



**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited – Prepared by Management)**

(Expressed in US Dollars)

Six Months Ended June 30, 2017 and 2016

Corporate Head Office

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INTERNATIONAL TOWER HILL MINES LTD.

June 30, 2017 and 2016

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PART 1

ITEM 1. FINANCIAL STATEMENTS

INTERNATIONAL TOWER HILL MINES LTD.

(An Exploration Stage Company)

CONDENSED CONSOLIDATED INTERIM BALANCE SHEETS

As at June 30, 2017 and December 31, 2016

(Expressed in US Dollars - Unaudited)

Note	June 30, 2017	December 31, 2016
ASSETS		
Current		
Cash and cash equivalents	\$ 4,521,972	\$ 22,466,493
Prepaid expenses and other	350,079	206,221
Total current assets	4,872,051	22,672,714
Property and equipment	22,803	24,800
Capitalized acquisition costs	4 55,204,041	55,204,041
Total assets	\$ 60,098,895	\$ 77,901,555
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 22,950	\$ 179,496
Accrued liabilities	5 244,308	210,182
Derivative liability	6 -	14,694,169
Total liabilities	267,258	15,083,847
Shareholders' equity		
Share capital, no par value; authorized 500,000,000 shares; 162,186,972 shares issued and outstanding at December 31, 2016 and June 30, 2017	7 265,524,796	265,569,796
Contributed surplus	7 34,092,428	34,079,301
Obligation to issue shares	7 99,492	-
Accumulated other comprehensive income	1,596,152	1,344,219
Deficit	(241,481,231)	(238,175,608)
Total shareholders' equity	59,831,637	62,817,708
Total liabilities and shareholders' equity	\$ 60,098,895	\$ 77,901,555

General Information and Nature of Operations (Note 1)

Commitments (Note 9)

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

INTERNATIONAL TOWER HILL MINES LTD.

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CONDENSED CONSOLIDATED INTERIM STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

For the Three and Six Months Ended June 30, 2017 and 2016

(Expressed in US Dollars - Unaudited)

	Note	Three Months Ended		Six Months Ended	
		June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Operating expenses					
Consulting fees		\$ 74,080	\$ 63,497	\$ 146,775	\$ 136,687
Depreciation		998	1,325	1,997	2,640
Insurance		68,738	69,457	134,733	131,206
Investor relations		34,751	28,429	63,248	49,387
Mineral property exploration	4	668,389	1,179,662	1,379,505	1,976,167
Office		13,008	12,622	21,149	20,459
Other		5,411	5,545	9,948	10,021
Professional fees		64,899	49,116	115,118	91,950
Regulatory		17,397	21,236	74,696	57,974
Rent		35,445	35,374	70,794	70,735
Travel		16,278	19,435	47,731	38,648
Wages and benefits		579,570	521,925	1,035,984	1,092,163
Total operating expenses		(1,578,964)	(2,007,623)	(3,101,678)	(3,678,037)
Other income (expenses)					
Loss/(gain) on foreign exchange		(78,001)	2,098	(244,125)	(121,764)
Interest income		7,119	5,335	17,980	12,155
Unrealized loss on derivative	6	-	(100,000)	-	(800,000)
Other income		22,200	31,340	22,200	31,340
Total other income (expenses)		(48,682)	(61,227)	(203,945)	(878,269)
Net loss for the period		(1,627,646)	(2,068,850)	(3,305,623)	(4,556,306)
Other comprehensive income (loss)					
Unrealized gain/(loss) on marketable securities		(6,349)	11,224	(4,385)	10,751
Exchange difference on translating foreign operations		91,303	(3,225)	256,318	296,258
Total other comprehensive income (loss) for the period		84,954	7,999	251,933	307,009
Comprehensive loss for the period		\$(1,542,692)	\$(2,060,851)	\$(3,053,690)	\$(4,249,297)
Basic and diluted loss per share		\$ (0.01)	\$ (0.02)	\$ (0.02)	\$ (0.04)
Weighted average number of shares outstanding – basic and diluted					
		162,186,972	116,313,638	162,186,972	116,313,618

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

INTERNATIONAL TOWER HILL MINES LTD.

