

## INTERNATIONAL TOWER HILL MINES LTD.

### ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2019. All currency amounts are stated in U.S. dollars unless noted otherwise.

#### Current Business Activities

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##### General

In response to rising gold prices and changing worldwide macroeconomic conditions that are now supportive of accelerating work on the Livengood Gold Project, on May 7, 2020, the Board directed management to prepare an updated pre-feasibility study ("PFS") for the Project.

On July 15, 2020, the Company announced that it had finalized the key contracts for completion of the previously announced PFS on the Livengood Gold Project and expected to release the details 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 April 2017 NI 43-101 report was completed to further de-risk and identify the optimal project configuration. The Company has engaged BBA, Inc. in Montreal as its lead consultant and has retained Whittle Consulting, Resource Modeling, Inc., and NewFields Companies, LLC to provide specialized technical support. The estimated cost of the updated PFS through October 2021 is \$3.8 million.

##### Recent Developments

On August 31, 2020, the Company entered into an At Market Issuance Sales Agreement (the "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. As of October 16, 2020, the Company had raised the full \$10.3 million available under the sales agreement. 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. This included participation by all of the four largest shareholders of the Company. Paulson & Co. Inc. acquired 2,337,410 shares, Sprott Asset Management USA acquired 1,111,386 shares, Electrum Strategic Opportunities Fund II, L.P. acquired 1,042,201 shares and Kopernik Global Investors LLC, acquired 1,180,000 shares.

The Company intends to use the proceeds of the sales agreement for working capital and general corporate purposes, including the completion of the PFS announced on July 15, 2020 to further de-risk the Livengood Gold Project and for environmental baseline studies.

##### Results of Operations

###### Summary of Quarterly Results

Description	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019
Net income (loss)	\$ (1,101,763)	\$ (1,486,464)	\$ 65,085	\$ (760,035)
Basic and diluted net gain (loss) per common share	\$ (0.01)	\$ (0.01)	\$ 0.00	\$ (0.00)

  

	September 30, 2019	June 30, 2019	March 31, 2019	December 31, 2018
Net income (loss)	\$ (858,406)	\$ (1,387,054)	\$ (820,912)	\$ (901,767)
Basic and diluted net gain (loss) per common share	\$ (0.01)	\$ (0.01)	\$ (0.00)	\$ (0.01)

###### *Three Months Ended September 30, 2020 compared to Three Months Ended September 30, 2019*

The Company had a net loss of \$1,101,763 for the three months ended September 30, 2020, compared to a net loss of \$858,406 for the three months ended September 30, 2019.

Excluding share-based costs of \$2,169 and \$316,717 for the 2020 and 2019 periods, respectively, consulting costs were \$40,006 for the three months ended September 30, 2020 compared to \$36,761 for the three months ended September 30, 2019. The increase of \$3,245 is primarily due to variation in timing of computer support services.

Insurance costs were \$37,913 for the three months ended September 30, 2020 compared to \$31,378 for the three months ended September 30, 2019. The increase of \$6,535 is primarily due to premium increases.

Excluding share-based costs of \$1,084, investor relations costs were \$6,109 for the three months ended September 30, 2020 compared to \$1,723 for the three months ended September 30, 2019. The increase of \$4,386 is primarily due to the Company's participation in an investor conference during the three months ended September 30, 2020.

Mineral property expenditures were \$718,541 for the three months ended September 30, 2020 compared to \$179,692 for the three months ended September 30, 2019. The increase of \$538,849 is primarily due to the differences in the scope of technical and baseline environmental work completed during the periods.

Professional fees were \$74,029 for the three months ended September 30, 2020 compared to \$54,720 for the three months ended September 30, 2019. The increase of \$19,309 is primarily due to increased land-related legal activity and variation in timing of audit/tax services.

Regulatory costs were \$59,065 for the three months ended September 30, 2020 compared to \$52,118 for the three months ended September 30, 2019. The increase of \$6,947 is primarily due to additional TSX fees related to the deferred share unit ("DSU") plan reserve.

Excluding share-based costs of \$15,180 and \$87,454 for the 2020 and 2019 periods, respectively, wages and benefits were \$175,485 for the three months ended September 30, 2020 compared to \$169,825 for the three months ended September 30, 2019. The increase of \$5,660 is primarily due to a variation in timing of employee benefits.

#### Share-based payment charges

Share-based payment charges for the three-month periods ended September 30, 2020 and 2019 were allocated as follows:

<b>Expense category:</b>	<b>September 30, 2020</b>	<b>September 30, 2019</b>
Consulting	\$ 2,169	\$ 316,717
Investor relations	1,084	-
Wages and benefits	15,180	87,454
Total	\$ 18,433	\$ 404,171

Share-based payment charges were \$18,433 during the three months ended September 30, 2020 compared to \$404,171 during the three months ended September 30, 2019. The decrease of \$385,738 is mainly the result of the DSUs issued on August 8, 2019 being fully vested upon issuance and the options issued on August 8, 2019 being exercisable upon grant.

