908,700	15,048,563	(6,139,863)
Environmental and community engagement	14,465,900	9,430,728	5,035,172
Mining studies	2,421,200	796,327	1,624,873
Project integration	1,886,800	811,315	1,075,485
Land purchases ⁽³⁾	-	27,135,546	(27,135,546)
Subtotal	133,055,900	138,680,823	(5,624,923)
Offering costs	3,846,700	502,208	3,344,492
Total	\$ 136,902,600	\$ 139,183,031	\$ (2,280,431)

⁽¹⁾ Unaudited Livengood Gold Project Reporting

⁽²⁾ US dollar amounts obtained using the amounts in Canadian dollars disclosed in the prospectus dated November 5, 2010 and translated at the Bank of Canada noon exchange rate on November 4, 2010 of \$1.0024 US dollars to \$1 Canadian dollar.

⁽³⁾ The amount does not include the value of the Company's derivative liability.

Table 1 shows a variance of approximately \$2.3 million from the \$136.9 million for the total budget period. During the month of August 2012, the Company had reached the total amount of budgeted spending outlined in the use of proceeds plan contained in the Company's short form prospectus dated November 5, 2010.

The planned program included geological and field operations, metallurgical studies, engineering, and environmental baseline studies. The overall program was accelerated as drilling to define the resource advanced very well through to mid-2011 and the Company completed a preliminary economic assessment, the Livengood Report, in August of 2011, and is now advancing to complete the FS.

Project administration expenditures were below the plan rate but were adequate for the needs of the project. Geological and field programs were accelerated, including expenditures necessary to obtain all condemnation and geotechnical data required for engineering, geotechnical, and environmental evaluations to support completion of the FS. Metallurgical study scope and costs were expanded and accelerated to insure representative recoveries of the rock types are utilized in project mine planning and economics. These results will provide the necessary information to support the FS. Engineering expenditures were above plan to provide the detailed basis for FS completion. Environmental baseline studies were less than originally planned but additional drilling and environmental sampling was incurred for baseline data analysis providing the required level of data for the feasibility study. Additional costs will be incurred in future permitting activities. Expenditures for mining studies were below plan and additional mine planning work will be completed upon receipt of updated metallurgical recoveries. Project integration costs were below plan due to additional completion of the metallurgical results and the engineering drilling results which delayed anticipated spending. The land purchases were not originally budgeted for the period prior to May, 2014, but were accelerated to facilitate infrastructure engineering and permitting.

Much of the total budgeted spending from the above plan was accelerated in order to support the completion of the FS. The additional financing of \$29.2 million completed by the Company during the quarter ended September 30, 2012 is expected to provide the Company with resources necessary to complete the FS as well as for general working capital requirements through 2013.

Results of Operations

Year ended December 31, 2012 compared to the Seven Months ended December 31, 2011

Due to the Company changing its fiscal year end to December 31 from May 31 during 2011, the Company's results and activity may not be comparable between fiscal years ended December 31, 2012 and 2011. The following discussion highlights certain selected financial information and changes in operations between the year ended December 31, 2012 and the seven month period ended December 31, 2011.

The Company had cash and cash equivalents of \$30,170,905 at December 31, 2012 compared to \$54,712,073 at December 31, 2011. The Company incurred a net loss of \$56,643,462 for the year ended December 31, 2012, compared to a net loss of \$43,309,957 for the seven month period ended December 31, 2011. Share-based payment charges were \$9,206,975 during the year ended December 31, 2012 compared to \$7,645,269 for the seven month period ended December 31, 2011. The increase in share-based payment charges during the period was mainly the result of stock option grants to new employees and vesting of prior stock option grants. The Company granted 6,380,000 options during the year ended December 31, 2012 compared to 2,700,000 options during the seven months ended December 31, 2011.

Share based payment charges were allocated as follows:

Expense category:	Year ended December 31, 2012	Seven months ended December 31, 2011
Consulting	\$ 2,288,148	\$ 1,503,919
Investor relations	167,009	71,043
Professional fees	395	18,945
Wages and benefits	6,751,423	6,051,362
	\$ 9,206,975	\$ 7,645,269

Mineral property exploration expenses for the year ended December 31, 2012 totaled \$36,253,519 while the company acquired \$2,127,693 in mineral property assets. During the seven month period ended December 31, 2011 total mineral property exploration expenses were \$32,550,518 and the company acquired mineral property assets of \$47,708,647. Mineral property expenses during 2012 were comprised of costs related to drilling for geotechnical

investigations, environmental baseline data gathering, field costs and engineering. Similar exploration activities took place in 2011.