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CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the Six Months Ended June 30, 2017 and 2016

(Expressed in US Dollars - Unaudited)

	Number of shares	Share capital	Contributed surplus	Obligati on to issue shares	Accumu- lated other compre- hensive income	Deficit	Total
Balance, December 31, 2015	116,313,638	\$243,692,185	\$33,979,717	-	\$ 816,435	\$(230,984,980)	\$47,503,357
Stock-based compensation	-	-	76,295	-	-	-	76,295
Unrealized gain on available-for-sale securities	-	-	-	-	10,751	-	10,751
Exchange difference on translating foreign operations	-	-	-	-	296,258	-	296,258
Net loss	-	-	-	-	-	(4,556,306)	(4,556,306)
Balance, June 30, 2016	116,313,638	243,692,185	34,056,012	-	1,123,444	(235,541,286)	43,330,355
Private placement	45,833,334	22,000,000	-	-	-	-	22,000,000
Share issuance costs	-	(146,735)	-	-	-	-	(146,735)
Stock-based compensation	-	-	32,231	-	-	-	32,231
Unrealized loss on available-for-sale securities	-	-	-	-	(21,545)	-	(21,545)
Exchange difference on translating foreign operations	-	-	-	-	242,320	-	242,320
Exercise of options	40,000	15,404	-	-	-	-	15,404
Reallocation from contributed surplus	-	8,942	(8,942)	-	-	-	-
Net loss	-	-	-	-	-	(2,634,322)	(2,634,322)
Balance, December 31, 2016	162,186,972	265,569,796	34,079,301	-	1,344,219	(238,175,608)	62,817,708
Share issuance costs	-	(45,000)	-	-	-	-	(45,000)
Stock-based compensation	-	-	13,127	-	-	-	13,127
Obligation to issue shares	-	-	-	99,492	-	-	99,492
Unrealized loss on available-for-sale securities	-	-	-	-	(4,385)	-	(4,385)
Exchange difference on translating foreign operations	-	-	-	-	256,318	-	256,318
Net loss	-	-	-	-	-	(3,305,623)	(3,305,623)
Balance, June 30, 2017	162,186,972	\$265,524,796	\$34,092,428	\$ 99,492	\$1,596,152	\$(241,481,231)	\$59,831,637

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

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CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

For the Six Months Ended June 30, 2017 and 2016

(Expressed in US Dollars - Unaudited)

	Six Months Ended	
	June 30, 2017	June 30, 2016
Operating Activities		
Loss for the period	\$ (3,305,623)	\$ (4,556,306)
Add items not affecting cash:		
Depreciation	1,997	2,640
Stock-based compensation	13,127	76,295
Obligation to issue shares	99,492	-
Unrealized loss on derivative liability	-	800,000
Changes in non-cash items:		
Prepaid expenses and other	(148,207)	(157,513)
Accounts payable and accrued liabilities	(124,900)	(60,995)
Cash used in operating activities	(3,464,114)	(3,895,879)
Financing Activities		
Derivative payment	(14,694,169)	-
Share issuance costs	(45,000)	-
Cash used in financing activities	(14,739,169)	-
Effect of foreign exchange on cash	258,762	290,864
Decrease in cash and cash equivalents	(17,944,521)	(3,605,015)
Cash and cash equivalents, beginning of the period	22,466,493	6,493,486
Cash and cash equivalents, end of the period	\$ 4,521,972	\$ 2,888,471

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

INTERNATIONAL TOWER HILL MINES LTD.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Six Months Ended June 30, 2017 and 2016

(Expressed in US dollars – Unaudited)

1. GENERAL INFORMATION AND NATURE OF OPERATIONS

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 June 30, 2017, the Company was in the exploration stage and controls a 100% interest in its Livengood Gold Project in Alaska, U.S.A.

These unaudited condensed consolidated interim 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.

As at June 30, 2017, the Company had cash and cash equivalents of \$4,521,972 compared to \$22,466,493 at December 31, 2016. The Company has no revenue generating operations from which it can internally generate funds. On January 12, 2017, the Company paid \$14,694,169 for the timely and full satisfaction of the final derivative payment due with respect to the acquisition of certain mining claims and related rights in the vicinity of the Livengood Gold Project.

The Company will require significant additional financing to continue its operations in connection with advancing activities at the Livengood Gold Project and for the development of any mine that may be determined to be built at the Livengood Gold Project. 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 2017 fiscal year.

