CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in US Dollars)

Year Ended December 31, 2012
Seven Months Ended December 31, 2011
Years Ended May 31, 2011 and 2010

Corporate Head Office

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INTERNATIONAL TOWER HILL MINES LTD.

December 31, 2012 and December 31, 2011

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Audited Consolidated Financial Statements

Report of Independent Registered Public Accounting Firm

To the Shareholders of International Tower Hill Mines Ltd.:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations and comprehensive loss, changes in shareholders' equity and cash flows present fairly, in all material respects, the financial position of International Tower Hill Mines Ltd. (the Company) at December 31, 2012 and the results of the Company's operations and cash flows for the year then ended and cumulatively for the period from January 1, 2012 to December 31, 2012 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2012, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Item 9A of the Annual Report on Form 10-K. Our responsibility is to express opinions on these financial statements, and on the Company's internal control over financial reporting based on our integrated audit. We did not audit the cumulative statements of operations and comprehensive loss, changes in shareholders' equity and cash flows for the period from June 1, 1997 (date of inception) to December 31, 2011. These statements were audited by other auditors who expressed unqualified opinions on the cumulative amounts. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audit of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP

Chartered Accountants
Vancouver, British Columbia
March 13, 2013

Report of Independent Registered Public Accounting Firm

To the Shareholders of
International Tower Hill Mines Ltd.

We have audited the accompanying consolidated balance sheet of International Tower Hill Mines Ltd. (the "Company"), as of December 31, 2011 and the related consolidated statements of comprehensive loss, changes in shareholders' equity, cash flows for the period ended December 31, 2011 and for the period June 1, 1997 (date of inception) to December 31, 2011. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (US). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of International Tower Hill Mines Ltd. as at December 31, 2011 and the results of their operations and their cash flows for the period ended December 31, 2011 and for the period June 1, 1997 (date of inception) to December 31, 2011 in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. Without modifying our opinion, we draw attention to Note 1 that states the Company has no source of revenue, and has significant cash requirements that raise substantial doubt about its ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ MacKay LLP

Vancouver, Canada
March 16, 2012 **Chartered Accountants**

INTERNATIONAL TOWER HILL MINES LTD.
(An Exploration Stage Company)
CONSOLIDATED BALANCE SHEETS
As at December 31, 2012 and December 31, 2011
(Expressed in US Dollars)

	Note	December 31, 2012	December 31, 2011
ASSETS			
Current assets			
Cash and cash equivalents		$ 30,170,905	$ 54,712,073
Marketable securities		180,415	297,443
Accounts receivable		262,516	460,970
Advance to contractors		582,009	480,000
Prepaid expenses		228,221	182,747
Total current assets		31,424,066	56,133,233
Property and equipment		89,714	124,981
Capitalized acquisition costs	7	55,173,564	53,045,871
Total assets		$ 86,687,344	$ 109,304,085
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable		$ 1,198,771	$ 935,273
Accrued liabilities		2,548,498	884,342
Payable for mineral rights and claims	7	-	8,500,000
Total current liabilities		3,747,269	10,319,615
Non-current liabilities			
Derivative liability	8	22,400,000	20,800,000
Total liabilities		26,147,269	31,119,615
Shareholders' equity			
Share capital, no par value; authorized 500,000,000 shares; 98,068,638 and 86,683,919 shares issued and outstanding at December 31, 2012 and 2011, respectively	10	236,401,096	207,186,847
Contributed surplus		28,589,591	19,382,616
Accumulated other comprehensive income		4,101,968	3,524,125
Deficit accumulated during the exploration stage		(208,552,580)	(151,909,118)
Total shareholders' equity		60,540,075	78,184,470
Total liabilities and shareholders' equity		$ 86,687,344	$ 109,304,085

Nature and continuance of operations (note 1)
Commitments (note 12)

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

INTERNATIONAL TOWER HILL MINES LTD.
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
For the Year Ended December 31, 2012, the Seven Month Period Ended December 31, 2011, and the Years Ended May 31, 2011 and 2010
(Expressed in US Dollars)