In December 2011, the Company completed a transaction to acquire certain mining claims and related rights in the vicinity of the Livengood Gold Project. This acquisition included both mining claims and all of the shares of Livengood Placers, Inc. (a Nevada corporation). These assets were purchased for aggregate consideration of \$36,600,000 allocated between cash consideration of \$13,500,000 and a derivative liability with an estimated fair value of \$23,100,000. The derivative liability is a contingent payment based on the Average Gold Price from the date of the acquisition. The derivative liability (payable in December 2016) will equal \$23,148 for every dollar that the Average Gold Price exceeds \$720 per troy ounce. If the Average Gold Price is less than \$720, there will be no additional contingent payment. The subject ground was previously vacant or was used for placer gold mining.

Also in December 2011, the Company exercised its option to acquire all the interests in the 169 State of Alaska claims previously held under a separate lease. The Company paid total cash consideration of \$11,044,000 for the acquisition of these State of Alaska mining claims that had an original term of ten years, commencing on September 11, 2006.

Excluding share-based payment charges of \$6,751,423 and \$6,051,362 (December 31, 2011), wages and benefits for the period ended December 31, 2012 increased to \$6,891,635 from \$3,948,874 (December 31, 2011) as a result of certain severance payments along with increased personnel and hiring of new officers during the period.

Excluding share-based payment charges of \$2,288,148 and \$1,503,919 (December 31, 2011), consulting fees for the period ended December 31, 2012 increased to \$1,022,277 from \$307,085 (December 31, 2011) as a result of a consulting agreement with the former interim Chief Executive Officer and increased directors fees.

Insurance expense increased during 2012 as a result of additional Directors and Officers insurance with the hiring of new executives and appointment of new directors during 2011 and 2012. Aside from the impact of share-based payment charges, most other expense categories reflected only moderate change period over period.

Other items amounted to a loss of \$1,058,082 during 2012 compared to a gain of \$2,815,860 in period ended December 31, 2011. The loss in 2012 resulted from the unrealized loss on revaluation of the derivative liability of \$1,600,000 at December 31, 2012. Offsetting the loss on derivative were interest income on cash and cash equivalents of \$183,253 and income from mineral property facilitation agreements of \$290,552. During the seven months ended 2011, the Company had an unrealized gain on derivative liability of \$2,300,000. In addition, interest income totaled \$592,038. Interest income during the seven months ended December 31, 2011 was higher than during the year ended December 31, 2012 due to higher interest rates and cash balances in 2011.

Seven Months ended December 31, 2011 compared to the year ended May 31, 2011

Due to the Company changing its fiscal year end to December 31 from May 31 during 2011, the Company's results and activity may not be comparable between the seven month period ended December 31, 2011 and the fiscal year ended May 31, 2011. The following discussion highlights certain selected financial information and changes in operations between the seven month period ended December 31, 2011 and the year ended May 31, 2011.

The Company had cash and cash equivalents of \$54,712,073 at December 31, 2011 compared to \$114,766,876 at May 31, 2011. The Company incurred a net loss of \$43,309,957 for the period ended December 31, 2011, compared to a net loss of \$48,459,785 for the year ended May 31, 2011. Net loss for the year ended May 31, 2011 included loss from discontinued operations of \$1,037,912 as discussed below. Share-based payment charges were \$7,645,269 during the period ended December 31, 2011 compared to \$3,450,477 for the year ended May 31, 2011. The increase in share-based payment charges during the period ended December 31, 2011 was mainly the result of increased stock option grants at a higher weighted average exercise price and vesting of prior stock option grants. The Company granted 2,700,000 options during the period ended December 31, 2011 compared to 1,760,000 options during the year ended May 31, 2011.

Share based payment charges were allocated as follows:

Expense category:	Seven months ended December 31, 2011	Year ended May 31, 2011
Consulting	\$ 1,503,919	\$ 975,460
Investor relations	71,043	441,479
Professional fees	18,945	72,921
Wages and benefits	6,051,362	1,960,617
	\$ 7,645,269	\$ 3,450,477

During the seven month period ended December 31, 2011 total mineral property exploration expenses were \$32,550,518 and the company acquired mineral property assets of \$47,708,647. Mineral property exploration expenses for the year ended May 31, 2011 totaled \$37,749,156 while the company acquired approximately \$30,000 in mineral property assets. Mineral property expenses during the period ended December 31, 2011 were comprised of costs related to drilling, environmental baseline data gathering, field costs and engineering. During the year ended May 31, 2011 mineral property expenses were comprised of drilling, field costs, geological/geophysical, assay work and land maintenance in preparation for an anticipated pre-feasibility study.