2. BASIS OF PRESENTATION

These unaudited condensed consolidated interim financial statements have been prepared in accordance with accounting principles generally accepted in the United States (“U.S. GAAP”) for interim financial information and with the instructions to Form 10-Q and Article 8 of Regulation S-X under the Securities Exchange Act of 1934, as amended. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for annual financial statements. These unaudited condensed consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2016 as filed in our Annual Report on Form 10-K. In the opinion of the Company’s management these financial statements reflect all adjustments, consisting of normal recurring adjustments, necessary to present fairly the Company’s financial position at June 30, 2017 and the results of its operations for the six months then ended. Operating results for the six months ended June 30, 2017 are not necessarily indicative of the results that may be expected for the year ending

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December 31, 2017. The 2016 year-end balance sheet data was derived from audited financial statements but does not include all disclosures required by U.S. GAAP.

The preparation of financial statements in conformity 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 continuously 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.

On August 10, 2017, the Board approved these condensed consolidated interim financial statements.

Basis of consolidation

These condensed consolidated interim 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.

3. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying values of cash and cash equivalents, accounts receivable (included in prepaid expenses and other) 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 June 30, 2017		
	Level 1	Level 2
Financial assets:		
Marketable securities	\$ 19,034	\$ -
Total	\$ 19,034	\$ -
Fair value as at December 31, 2016		
	Level 1	Level 2
Financial assets:		
Marketable securities	\$ 22,754	\$ -
Total	\$ 22,754	\$ -
Financial liabilities:		
Derivative liability (Note 6)	\$ -	\$ 14,694,169
Total	\$ -	\$ 14,694,169

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4. CAPITALIZED ACQUISITION COSTS

The Company had the following activity related to capitalized acquisition costs:

Capitalized acquisition costs	Amount
Balance, December 31, 2016	\$ 55,204,041
Acquisition costs	-
Balance, June 30, 2017	\$ 55,204,041

The following table presents costs incurred for exploration and evaluation activities for the six months ended June 30, 2017 and 2016:

	June 30, 2017	June 30, 2016
Exploration costs:		
Aircraft services	\$ 4,050	\$ 4,050
Assay	412,811	-
Environmental	106,905	142,499
Equipment rental	23,875	21,586
Field costs	68,128	70,357
Geological/geophysical	307,023	1,293,989
Land maintenance & tenure	415,305	412,716
Legal	37,272	28,845
Transportation and travel	4,136	2,125
Total expenditures for the period	\$ 1,379,505	\$ 1,976,167

Livengood Gold Project Property

The Livengood property is located in the Tintina gold belt approximately 113 kilometers (70 miles) northwest 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 (all of which minimum royalties are recoverable from production 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. During the six months ended June 30, 2017 and from the inception of this lease the Company has paid \$329,722 and \$2,632,388, respectively.
- 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

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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. During the six months ended June 30, 2017 and from the inception of this lease the Company has paid \$50,000 and \$680,000, respectively.

- c) a lease of patented lode mining 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. During the six months ended June 30, 2017 and from the inception of this lease the Company has paid \$20,000 and \$185,000, respectively.
- 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. During the six months ended June 30, 2017 and from the inception of this lease the Company has paid \$15,000 and \$128,000, respectively.

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 June 30, 2017 and December 31, 2016.

	June 30, 2017	December 31, 2016
Accrued liabilities	\$ 170,149	\$ 41,682
Accrued salaries and benefits	74,159	168,500
Total accrued liabilities	<u>\$ 244,308</u>	<u>\$ 210,182</u>

Accrued liabilities at June 30, 2017 include accruals for general corporate costs and project costs of \$29,506 and \$140,643, respectively. Accrued liabilities at December 31, 2016 include accruals for general corporate costs and project costs of \$13,406 and \$28,276, respectively.

6. DERIVATIVE LIABILITY

During 2011, the Company acquired certain mining claims and related rights in the vicinity of the Livengood Gold

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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 equaled \$23,148 for every dollar that the Average Gold Price exceeded \$720 per troy ounce. If the Average Gold Price were less than \$720, there would not have been any additional consideration due.