	Note	December 31, 2012	December 31, 2011	May 31, 2011	May 31, 2010	From Inception
Operating Expenses						
Consulting fees		$ 3,310,425	$ 1,811,004	$ 1,559,270	$3,494,322	$13,624,057
Depreciation		31,660	21,830	42,081	26,731	243,831
Insurance		310,549	129,600	213,737	120,721	916,177
Investor relations		479,836	323,391	1,230,624	1,049,293	4,400,704
Mineral property exploration	7	36,253,519	32,550,518	37,749,156	20,518,379	144,029,049
Office		160,047	133,431	279,888	93,046	897,257
Other		73,145	25,257	147,398	98,625	1,734,515
Professional fees		613,056	651,000	651,078	577,166	3,102,385
Regulatory		174,542	134,084	186,818	210,399	954,698
Rent		251,835	144,935	166,535	83,987	850,988
Travel		283,708	200,531	208,736	121,123	1,194,256
Wages and benefits		13,643,058	10,000,236	5,467,453	5,518,011	38,410,558
Write-down of mineral properties		-	-	-	643,129	1,605,522
Total operating expenses		(55,585,380)	(46,125,817)	(47,902,774)	(32,554,932)	(211,963,997)
Other income (expense)						
Gain on foreign exchange		68,113	72,762	90,918	188,133	322,625
Interest income		183,253	592,038	670,469	109,766	2,503,297
Income from mineral property earn-in		290,552	-	216,152	154,040	660,744
Spin-out cost	2	-	(148,940)	(496,638)	(129,671)	(775,249)
Unrealized (loss)/gain on derivative	8	(1,600,000)	2,300,000	-	-	700,000
Total other income (expense)		(1,058,082)	2,815,860	480,901	322,268	3,411,417
Loss from continuing operations		(56,643,462)	(43,309,957)	(47,421,873)	(32,232,664)	(208,552,580)
Loss from discontinued operations		-	-	(1,037,912)	(3,452,307)	(19,630,113)
Net loss for the period		(56,643,462)	(43,309,957)	(48,459,785)	(35,684,971)	(228,182,693)
Other comprehensive income (loss)						
Unrealized (loss)/gain on marketable securities		(163,176)	(357,473)	172,164	95,980	(368,699)
Exchange difference on translating foreign operations		741,019	(3,644,910)	6,481,530	(1,552,044)	4,470,667
Total other comprehensive income (loss) for the period		577,843	(4,002,383)	6,653,694	(1,456,064)	4,101,968
Comprehensive loss for the period		$(56,065,619)	$(47,312,340)	$(41,806,091)	$(37,141,035)	$(224,080,725)
Basic and fully diluted net loss per share from continuing operations		$ (0.62)	$ (0.50)	$ (0.61)	$ (0.54)	
Basic and fully diluted net loss per share from discontinued operations		$ -	$ -	$ (0.01)	$ (0.06)	
Basic and fully diluted net loss per share		$ (0.62)	$ (0.50)	$ (0.62)	$ (0.60)	
Weighted average number of shares outstanding		91,112,934	86,683,919	77,550,644	59,603,193	

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

INTERNATIONAL TOWER HILL MINES LTD.

(An Exploration Stage Company)

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the Cumulative Period From Inception to December 31, 2012

(Expressed in US Dollars)

	Number of shares	Share capital	Contributed surplus	Accumulated other comprehensive income/(loss)	Deficit	Total
Balance, at June 1, 1997	6,693,432	$ 2,141,309	$ -	$ -	$ (1,420,902)	$ 720,407
Exchange difference on translating foreign operations	-	-	-	(69,021)	-	(69,021)
Net loss	-	-	-	-	(607,831)	(607,831)
Balance, May 31, 1998	6,693,432	2,141,309	-	(69,021)	(2,028,733)	43,555
Shares issued for debt settlement	235,418	62,376			-	62,376
Private placement	300,000	79,488	-	-	-	79,488
Exercise of warrants	300,000	79,488	-	-	-	79,488
Exchange difference on translating foreign operations	-	-	-	2,930	-	2,930
Net loss	-	-	-	-	(75,739)	(75,739)
Balance, May 31, 1999	7,528,850	2,362,661	-	(66,091)	(2,104,472)	192,098
Private placement	750,000	152,843	-	-	-	152,843
Exercise of warrants	250,000	50,947	-	-	-	50,947
Exchange difference on translating foreign operations	-	-	-	(11,103)	-	(11,103)
Net income	-	-	-	-	115,174	115,174
Balance, May 31, 2000	8,528,850	2,566,451	-	(77,194)	(1,989,298)	499,959
Exercise of warrants	483,333	95,729	-	-	-	95,729
Exchange difference on translating foreign operations	-	-	-	(12,447)	-	(12,447)
Net loss	-	-			(124,066)	(124,066)
Balance, May 31, 2001	9,012,183	2,662,180	-	(89,641)	(2,113,364)	459,175
Exchange difference on translating foreign operations	-	-	-	1,490	-	1,490
Net loss	-	-	-		(83,882)	(83,882)
Balance, May 31, 2002	9,012,183	2,662,180	-	(88,151)	(2,197,246)	376,783
Exchange difference on translating foreign operations	-	-	-	40,884	-	40,884
Net loss	-	-	-	-	(51,193)	(51,193)
Balance, May 31, 2003	9,012,183	2,662,180	-	(47,267)	(2,248,439)	366,474
Exchange difference on translating foreign operations	-	-	-	2,517	-	2,517
Net loss	-	-	-	-	(126,247)	(126,247)
Balance, May 31, 2004	9,012,183	2,662,180	-	(44,750)	(2,374,686)	242,744
Exchange difference on translating foreign operations	-	-	-	20,667	-	20,667
Net loss	-	-	-	-	(159,000)	(159,000)
Balance, May 31, 2005	9,012,183	$2,662,180	-	$(24,083)	$(2,533,686)	$104,411