Excluding share-based payment charges of \$6,051,362 during the period ended December 31, 2011 and \$1,960,617 (May 31, 2011), wages and benefits for the period ended December 31, 2011 increased to \$3,948,874 from \$3,506,836 (May 31, 2011) as a result of certain severance payments along with increased personnel and hiring of new officers during the period.

Excluding share-based payments, investor relations expense decreased to \$252,348 (May 31, 2011 - \$789,145) during the period ended December 31, 2011 compared to the year ended May 31, 2011. Additional expense in the year ended May 31, 2011 was incurred related to increased travelling and marketing related to the Company's spin-out of the Corvus properties as discussed below.

Aside from the impact of share-based payment charges, most other expense categories reflected only moderate change period over period.

Other items amounted to a gain of \$2,815,860 during the period ended December 31, 2011 compared to a gain of \$480,901 in year ended May 31, 2011. The increased gain in the period ended December 31, 2011 resulted from an unrealized gain of \$2,300,000 on the revaluation of a derivative liability at December 31, 2011. There was no derivative liability during the year ended May 31, 2011.

Year ended May 31, 2011 compared to the year ended May 31, 2010

The following discussion highlights certain selected financial information and changes in operations between the year ended May 31, 2011 and the year ended May 31, 2010.

The Company had cash and cash equivalents of \$114,766,876 at May 31, 2011 compared to \$41,648,028 at May 31, 2010. The increase in cash and cash equivalents during the year ended May 31, 2011 was the result of two private placements of common shares, a bought deal short form prospectus financing, and the exercise of stock options for total gross proceeds of approximately \$117.7 million.

The Company incurred a net loss of \$48,459,785 for the year ended May 31, 2011, compared to a net loss of \$35,684,971 for the year ended May 31, 2010. Included in net loss for the years ended May 31, 2011 and 2010 were losses from discontinued operations of \$1,037,912 and \$3,452,307, respectively, as discussed below. Share-based payment charges were \$3,450,477 during the year ended May 31, 2011 compared to \$7,190,152 for the year ended May 31, 2010. The decrease in share-based payment charges during the year ended May 31, 2011 was mainly the result of increased stock option grants at a higher weighted average exercise price during the year ended May 31, 2010. The Company granted 1,760,000 options during the year ended May 31, 2011 compared to 3,085,000 options during the year ended May 31, 2010.

Share based payment charges were allocated as follows:

Expense category:	Year ended May 31, 2011	Year ended May 31, 2010
Consulting	\$ 975,460	\$ 3,093,205
Investor relations	441,479	666,549
Professional fees	72,921	55,833
Wages and benefits	1,960,617	3,374,565
	\$ 3,450,477	\$ 7,190,152

During the year ended May 31, 2011 total mineral property exploration expenses were \$37,749,156 while the company acquired approximately \$30,000 in mineral property assets. Mineral property exploration expenses for the year ended May 31, 2010 totaled \$20,518,379 while the company wrote off approximately \$650,000 in mineral property assets. During the year ended May 31, 2011 mineral property expenses were comprised of drilling, field costs, geological/geophysical, assay work and land maintenance. Costs incurred during the years ended May 31, 2011 and 2010 were focused on preparation of the Livengood Report, as filed on SEDAR in August 2011.

Excluding share-based payment charges of \$1,960,617 during the year ended May 31, 2011 and \$3,374,565 (May 31, 2010), wages and benefits for the period ended December 31, 2011 increased to \$3,506,836 from \$2,143,446 (May 31, 2010) as a result of higher labor costs combined with increased personnel and hiring of officers during the year.

Excluding share-based payments, investor relations expense increased to \$789,145 (May 31, 2010 - \$382,744) during the year ended May 31, 2011 compared to the year ended May 31, 2010. Additional expense in the year ended May 31, 2011 was incurred related to increased travelling and marketing related to the Company's spin-out of the Corvus properties as discussed below.

Aside from the impact of share-based payment charges, most other expense categories reflected only moderate change period over period.