At initial recognition on December 13, 2011 the derivative liability was valued at \$23,100,000. As at December 12, 2016, the five-year average daily gold price was \$1,354.79 resulting in a derivative liability of \$14,694,169. The obligation to make the contingent payment was secured by a Deed of Trust over the rights of the Company in the purchased claims in favor of the vendors. On January 12, 2017, the Company paid \$14,694,169 for the timely and full satisfaction of the final derivative payment.

7. SHARE CAPITAL

Authorized

500,000,000 Common Shares without par value. At December 31, 2016 and June 30, 2017 there were 162,186,972 shares issued and outstanding.

Share issuances

There were no share issuances during the six months ended June 30, 2017.

On December 28, 2016, the Company closed a non-brokered private placement financing of 45,833,334 Common Shares at a price of \$0.48 per share for gross proceeds of \$22.0 million.

Obligation to issue shares

On May 24, 2017, the shareholders approved the issuance of Common Shares to the previous CEO for services rendered as CEO. On May 24, 2017, the Company recorded an obligation to issue 206,024 Common Shares valued at \$99,492 (CAD \$133,916). On July 13, 2017, the Company issued 206,024 Common Shares in full satisfaction of the obligation.

Deferred Share Unit Incentive Plan

On May 24, 2017 at the Company’s Annual General Meeting of Shareholders, a Deferred Share Unit Incentive Plan (“DSU Plan”) was approved.

As at June 30, 2017, the maximum aggregate number of Common Shares that could be issued under the DSU Plan and the 2006 Plan (as defined below) was 16,218,697, representing 10% of the number of issued and outstanding Common Shares on that date (on a non-diluted basis). As at June 30, 2017, the Company had stock options to potentially acquire 5,940,000 Common Shares outstanding under the 2006 Plan (representing approximately 3.66% of the outstanding Common Shares), leaving up to 10,278,697 Common Shares available for future grants under the DSU Plan and under the 2006 Plan (combined) based on the number of outstanding Common Shares as at that date on a non-diluted basis (representing an aggregate of approximately 6.34% of the outstanding Common Shares).

Stock options

The Company adopted an incentive stock option plan in 2006, as amended September 19, 2012 and reapproved 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, together with shares under the DSU 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

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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 six month period ended June 30, 2017, there were no incentive stock options granted by the Company.

A summary of the status of the stock option plan as of June 30, 2017 and December 31, 2016 and changes is presented below:

	Six Months Ended June 30, 2017			Year Ended December 31, 2016		
	Number of Options	Weighted Average Exercise Price (C\$)	Aggregate Intrinsic Value	Number of Options	Weighted Average Exercise Price (C\$)	Aggregate Intrinsic Value
Balance, beginning of the period	6,026,200	\$ 1.61	\$183,930	6,066,200	\$ 1.60	\$Nil
Exercised	-	-	-	(40,000)	0.50	29,600
Forfeited	(86,200)	1.46	4,368	-	-	-
Balance, end of the period	5,940,000	\$ 1.61	\$78,840	6,026,200	\$ 1.61	\$183,930

Stock options outstanding are as follows:

Expiry Date	June 30, 2017			December 31, 2016		
	Exercise Price (C\$)	Number of Options	Exercisable	Exercise Price (C\$)	Number of Options	Exercisable
August 24, 2017	\$ 3.17	1,650,000	1,650,000	\$ 3.17	1,675,000	1,675,000
March 14, 2018	\$ 2.18	313,000	313,000	\$ 2.18	319,000	319,000
February 25, 2022	\$ 1.11	1,030,000	1,030,000	\$ 1.11	1,030,000	1,030,000
February 25, 2022	\$ 0.73	570,000	570,000	\$ 0.73	594,000	594,000
March 10, 2022	\$ 1.11	430,000	430,000	\$ 1.11	430,000	430,000
March 16, 2023	\$ 1.00	1,260,000	1,260,000	\$ 1.00	1,260,000	839,999
March 16, 2023	\$ 0.50	657,000	657,000	\$ 0.50	688,200	445,466
June 9, 2023	\$ 1.00	30,000	30,000	\$ 1.00	30,000	20,000
		5,940,000	5,940,000		6,026,200	5,353,465

A summary of the non-vested options as of June 30, 2017 and changes during the six months ended June 30, 2017 is as follows:

	Number of options	Weighted average grant- date fair value (C\$)
Non-vested options:		
Outstanding at December 31, 2016	672,735	\$ 0.25
Vested	(672,735)	\$ 0.25
Outstanding at June 30, 2017	-	-

At June 30, 2017 there was no unrecognized compensation expense related to non-vested options outstanding.