INTERNATIONAL TOWER HILL MINES LTD.
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (cont'd)
(Expressed in US Dollars)

	Number of shares	Share capital	Contributed surplus	Accumulated other comprehensive income/(loss)	Deficit	Total
Balance, May 31, 2005	9,012,183	$2,662,180	$ -	$(24,083)	$(2,533,686)	$104,411
Private placement	1,000,000	170,420	-	-	-	170,420
Exchange difference on translating foreign operations	-	-	-	17,977	-	17,977
Net loss	-	-	-	-	(108,900)	(108,900)
Balance, May 31, 2006	10,012,183	2,832,600	-	(6,106)	(2,642,586)	183,908
Private placement (brokered)	11,704,105	19,452,055	-	-	-	19,452,055
Private placement (non-brokered)	9,199,718	6,577,908	-	-	-	6,577,908
Agent's commission	561,365	847,600	-	-	-	847,600
Agent's compensation options	-	-	1,045,359	-	-	1,045,359
Shares issues for property acquisition	5,997,295	6,651,750	-	-	-	6,651,750
Exercise of warrants	420,751	456,460	-	-	-	456,460
Exercise of options	348,812	382,762	-			382,762
Stock based compensation	-	-	5,046,421	-	-	5,046,421
Reallocation from contributed surplus	-	217,813	(217,813)	-	-	-
Share issuance costs	-	(2,718,443)	-	-	-	(2,718,443)
Exchange difference on translating foreign operations	-	-	-	946,575	-	946,575
Net loss	-	-	-	-	(12,242,684)	(12,242,684)
Balance, May 31, 2007	38,244,229	34,700,505	5,873,967	940,469	(14,885,270)	26,629,671
Exercise of warrants	1,685,542	1,046,032	-	-	-	1,046,032
Exercise of options	14,121	15,495	-	-	-	15,495
Stock based compensation	-	-	367,957	-	-	367,957
Reallocation from contributed surplus	-	9,657	(9,657)	-	-	-
Share issuance costs	-	15,710	-	-	-	15,710
Exchange difference on translating foreign operations	-	-	-	1,889,868	-	1,889,868
Net loss	-	-	-	-	(11,801,240)	(11,801,240)
Balance, May 31, 2008	39,943,892	$35,787,399	$6,232,267	$2,830,337	$(26,686,510)	$18,163,493

INTERNATIONAL TOWER HILL MINES LTD.
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (cont'd)
(Expressed in US Dollars)