Other items amounted to total other income of \$85,510 during the three-month period ended September 30, 2020 compared to total other income of \$134,506 during the three-month period ended September 30, 2019. As a result of the impact of exchange rates on certain of the Company's U.S. dollar cash balances, the Company had a foreign exchange gain of \$73,542 during the three-month period ended September 30, 2020 compared to a gain of \$82,426 during the three-month period ended September 30, 2019. The average exchange rate during the three-month period ended September 30, 2020 was C\$1 to US\$0.7508 compared to C\$1 to US\$0.7574 during the three-month period ended September 30, 2019. Interest income was \$11,968 for the three-month period ended September 30, 2020 compared to \$44,880 for the three-month period ended September 30, 2019. The decrease of \$32,912 is primarily due to short-term investment certificates being re-invested upon maturity at a lower interest rate.

#### ***Nine Months Ended September 30, 2020 compared to Nine Months Ended September 30, 2019***

The Company had a net loss of \$2,523,142 for the nine months ended September 30, 2020, compared to a net loss of \$3,066,372 for the nine months ended September 30, 2019.

Excluding share-based costs of \$303,096 and \$316,717 for the 2020 and 2019 periods, respectively, consulting costs were \$120,074 for the nine months ended September 30, 2020 compared to \$124,269 for the nine months ended September 30, 2019. The decrease of \$4,195 is primarily due to two less members of the Board.

Insurance costs were \$104,799 for the nine months ended September 30, 2020 compared to \$92,007 for the nine months ended September 30, 2019. The increase of \$12,792 is primarily due to premium increases.

Excluding share-based costs of \$4,239, investor relations costs were \$45,002 for the nine months ended September 30, 2020 compared to \$35,923 for the nine months ended September 30, 2019. The increase of \$9,079 is primarily due to investor conferences.

Professional fees were \$163,189 for the nine months ended September 30, 2020 compared to \$146,837 for the nine months ended September 30, 2019. The increase of \$16,352 is primarily due to land-related legal services.

Travel costs were \$20,186 for the nine months ended September 30, 2020 compared to \$25,359 for the nine months ended September 30, 2019. The decrease of \$5,173 is primarily due to reduced travel as a result of the COVID-19 pandemic.

Excluding share-based costs of \$59,350 and \$89,140 for the 2020 and 2019 periods, respectively, wages and benefits were \$516,048 for the nine months ended September 30, 2020 compared to \$500,667 for the nine months ended September 30, 2019. The increase of \$15,381 is primarily due to a variation in timing of employee benefits.

#### Share-based payment charges

Share-based payment charges for the nine-month periods ended September 30, 2020 and 2019 were allocated as follows:

<b>Expense category:</b>	<b>September 30, 2020</b>	<b>September 30, 2019</b>
Consulting	\$ 303,096	\$ 316,717
Investor relations	4,239	-
Wages and benefits	59,350	89,140
<b>Total</b>	<b>\$ 366,685</b>	<b>\$ 405,857</b>

Share-based payment charges were \$366,685 during the nine months ended September 30, 2020 compared to \$405,857 during the nine months ended September 30, 2019. The decrease of \$39,172 is mainly the result of the options issued on August 8, 2019 being exercisable upon grant.

Other items amounted to total other income of \$457,559 during the nine-month period ended September 30, 2020 compared to total other expenses of \$123,776 during the nine-month period ended September 30, 2019. As a result of the impact of exchange rates on certain of the Company's U.S. dollar cash balances, the Company had a foreign exchange gain of \$389,633 during the nine-month period ended September 30, 2020 compared to a loss of \$280,820 during the nine-month period ended September 30, 2019. The average exchange rate during the nine-month period ended September 30, 2020 was C\$1 to US\$0.7391 compared to C\$1 to US\$0.7524 during the nine-month period ended September 30, 2019. Interest income was \$5,292 for the nine-month period ended September 30, 2020 compared to \$30,931 for the nine-month period ended September 30, 2019. The decrease of \$25,639 is primarily due to short-term investment certificates being re-invested upon maturity at a lower interest rate.

#### **Liquidity Risk and Capital Resources**

The Company has no revenue generating operations from which it can internally generate funds. To date, the Company has predominantly financed its ongoing operations through the sale of its equity securities by way of public offerings and private placements and the subsequent exercise of share purchase and broker warrants and options issued in connection with such private placements.