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Share-based payments

During the six month period ended June 30, 2017, there were no incentive stock options granted by the Company. Share-based payment charges for the six months ended June 30, 2017 totaled \$13,127.

During the six month period ended June 30, 2016, there were no incentive stock options granted by the Company. Share-based payment charges for the six months ended June 30, 2016 totaled \$76,295.

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

	YTD December 31, 2015
Expected life of options	6 years
Risk-free interest rate	0.97%
Annualized volatility	80.60%
Dividend rate	0.00%
Exercise price (C\$)	\$0.80

The expected volatility used in the Black-Scholes option pricing model is based on the historical volatility of the Company's shares.

8. SEGMENT AND GEOGRAPHIC INFORMATION

The Company operates in a single reportable segment, being the exploration and development of mineral properties. The following tables present selected financial information by geographic location:

	Canada	United States	Total
June 30, 2017			
Capitalized acquisition costs	\$ -	\$ 55,204,041	\$ 55,204,041
Property and equipment	8,729	14,074	22,803
Current assets	4,269,502	602,549	4,872,051
Total assets	\$ 4,278,231	\$ 55,820,664	\$ 60,098,895
December 31, 2016			
Capitalized acquisition costs	\$ -	\$ 55,204,041	\$ 55,204,041
Property and equipment	8,944	15,856	24,800
Current assets	22,289,678	383,036	22,672,714
Total assets	\$ 22,298,622	\$ 55,602,933	\$ 77,901,555
Three months ended		June 30, 2017	June 30, 2016
Net loss for the period – Canada		\$ (333,167)	\$ (248,679)
Net loss for the period - United States		(1,294,479)	(1,820,171)
Net loss for the period		\$ (1,627,646)	\$ (2,068,850)
Six months ended		June 30, 2017	June 30, 2016
Net loss for the period – Canada		\$ (762,987)	\$ (638,607)
Net loss for the period - United States		(2,542,636)	(3,917,699)
Net loss for the period		\$ (3,305,623)	\$ (4,556,306)

INTERNATIONAL TOWER HILL MINES LTD.

(An Exploration Stage Company)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Six Months Ended June 30, 2017 and 2016

(Expressed in US dollars – Unaudited)

9. COMMITMENTS

The following table discloses, as of June 30, 2017, the Company’s contractual obligations including anticipated mineral property payments. 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 expenditure, 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						
	2017	2018	2019	2020	2021	2022 and beyond	Total
Mineral Property Leases ⁽¹⁾	\$ -	\$ 424,668	\$ 429,688	\$ 434,783	\$ 439,955	\$ 445,204	\$ 2,174,298
Mining Claim Government Fees	114,925	114,925	114,925	114,925	114,925	114,925	689,550
Total	\$ 114,925	\$ 539,593	\$ 544,613	\$ 549,708	\$ 554,880	\$ 560,129	\$ 2,863,848

1. Does not include required work expenditures, as it is assumed that the required expenditure level is significantly below the level of work that 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.

10. 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, represented the remaining consideration for the purchase of these claims and related rights and was paid in January 2017. Under the Agreement, the payment was made 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 and subsequently appointed Chief Executive Officer of the Company effective January 31, 2017. 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.

In December 2016, the Company closed a non-brokered private placement financing through the issuance of 32,429,842 shares to Paulson & Co. Inc., 9,041,554 shares to Tocqueville Asset Management, L.P., and 4,361,938 shares to AngloGold Ashanti (U.S.A.) Exploration Inc. at a price of \$0.48 per share. As at December 31, 2016, Paulson, Tocqueville, and AngloGold beneficially own approximately 34.2%, 19.4%, and 9.5% respectively of the Company’s 162,186,972 Common Shares.

In May 2017, the Company recognized an obligation to issue 206,024 Common Shares to the Company’s previous CEO, Tom Irwin, with a value of \$99,492. See Note 7.

At June 30, 2017, accounts payable and accrued liabilities included related party costs of \$8,250 and \$6,229, respectively.