	Number of shares	**Share capital**	**Contributed surplus**	**Accumulated other comprehensive income/(loss)**	**Deficit**	**Total**
Balance, May 31, 2008	39,943,892	$35,787,399	$6,232,267	$2,830,337	$(26,686,510)	$18,163,493
Private placement	4,200,000	8,225,700	-	-	-	8,225,700
Exercise of warrants	11,017,044	23,110,910	-	-	-	23,110,910
Exercise of options	792,037	1,715,816	-	-	-	1,715,816
Stock based compensation	-	-	3,576,425	-	-	3,576,425
Agents compensation warrants	-	-	250,092	-	-	250,092
Reallocation from contributed surplus	-	1,041,230	(1,041,230)	-	-	-
Shares issues for property acquisition	505,000	679,054	-	-	-	679,054
Share issuance costs	-	(1,017,639)	-	-	-	(1,017,639)
Unrealized gain/(loss) on available-for-sale securities	-	-	-	(116,194)	-	(116,194)
Exchange difference on translating foreign operations	-	-	-	(385,265)	-	(385,265)
Net loss	-	-	-	-	(17,398,008)	(17,398,008)
Balance, May 31, 2009	56,457,973	69,542,470	9,017,554	2,328,878	(44,084,518)	36,804,384
Private placement	6,286,248	33,175,762	-	-	-	33,175,762
Exercise of warrants	245,901	568,285	-	-	-	568,285
Exercise of options	2,907,800	6,708,853	-	-	-	6,708,853
Stock based compensation	-	-	9,294,081	-	-	9,294,081
Reallocation from contributed surplus	-	5,519,172	(5,519,172)	-	-	-
Shares issued for property acquisition	220,000	760,672	-	-	-	760,672
Share issuance costs	-	(1,256,173)	-	-	-	(1,256,173)
Unrealized gain/(loss) on available-for-sale securities	-	-	-	95,980	-	95,980
Exchange difference on translating foreign operations	-	-	-	(1,552,044)	-	(1,552,044)
Net loss	-	-	-	-	(35,684,971)	(35,684,971)
Balance, May 31, 2010	66,117,922	$ 115,019,041	$ 12,792,463	$ 872,814	$ (79,769,489)	$ 48,914,829

INTERNATIONAL TOWER HILL MINES LTD.
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (cont'd)
(Expressed in US Dollars)

	Number of shares (old)	Share capital (old)	Number of shares (new)	Share capital (new)	Contributed surplus	Accumulated other comprehensive income/(loss)	Deficit	Total
Balance, May 31, 2010	66,117,922	$ 115,019,041	-	$ -	$ 12,792,463	$ 872,814	$ (79,769,489)	$ 48,914,829
Exercise of warrants	48,099	111,158	-	-	-	-	-	111,158
Exercise of options	1,062,200	2,584,246	-	-	-	-	-	2,584,246
Stock based compensation	-	-	-	-	3,730,684	-	-	3,730,684
Reallocation from contributed surplus	-	2,162,578	-	-	(2,162,578)	-	-	-
Share issuance costs	-	(8,323)	-	-	-	-	-	(8,323)
Transfer of Nevada and Other Alaska Business to Corvus	-	-	-	-	(23,627,103)	-	19,630,113	(3,996,990)
Working capital contribution to Corvus	-	-	-	-	(3,168,825)	-	-	(3,168,825)
Distribution of the common shares of Corvus to ITH shareholders as a return of capital	-	(26,795,928)	-	-	26,795,928	-	-	-
Exchange of old shares of ITH for new shares of ITH at a ratio of 1:1	(67,228,221)	(93,072,772)	67,228,221	93,072,772	-	-	-	-
Adjustment due to rounding	-	-	(107)	-	-	-	-	-
Private placement	-	-	17,505,805	109,190,595	-	-	-	109,190,595
Exercise of options	-	-	1,915,000	5,808,797	-	-	-	5,808,797
Stock based compensation	-	-	-	-	508,322	-	-	508,322
Reallocation of contributed surplus	-	-	-	3,037,959	(3,037,959)	-	-	-
Share issuance costs	-	-	-	(4,237,980)	-	-	-	(4,237,980)
Unrealized gain/(loss) on available-for-sale securities	-	-	-	-	-	172,164	-	172,164
Exchange difference on translating foreign operations	-	-	-	-	-	6,481,530	-	6,481,530
Net loss	-	-	-	-	-	-	(48,459,785)	(48,459,785)
Balance, May 31, 2011	-	$ -	86,648,919	$ 206,872,143	$ 11,830,932	$ 7,526,508	$ (108,599,161)	$ 117,630,422

INTERNATIONAL TOWER HILL MINES LTD.
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (cont'd)
(Expressed in US Dollars)

