

INTERNATIONAL TOWER HILL MINES LTD.

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

Current Business Activities

General

2020

Livengood Gold Project Developments

During the year ended December 31, 2020, the Company made a decision to embark on a new phase for the Livengood Gold Project as a result of the favorable macro-economic backdrop for gold.

On May 8, 2020, the Company announced that the Board had approved a work plan to prepare an updated pre-feasibility study ("PFS") on the Livengood Gold Project. The Company stated that it believed that the strength in the price of gold arising from the unprecedented accommodative fiscal and monetary stimulus from central banks and governments globally provided the necessary macroeconomic backdrop to support the advancement of the large, highly-levered, and long-life gold asset at Livengood.

On July 15, 2020, the Company announced that it had finalized the key contracts for completion of a PFS in respect of the Livengood Gold Project and expected to release the results of the PFS and the associated NI 43-101 Technical Report in October 2021. The comprehensive study will incorporate work that has been done since the last NI 43-101 report was completed to further de-risk and identify the optimal project configuration. The Company has engaged BBA, Inc. as its lead consultant and retained Whittle Consulting, Resource Modeling, Inc., Resource Development Associates, Easton Process Consulting, and NewFields Companies, LLC to provide specialized technical support.

On August 31, 2020, the Company entered into an At Market Issuance ("ATM") Sales Agreement with B. Riley Securities, Inc. ("B. Riley"), pursuant to which the Company was entitled, at its discretion and from time-to-time during the term of the sales agreement, to sell through B. Riley such number of common shares of the Company as would result in aggregate gross proceeds to the Company of up to \$10.3 million (the "ATM Offering").

On September 2, 2020, the Company announced that its existing three largest shareholders had each taken their pro-rata share of the ATM Offering, resulting in the issuance of 5,670,997 common shares (representing 3% of the 187.6 million shares previously issued and outstanding) at the September 1, 2020 closing market price of \$1.40 per share for aggregate gross proceeds of \$7.9 million.

On October 16, 2020, the Company announced that it had raised the full \$10.3 million available pursuant to the ATM Offering with B. Riley. The Company issued a total of 7,334,513 common shares at an average price of \$1.40 for gross proceeds of \$10.3 million. The Company stated it intended to use the net proceeds of the Offering for working capital and general corporate purposes, including the completion of the PFS announced in [May 2020 to further de-risk the Livengood Gold Project and for environmental baseline studies.

Director Changes

The Company announced the appointment of Christopher Papagianis to the Company's Board effective June 1, 2020. Mr. Papagianis was nominated for election as a director in accordance with an investor rights agreement with the Company's largest shareholder, Paulson & Co. Inc. ("Paulson"), and fills a vacancy created by the June 1, 2020 resignation of Damola Adamolekun, the previous Paulson designee.

2021

Outlook

On January 12, 2021, the Company announced that the Board had approved a 2021 budget of \$5.6 million and endorsed the associated 2021 work program to advance the Livengood Gold Project. The key element of the 2021 work program is the completion of the PFS on the Livengood Gold Project that is planned for release in October 2021. The work program will also advance the baseline environmental data collection in critical areas of hydrology and waste rock geochemical characterization needed to support future permitting, as well as advance community engagement.

The Company remains open to a strategic alliance to help support the future development of the Project while considering all other appropriate financing options. The size of the gold resource, the Project's favorable location, and the Company's proven team are some of the reasons the Company would potentially attract a strategic partner with a long-term development horizon who understands the Project is highly leveraged to gold prices.

Results of Operations Summary of Quarterly Results

Description	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020
Net income (loss)	\$ (1,995,576)	\$ (1,101,763)	\$ (1,486,464)	\$ 65,085
Basic and diluted net loss per common share	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ 0.00

Description	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019
Net loss	\$ (760,035)	\$ (858,406)	\$ (1,387,054)	\$ (820,912)
Basic and diluted net loss per common share	\$ (0.00)	\$ (0.01)	\$ (0.01)	\$ (0.00)

Significant fluctuations in the Company's quarterly net loss have mainly been the result of operating cost changes.

Year ended December 31, 2020 compared to Year ended December 31, 2019

The Company had cash and cash equivalents of \$13,049,293 at December 31, 2020 compared to \$6,937,621 at December 31, 2019. The Company incurred a net loss of \$4,518,718 for the year ended December 31, 2020, compared to a net loss of \$3,826,407 for the year ended December 31, 2019. The following discussion highlights certain selected financial information and changes in operations between the year ended December 31, 2020 and the year ended December 31, 2019.

Mineral property exploration expenditures were \$2,364,899 for the year ended December 31, 2020 compared to \$1,689,228 for the year ended December 31, 2019. The increase of \$675,671 is due to expenditures for metallurgical studies and engineering to prepare a PFS on the Livengood Gold Project, partially offset by the Company limiting field activities to the continuation of critical environmental baseline work while moving forward with a multi-phase metallurgical test work program.

Share-based payment charges were \$385,531 during the year ended December 31, 2020 compared to \$405,857 during the year ended December 31, 2019. The \$20,326 decrease in share-based payment charges during the period was mainly the result of fewer deferred share units ("DSUs") issued to certain members of the Board during the year ended December 31, 2020 and incentive options granted to certain officers and employees of the Company during the year ended December 31, 2019 being fully vested upon issuance. The Company granted 451,085 DSUs and 255,000 options

during the year ended December 31, 2020 compared to 488,235 DSUs and 187,232 options during the year ended December 31, 2019. Both DSU grants were fully vested upon issuance. At December 31, 2020, there was \$71,430 of unrecognized compensation expense related to non-vested options outstanding.