Other items amounted to a gain of \$480,901 during the year ended May 31, 2011 compared to a gain of \$322,268 in year ended May 31, 2010. The increased gain in the year ended May 31, 2011 resulted from increased interest income on higher cash balances offset by additional costs related to the spin-out of Corvus properties.

Discontinued Operations and Transfer of the Nevada and Other Alaska Business under the Arrangement

On August 26, 2010, the Company completed an arrangement under a Plan of Arrangement (the "Arrangement") pursuant to which it transferred its other existing Alaska (other than the Livengood Gold Project) and Nevada assets to a new public company, Corvus.

Under the Arrangement, each shareholder of the Company received one Corvus common share for every two ITH common shares held as at the effective date of the Arrangement as a return of capital and exchanged each existing common share of ITH for a new common share of ITH. The "new" ITH common shares are identical in every respect (other than CUSIP number) to the "old" ITH common shares. ITH has transferred its wholly-owned subsidiaries, Raven Gold Alaska Inc. ("Raven Gold"), incorporated in Alaska, and Corvus Gold Nevada Inc. (formerly "Talon Gold Nevada Inc."), incorporated in Nevada to Corvus. As a result of the Arrangement, there was an effective spin-out by ITH of certain of its mineral properties, being Chisna, West Pogo, Terra and LMS in Alaska, and North Bullfrog in Nevada (together the "Nevada and Other Alaska Business"), to Corvus.

The Company did not realize any gain or loss on the transfer of the Nevada and Other Alaska Business, which was comprised of a working capital contribution of \$3,168,825 and the Nevada and Other Alaska Business assets and liabilities as at the effective date of the Arrangement. Costs of the Arrangement, comprised principally of legal and regulatory expense, off-set by property facilitation payments and interest from payments made in connection with the Chisna spin-out property, amounted to a net expense of \$148,940, \$496,638 and \$129,671 during the fiscal years ended December 31, 2011, May 31, 2011, and May 31, 2010, respectively.

The Arrangement was approved by a favorable vote of ITH's shareholders at a special meeting held on August 12, 2010.

The following table shows the results related to discontinued operations for the years ended May 31, 2011 and May 31, 2010.

	May 31, 2011	May 31, 2010
Consulting fees	255,159	1,022,483
Foreign exchange (gain) loss	(19,510)	6,741
Insurance	9,698	35,325
Investor relations	125,540	307,036
Mineral property exploration	140,888	69,886
Office	6,927	27,798
Other	9,508	28,829
Professional fees	39,122	171,288
Regulatory	3,664	61,991
Rent	5,091	24,575
Travel	5,401	35,442
Wages and benefits	456,424	1,660,913
	\$ 1,037,912	\$ 3,452,307

The transfer of the assets is summarized in the table below:

	August 25, 2010
Cash and cash equivalents	\$ 1,128,158
Accounts receivable	187
Prepaid expenses	3,000
Mineral Properties	3,590,657
Accounts payable	(725,012)
Net assets transferred to Corvus	\$ 3,996,990

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 December 31, 2012, the Company reported cash and cash equivalents of \$30,170,905 compared to \$54,712,073 at December 31, 2011. The decrease of approximately \$24.5 million resulted mainly from expenditures on the Livengood Gold Project through the 2012 exploration season, advancing work towards the FS, as well as the acquisition of certain mining claims and related rights in the vicinity of the Livengood Gold Project. The Company continues to utilize its cash resources to fund the Livengood Gold Project exploration, permitting, feasibility study completion, including related metallurgical and geotechnical studies, and corporate administrative requirements.

Investing activities comprised primarily of mineral property acquisitions of \$2,127,693 (December 31, 2011 - \$25,317,690; May 31, 2011 - \$30,215; May 31, 2010 - \$0). Mineral property acquisitions during 2012 and 2011 related to certain mining claims and related rights in the vicinity of the Livengood Gold Project.

Financing activities provided \$29,214,249 during the year ended December 31, 2012 (December 31, 2011 - \$221,119; May 31, 2011 - \$109,545,546; May 31, 2010 - \$39,196,727) on the issuance of common shares through a non-brokered private placement. During the third quarter of 2012, the Company closed a non-brokered private placement financing through the issuance of 11,384,719 common shares. The shares were issued in two stages. The first stage closed on August 3, 2012 and consisted of 9,458,308 common shares issued at C\$2.60 per share for gross proceeds of \$24,626,029. The second stage of the offering closed on September 17, 2012 and consisted of

1,926,411 common shares issued at C\$2.5955 per share for gross proceeds of \$5,142,500. The Company paid a cash finder's fee of 4% of gross proceeds in connection with C\$10,000,000 of the total offering. Total share issuance costs for this non-brokered private placement financing amounted to \$554,280.