	Number of shares	Share capital	Contributed surplus	Accumulated other comprehensive income/(loss)	Deficit	Total
Balance, May 31, 2011	86,648,919	$ 206,872,143	$ 11,830,932	$ 7,526,508	$ (108,599,161)	$ 117,630,422
Exercise of options	35,000	221,119	-	-	-	221,119
Stock based compensation	-	-	7,645,269	-	-	7,645,269
Reallocation from contributed surplus	-	93,585	(93,585)	-	-	-
Unrealized gain/(loss) on available-for-sale securities	-	-	-	(357,473)	-	(357,473)
Exchange difference on translating foreign operations	-	-	-	(3,644,910)	-	(3,644,910)
Net loss	-	-	-		(43,309,957)	(43,309,957)
Balance, December 31, 2011	86,683,919	$ 207,186,847	$ 19,382,616	$ 3,524,125	$ (151,909,118)	$ 78,184,470
Private placement	11,384,719	29,768,529	-	-	-	29,768,529
Share issuance costs	-	(554,280)	-	-	-	(554,280)
Stock based compensation	-	-	9,206,975	-	-	9,206,975
Unrealized gain/(loss) on available-for-sale securities	-	-	-	(163,176)	-	(163,176)
Exchange difference on translating foreign operations	-	-	-	741,019	-	741,019
Net loss	-	-	-	-	(56,643,462)	(56,643,462)
Balance, December 31, 2012	98,068,638	$ 236,401,096	$ 28,589,591	$ 4,101,968	$ (208,552,580)	$ 60,540,075

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

INTERNATIONAL TOWER HILL MINES LTD.
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Year Ended December 31, 2012, the Seven Month Period Ended December 31, 2011, and the Years Ended May 31, 2011 and 2010
(Expressed in US Dollars)

	December 31, 2012	December 31, 2011	May 31, 2011	May 31, 2010	From Inception
Operating Activities					
Loss for the period from continuing operations	$ (56,643,462)	$ (43,309,957)	$ (47,421,873)	$(32,232,664)	$(208,552,580)
Add items not affecting cash:					
Depreciation	31,660	21,830	42,081	26,731	243,831
Share-based payments	9,206,975	7,645,269	3,450,477	7,190,152	33,314,710
Unrealized gain (loss) on derivative liability	1,600,000	(2,300,000)	-	-	(700,000)
Spin-out recovery	-	-	(119,169)	(135,170)	(254,339)
(Gain) loss on foreign exchange	-	(72,762)	(90,918)	(188,133)	(254,512)
Write-down of mineral properties	-	-	-	643,129	1,605,522
Other	(42,017)	-	-	-	(285,323)
Changes in non-cash items:					
Accounts receivable	174,537	(283,612)	(74,996)	(31,521)	(272,213)
Prepaid expenses	(42,512)	184,143	(108,188)	(136,680)	(364,488)
Advance to contractors	(102,009)	689,730	(274,639)	-	313,082
Accounts payable and accrued liabilities	(6,582,823)	6,801,773	2,254,754	664,542	3,739,083
Cash used in operating activities of continuing operations	(52,399,651)	(30,623,586)	(42,342,471)	(24,199,614)	(171,467,227)
Cash provided by (used in) operating activities of discontinued operations	-	-	401,805	(1,426,422)	(12,786,324)
Financing Activities					
Issuance of share capital	29,768,529	221,119	117,694,796	40,452,900	251,751,411
Share issuance costs	(554,280)	-	(4,246,303)	(1,256,173)	(7,643,229)
Cash provided by financing activities of continuing operations	29,214,249	221,119	113,448,493	39,196,727	244,108,182
Cash used in financing activities of discontinued operations	-	-	(3,902,947)	-	(3,902,947)
Investing Activities					
Proceeds from sale of available-for-sale securities	-	-	-	-	172,734
Capitalized acquisition costs	(2,127,693)	(25,317,690)	(30,215)	-	(27,781,245)
Expenditures on property and equipment, net	3,635	(2,968)	(105,172)	(38,719)	(332,415)
Cash used in investing activities of continuing operations	(2,124,058)	(25,320,658)	(135,387)	(38,719)	(27,940,926)
Cash used in investing activities of discontinued operations	-	-	-	(234,671)	(312,593)
Effect of foreign exchange on cash of continuing operations	768,292	(4,331,678)	5,547,747	(1,428,316)	3,007,616
Effect of foreign exchange on cash of discontinued operations	-	-	101,608	18,807	(534,876)
(Decrease) increase in cash and cash equivalents	(24,541,168)	(60,054,803)	73,118,848	11,887,792	30,170,905
Cash and cash equivalents, beginning of period	54,712,073	114,766,876	41,648,028	29,760,236	-
Cash and cash equivalents, end of period	$ 30,170,905	$ 54,712,073	$ 114,766,876	$ 41,648,028	$ 30,170,905

Supplemental cash flow information (note 13)

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

1. GENERAL INFORMATION, NATURE AND CONTINUANCE 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. (formerly "Talon Gold Alaska, Inc.") ("TH Alaska") (an Alaska corporation), Tower Hill Mines (US) LLC (formerly "Talon Gold (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 December 31, 2012, the Company was in the exploration stage and controls a 100% interest in its Livengood Gold Project in Alaska, U.S.A.