Share-based payment charges were allocated as follows:

Expense category:	Year ended December 31, 2020	Year ended December 31, 2019
Consulting	\$ 304,205	\$ 316,717
Investor relations	6,456	-
Wages and benefits	74,870	89,140
	\$ 385,531	\$ 405,857

Excluding share-based payment charges of \$74,870 and \$89,140, respectively, wages and benefits increased to \$733,967 for the year ended December 31, 2020 from \$689,084 for the year ended December 31, 2019. The increase of \$44,883 is primarily due to increased payroll and payroll-related benefit accruals as at December 31, 2020.

Professional fees were \$219,268 for the year ended December 31, 2020 compared to \$192,339 for the year ended December 31, 2019. The increase of \$26,929 is due primarily to increased legal fees related to property and general administration matters.

Insurance costs were \$144,837 for the year ended December 31, 2020 compared to \$123,997 for the year ended December 31, 2019. The increase of \$20,840 resulted from premium increases to maintain coverage.

Excluding share-based payment charges of \$6,456 and \$Nil, respectively, investor relations costs were \$50,750 for the year ended December 31, 2020 compared to \$38,697 for the year ended December 31, 2019. The increase of \$12,053 was due to the year ended December 31, 2019 including a vendor credit of \$9,550 for prior year invoicing corrections.

Travel costs were \$20,450 for the year ended December 31, 2020 compared to \$33,045 for the year ended December 31, 2019. The decrease of \$12,595 is due primarily to reduced travel requirements.

Excluding share-based payments, all other operating expense categories reflected only moderate changes period over period.

Other items amounted to an expense of \$103,889 during the year ended December 31, 2020 compared to an expense of \$175,938 in the year ended December 31, 2019. The Company had a foreign exchange loss of \$191,071 during the year ended December 31, 2020 compared to a foreign exchange loss of \$406,454 during the year ended December 31, 2019 as a result of the impact of exchange rates on certain of the Company's U.S. dollar cash balances. The average exchange rate during the year ended December 31, 2020 was C\$1 to US\$0.7461 compared to C\$1 to US\$0.7537 for the year ended December 31, 2019.

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 issued in connection with such private placements. However, the exercise of warrants 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 (over which the Company has no control) and therefore there can be no guarantee that any existing warrants will be exercised. There are currently no warrants outstanding.

In March 2020, the World Health Organization declared the novel coronavirus 2019 ("COVID-19") a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to

an economic downturn. While it is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its ultimate effects on the Company's business, results of operations or ability to raise funds at this time, as of the date of this Annual Report on Form 10-K, the COVID-19 pandemic has not had any material adverse effects on the Company.

As at December 31, 2020, the Company reported cash and cash equivalents of \$13,049,293 compared to \$6,937,621 at December 31, 2019. The increase of approximately \$6.1 million resulted mainly from sales made under the Company's ATM Offering, under which net proceeds were \$9.8 million, partially offset by operating expenditures on the Livengood Gold Project of approximately \$3.9 million and a positive foreign currency translation impact of approximately \$0.2 million. As at March 9, 2021, management believes that the Company has sufficient financial resources to maintain its operations for the next twelve months.

Financing activities during the year ended December 31, 2020 included the ATM Offering whereby the Company issued a total of 7,334,513 common shares at an average price of \$1.40 for gross proceeds of \$10.3 million. Share issuance costs included \$0.5 million related to the Offering.

Financing activities during the year ended December 31, 2019 included the exercise of stock options. Proceeds of \$64,254 were received on the issuance of 121,174 shares pursuant to the exercise of stock options.

The Company had no cash flows from investing activities during the year ended December 31, 2020.

Investing activities of \$101,692 during the year ended December 31, 2019 were comprised of mineral property costs for land acquisitions of \$31,189 that closed in the second quarter and \$70,503 that closed in the third quarter.

As at December 31, 2020, the Company had working capital of \$12,718,381 compared to working capital of \$6,840,418 at December 31, 2019. 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 anticipated 2021 work plan at the Livengood Gold Project and satisfy its currently anticipated general and administrative costs through the 2022 fiscal year.

The Company will require significant additional financing to continue its operations (including general and administrative expenses) in connection with advancing activities at the Livengood Gold Project and the development of any mine that may be determined to be built at the Livengood Gold Project, and there is no assurance that the Company will be able to obtain the additional financing required on acceptable terms, if at all. In addition, any significant delays in the issuance of required permits for the ongoing work at the Livengood Gold Project, or unexpected results in connection with the ongoing work, could result in the Company being required to raise additional funds to advance permitting efforts. The Company's review of its financing options includes pursuing a future strategic alliance to assist in further development, permitting and future construction costs, although there can be no assurance that any such strategic alliance will, in fact, be realized.

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 the Project to preserve its working capital to fund anticipated non-discretionary expenditures beyond the 2022 fiscal year.

Other than cash held by its subsidiaries for their immediate operating needs in the United States, all of the Company's cash reserves are on deposit with a major Canadian chartered bank. The Company does not believe that the credit, liquidity or market risks with respect thereto have increased as a result of the current market conditions.

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; or 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%.

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 Adopted Accounting Policies

For a description of recently adopted accounting policies, please see Note 2 – *Summary of Significant Accounting Policies* within our Notes to Consolidated Financial Statements in Item 8 of this Annual Report on Form 10-K.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.