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 Quarterly Report on Form 10-Q, the COVID-19 pandemic has not had any material adverse effects on the Company.

As at September 30, 2020, the Company had cash and cash equivalents of \$13,768,843 compared to \$6,937,621 at December 31, 2019. The increase of approximately \$6.8 million resulted mainly from a sales agreement for "at the market" net proceeds

of \$9.0 million partially offset by expenditures on operating activity of approximately \$1.7 million and a negative foreign currency transaction impact of approximately \$0.4 million.

Financing activities during the nine-month period ended September 30, 2020 included the issuance of common shares pursuant to the sales agreement entered into by the Company for “at the market offerings” with B. Riley, which allowed the Company to offer and sell up to \$10.3 million of common shares from time to time, at prevailing market prices at the time of the sale, through B. Riley, acting as sales agent. In the three months ended September 30, 2020, the Company sold 6,531,273 common shares under the sales agreement and raised approximately \$9.2 million in aggregate gross proceeds before commissions and expenses and paid B. Riley aggregate commissions of \$0.1 million. At September 30, 2020, there remained approximately \$1.2 million of availability to sell common shares through the sales agreement, all of which was sold subsequent to period end.

Financing activities during the nine-month period ended September 30, 2019 included the exercise of stock options. Proceeds of \$64,254 were received on the issuance of 121,174 common shares.

The Company had no cash flows from investing activities during the nine-month period ended September 30, 2020.

Investing activities of \$101,692 during the nine-month period ended September 30, 2019 were comprised of the capitalized acquisition costs for land acquisitions of \$31,189 that closed in the second quarter and \$70,503 that closed in the third quarter.

As at September 30, 2020, the Company had working capital of \$13,123,493 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 2020 work plan at the Livengood Gold Project and satisfy its currently anticipated general and administrative costs through at least the next 12 months.

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*” included in Part I, Item 1A of the Company’s Annual Report on Form 10-K for the year ended December 31, 2019.

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.

### **Contractual Obligations and Commitments**

The following table discloses the Company’s contractual obligations as of September 30, 2020, including anticipated mineral property payments and work commitments. Under the terms of the Company’s mineral property purchase agreements, mineral leases and unpatented mineral claims, 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						Total
	2020	2021	2022	2023	2024	2025 and beyond	
Mineral Property Leases <sup>(1)</sup>	\$ -	\$ 428,951	\$ 434,185	\$ 439,498	\$ 444,890	\$ 450,363	\$ 2,197,887
Mining Claim Government Fees	92,035	132,460	132,460	132,460	132,460	132,460	754,335
<b>Total</b>	<b>\$ 92,035</b>	<b>\$ 561,411</b>	<b>\$ 566,645</b>	<b>\$ 571,958</b>	<b>\$ 577,350</b>	<b>\$ 582,823</b>	<b>\$ 2,952,222</b>

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).

### Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements.

### Environmental Regulations

The operations of the Company may in the future be affected from time to time in varying degrees by changes in environmental regulations, including those for future removal and site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company vary greatly and are not predictable. The Company's policy is to meet or, if possible, surpass standards set by relevant legislation by application of technically proven and economically feasible measures.

### Certain U.S. Federal Income Tax Considerations for U.S. Holders

The Company has been a "passive foreign investment company" ("PFIC") for U.S. federal income tax purposes in recent years and expects to continue to be a PFIC in the future. Current and prospective U.S. shareholders should consult their tax advisors as to the tax consequences of PFIC classification and the U.S. federal tax treatment of PFICs. Additional information on this matter is included in the Company's Annual Report on Form 10-K for the year ended December 31, 2019, under "Part II. Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities - Certain U.S. Federal Income Tax Considerations for U.S. Holders."

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Not applicable.

### **ITEM 4. CONTROLS AND PROCEDURES**

#### **Disclosure Controls and Procedures**

As of September 30, 2020, an evaluation was carried out under the supervision of and with the participation of the Company's management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act). Based on the evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that, as of September 30, 2020, the Company's disclosure controls and procedures were effective in ensuring that information required to be disclosed in reports filed or submitted to the Securities and Exchange Commission under the Exchange Act: (i) is recorded, processed, summarized and reported within the time periods specified in applicable rules and forms and (ii) is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, in a manner that allows for timely decisions regarding required disclosures.

The effectiveness of our or any system of disclosure controls and procedures, however well designed and operated, can provide only reasonable assurance that the objectives of the system will be met and is subject to certain limitations, including the exercise of judgement in designing, implementing and evaluating controls and procedures and the assumptions used in identifying the likelihood of future events.

#### **Changes in Internal Control over Financial Reporting**

There were no changes in internal control over financial reporting during the quarter ended September 30, 2020 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.