These consolidated 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. The Company's ability to continue as a going-concern is dependent upon achieving profitable operations and/or obtaining additional financing. During 2012, the Company raised $29,214,249 through the issuance of common shares and has working capital at December 31, 2012 of $27,676,797 which is considered sufficient to fund its operations and exploration program for the ensuing year.

The business of mining and exploration involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The Company has no source of revenue, and has significant cash requirements to meet its administrative overhead and maintain its mineral property interests. The recoverability of amounts shown for capitalized acquisition costs is dependent on several factors. These include the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development of these properties, and future profitable production or proceeds from disposition of capitalized acquisition costs. The success of the above initiatives cannot be assured. In the event that the Company is unable to obtain the necessary financing in the short-term, it may be necessary to defer certain discretionary expenditures and other planned activities.

2. DISCONTINUED OPERATIONS AND TRANSFER OF EXPLORATION AND EVALUATION ASSETS

On August 26, 2010, the Company completed a Plan of Arrangement (the "Arrangement") under the British Columbia Business Corporation Act pursuant to which it indirectly transferred all of its existing Alaska assets (other than the Livengood Gold Project and associated assets), being the Chisna, West Pogo, Terra and LMS properties and related assets, and its Nevada assets, being the North Bullfrog property and related assets, (collectively, the "Nevada and Other Alaska Business") to a new public company, Corvus Gold Inc. ("Corvus"). Under the Arrangement, each shareholder of ITH received (as a return of capital) one Corvus common share for every two ITH common shares held as at the effective date of the Arrangement and exchanged each old common share of ITH for a new common share of ITH. As part of the Arrangement, ITH transferred its wholly-owned subsidiaries, Raven Gold Alaska Inc. ("Raven Gold"), incorporated in Alaska, United States, and Corvus Gold Nevada Inc. (formerly "Talon Gold Nevada Inc."), incorporated in Nevada, United States, (which held the North Bullfrog property) to Corvus. As a consequence of the completion of the Arrangement, Corvus now holds the Terra, Chisna, LMS, West Pogo and North Bullfrog properties (the "Spin-out Properties").

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 other Nevada and Other Alaska Business assets and liabilities as at the effective date of the Arrangement. Costs of the Arrangement, comprised principally of tax, legal and regulatory expenses, amounted to $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 Company has accounted for the financial results associated with the Nevada and Other Alaska Business up to the date of the Arrangement as discontinued operations in these consolidated financial statements and has reclassified the related amounts for the prior years.

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
Capitalized acquisition costs	3,590,657
Accounts payable	(725,012)
Net assets transferred to Corvus	$ 3,996,990

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These consolidated financial statements are presented in United States dollars and have been prepared in accordance with U.S. generally accepted accounting principles (“US GAAP”). In prior years, the Company had prepared its financial statements under International Financial Reporting Standards (“IFRS”) for reporting as permitted by security regulators in Canada, as well as in the United States under the status of a foreign private issuer as defined by the US Securities and Exchange Commission (the “SEC”). In the third quarter of 2012, the Company determined that it no longer qualified as a foreign private issuer under the SEC rules. As a result, beginning January 1, 2013 the Company is required to report with the SEC on domestic forms and comply with domestic company rules in the United States. The transition to US GAAP was made retrospectively for all periods from the Company’s inception.

The Company changed its fiscal year end from May 31 to December 31 during 2011. This change was made to better align the Company’s financial reporting with its operational and budgeting cycle as well as align the financial reporting to those of other industry participants in the mineral resource exploration, development and production sectors.

Basis of consolidation

These consolidated 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.

Significant judgments, estimates and assumptions

The preparation of financial statements in accordance with US 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 regularly 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.