As at December 31, 2012, the Company had working capital of \$27,676,797 compared to working capital of \$45,813,618 at December 31, 2011. 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 its planned activities for 2013. To advance the Livengood Gold Project towards permitting and development at its optimal timeline, the Company anticipates continuing its investigations, studies and drilling programs and anticipates spending approximately \$24 million during the 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 activities for completing the FS. The Company will require significant additional financing to continue its operations (including general and administrative expenses) beyond the anticipated completion of the FS, particularly in connection with any post FS activities at Livengood and the development of any mine that may be determined to be built at Livengood, 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 Livengood, or unexpected results in connection with the ongoing work, could result in the Company being required to raise additional funds to advance permitting efforts.

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." 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 or invested in Government of Canada Treasury Bills or Banker's Acceptances issued by major Canadian chartered banks. 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, as of December 31, 2012, the Company's contractual obligations for optional mineral property payments and work commitments and committed office and equipment lease obligations. 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 and/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:

Contractual Obligations	Payments Due by Year						
	Total	2013	2014	2015	2016	2017	2018 and beyond
Livelihood Property Purchase ⁽¹⁾	\$ 22,400,000	\$ -	\$ -	\$ -	\$ 22,400,000	\$ -	\$ -
Mineral Property Leases ⁽²⁾⁽³⁾	2,384,378	396,563	396,563	396,563	396,563	396,563	401,563
Mining Claim Government Fees	534,660	89,110	89,110	89,110	89,110	89,110	89,110
Office and Equipment Lease Obligations	345,056	215,476	105,212	6,092	6,092	6,092	6,092
Total Contractual Obligations	\$ 25,664,094	\$ 701,149	\$ 590,885	\$ 491,765	\$ 22,891,765	\$ 491,765	\$ 496,765

- Notes:
1. The amount payable in December 2016 of \$22,400,000 represents the fair value of the Company's derivative liability as at December 31, 2012 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 that will actually be carried out by the Company.
 3. Does not include potential royalties that may be payable (other than annual minimum royalty payments).

Summary of Quarterly Results

	December 31, 2012	September 30, 2012	June 30, 2012	March 31, 2012
Net loss	\$ (7,258,397)	\$ (25,033,780)	\$ (12,909,320)	\$ (11,441,965)
Basic and diluted net loss per common share	\$ (0.07)	\$ (0.27)	\$ (0.15)	\$ (0.13)

Description	4 months			
	December 31, 2011	August 31, 2011	May 31, 2011	February 28, 2011
Net loss	\$ (16,727,561)	\$ (26,582,396)	\$ (12,980,035)	\$ (8,321,545)
Basic and diluted net loss per common share	\$ (0.19)	\$ (0.31)	\$ (0.15)	\$ (0.10)

Off-Balance Sheet Arrangements

The Company does not have any off balance sheet arrangements.

Critical Accounting Policies

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%.

Derivative

Derivative financial liabilities include the Company's future contingent 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 profit and loss.

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.

Stock-based compensation

The Company follows the provisions of Financial Accounting Standards Board 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.

Item 7A. 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 and short term deposit certificates of Guaranteed Investment Certificates 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.

At December 31, 2012, the Company held a total of \$27,367,356 (December 31, 2011 - \$44,314,644) cash equivalents which consist of interest saving accounts and Guaranteed Investment Certificates ("GICs"):

	Quantity	Maturity Date	Annual Yield
TD Mortgage Corporation (GIC)	\$ 4,522,950	April 16, 2013	1.45%
Investment savings accounts	7,499,805		
Cashable term deposit	15,344,601	February 6, 2013	0.29%
	<u>\$ 27,367,356</u>		

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 US 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 \$100,000. 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 December 31, 2012, USD amounts were converted at a rate of C\$1 to US \$1.0051.

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. With respect to receivables at December 31, 2012, the Company is not exposed to significant credit risk as the receivables are principally interest accruals.

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 investment in marketable securities is exposed to such risk. The Company's derivative liability, which consists of a future contingent payment valued using estimated future gold prices, is also exposed to other price risk. See Note 8 of the notes to consolidated financial statements included elsewhere in this Annual Report on Form 10-K. 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.