The areas which require significant judgment and estimates that management has made at the financial reporting date, that could result in a material change to the carrying amounts of assets and liabilities, in the event actual results differ from the assumptions made, relate to, but are not limited to the following:

Significant estimates

a) the fair value determination and inputs used in the valuation of the derivative liability;
b) the inputs used in determining the fair value of share-based payments upon granting of stock options;
c) amounts of provisions, if any, for environmental rehabilitation and restoration.

Significant judgments

a) the determination of functional currencies; and
b) the analysis of resource calculations, drill results, labwork, etc. which can impact the Company's assessment of impairments, and provisions, if any, for environmental rehabilitation and restoration.

Cash and cash equivalents

Cash equivalents include highly liquid investments with original maturities of three months or less, and which are subject to an insignificant risk of change in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Marketable securities

Marketable securities held in companies with an active market are classified as available-for-sale securities. Available-for-sale securities are recorded at fair value in the financial statements with unrealized gains and losses recorded in accumulated other comprehensive income. Accumulated unrealized gains and losses are recognized in the statement of operations upon the sale of the security or if the security is determined to be impaired.

Property and equipment

On initial recognition, property and equipment are valued at cost. Property and equipment is subsequently measured at cost less accumulated depreciation, less any accumulated impairment losses, with the exception of land which is not depreciated. Depreciation is recorded over the estimated useful life of the assets at the following annual rates:

Computer equipment - 30% declining balance;
Computer software - 3 years straight line;
Furniture and equipment - 20% declining balance; and
Leasehold improvements - straight-line over the lease term.

Additions during the year are depreciated at one-half the annual rates. Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

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%.

Asset retirement obligations

The Company records a liability based on the best estimate of costs for site closure and reclamation activities that the Company is legally or contractually required to remediate and recorded at the time environmental disturbance occurs. The provision for closure and reclamation liabilities is estimated using expected cash flows based on engineering and environmental reports and accreted to full value over time through periodic charges to income. The Company does not have any material provisions for environmental rehabilitation as of December 31, 2012.

Derivatives

Derivative financial liabilities include the Company's future contingent mineral property 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 the statement of operations.

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.

Net loss per share

Basic loss per share is calculated using the weighted average number of common shares outstanding during the period. Diluted loss per share reflects the potential dilution that could occur if securities or contracts that may require the issuance of common shares in the future were converted, unless the impact is anti-dilutive.

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.

Other comprehensive income

Components of other comprehensive income/loss consist of unrealized gains/losses on available-for-sale securities and cumulative translation adjustments on foreign subsidiaries. Unrealized gains/losses on available-for-sale securities are net of any realized gains or losses on the sale of securities or impairment losses.

Adoption of US GAAP

During 2012 the Company transitioned its accounting from IFRS to US GAAP. The transition was made retrospectively for all periods from the Company's inception on May 26, 1978. The transition to US GAAP included adoption of any relevant accounting pronouncements effective for fiscal years ended prior to December 31, 2012.

4. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying values of cash and cash equivalents, accounts receivable 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 December 31, 2012	
	Level 1	**Level 2**
Financial assets:		
Marketable securities (note 5)	$ 180,415	$ -
	$ 180,415	$ -
Financial liabilities:		
Derivative liability (note 8)	$ -	$22,400,000
	$ -	$22,400,000

	Fair value as at December 31, 2011	
	Level 1	**Level 2**
Financial assets:		
Marketable securities (note 5)	$ 297,443	$ -
	$ 297,443	$ -
Financial liabilities:		
Derivative liability (note 8)	$ -	$20,800,000
	$ -	$20,800,000

5. MARKETABLE SECURITIES

The following table presents the fair value of marketable securities at December 31, 2012 and 2011:

Marketable securities:	**December 31, 2012**	**December 31, 2011**
Millrock Resources Inc.	$ 150,262	$ 210,914
Ocean Park Ventures Corp.	30,153	86,529
Total marketable securities	$ 180,415	$ 297,443

On April 4, 2008, the Company sold its South Estelle, Alaska property to Millrock Resources Inc. (“Millrock”) for 650,000 Millrock shares or C$247,000 based upon their market value on that date of C$0.38 per share.

On March 15, 2010, the Company received the initial 200,000 common shares of Ocean Park Ventures Corp. (“OPV”), valued on that date at C$0.72 per share or C$144,000, in consideration for providing the resources for Raven Gold to enter into a joint venture with an Alaskan subsidiary of OPV on the Chisna property, Alaska. The Company received an additional 200,000 common shares of OPV on March 15, 2011 and on March 14, 2012, valued on those dates at C$0.60 and C$0.21 per share, respectively, for a market value of C$120,000 and C$42,000, respectively.

The fair value adjustment for the year ended December 31, 2012 amounted to an unrealized loss of $163,176 (seven months ended December 31, 2011 - $357,473 loss).

6. PROPERTY AND EQUIPMENT

The Company's property and equipment balances are as follows at December 31, 2012 and 2011:

	December 31, 2012	December 31, 2011
Cost:	$ 331,646	$ 336,544
Accumulated depreciation:	(241,932)	(211,563)
Net book value	$ 89,714	$ 124,981

7. CAPITALIZED ACQUISITION COSTS

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

Capitalized acquisition costs	**Amount**
Balance, May 31, 2011	$ 5,337,224
Acquisition costs during the seven month period	47,708,647
Balance, December 31, 2011	53,045,871
Acquisition costs during the year	2,127,693
Balance, December 31, 2012	$ 55,173,564

The following table presents costs incurred for exploration and evaluation activities for the year ended December 31, 2012, the seven month period ended December 31, 2011 and for the year ended May 31, 2011:

	Year ended December 31, 2012	**Seven months ended December 31, 2011**	**Year ended May 31, 2011**
Exploration costs:			
Aircraft services	$ 1,841,674	$ 2,227,652	$ 344,192
Assay	1,015,387	1,772,624	3,475,984
Drilling	9,138,130	10,278,084	13,532,481
Environmental	4,241,728	2,843,474	-
Equipment rental	1,536,794	1,127,954	2,002,645
Field costs	6,626,782	7,474,844	5,244,787
Geological/geophysical	10,958,255	5,681,777	9,901,724
Land maintenance & tenure	426,914	566,876	2,639,726
Legal	250,234	164,801	57,583
Surveying and mapping	145,967	406,452	-
Transportation and travel	71,654	5,980	550,034
Total expenditures for the period	$36,253,519	$32,550,518	$37,749,156

Properties acquired from AngloGold, Alaska

Pursuant to an Asset Purchase and Sale and Indemnity Agreement dated June 30, 2006, as amended on July 26, 2007, (the "AngloGold Agreement") among the Company, AngloGold Ashanti (U.S.A.) Exploration Inc. ("AngloGold") and TH Alaska, the Company acquired all of AngloGold's interest in a portfolio of seven mineral exploration projects in Alaska and referred to as the Livengood, Chisna, Gilles, Coffee Dome, West Pogo, Blackshell, and Caribou properties (the "Sale Properties") in exchange for a cash payment of $50,000 on August 4, 2006, and the issuance of 5,997,295 common shares, representing approximately 19.99% of the Company's issued shares following the closing of the acquisition and two private placement financings raising an aggregate of C$11,479,348. AngloGold has the right to maintain its percentage equity interest in the Company, on an ongoing basis, provided that such right will terminate if AngloGold's interest falls below 10% at any time after January 1, 2009.

As further consideration for the transfer of the Sale Properties, the Company granted to AngloGold a 90 day right of first offer with respect to the Sale Properties and any additional mineral properties in Alaska in which the Company acquires an interest and which interest the Company proposes to farm out or otherwise dispose of. If AngloGold's equity interest in the Company is reduced to less than 10%, then this right of first offer will terminate. Details of the Livengood Property (being the only Sale Property still held by the Company – see Note 2) are as follows:

Livengood Property:

The Livengood property is located in the Tintina gold belt approximately 110 kilometers (68 miles) north 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 an initial term of three years commencing July 1, 2004, subject to two extensions of three years each and subject to further extension beyond June 30, 2013 by payment of a flat annual fee of 125% of the last rate paid for advance minimum royalties and diligent pursuit of development. The lease requires work expenditures of $10/acre/year in years 1 - 3, $20/acre/year in years 4-6 and $30/acre/year in years 7- 9 and advance minimum royalties of $5/acre/year in years 1 - 3, $15/acre/year in years 4- 6, $25/acre/year in years 7-9, and 125% of the year 9 payment in subsequent years (all of which advance minimum royalties are recoverable from production royalties). An 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 l% is payable to the lessor with respect to the unpatented federal mining claims subject to lease 2) 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 LPI share purchase transaction described below. As of December 31, 2012 the Company has paid $1,014,800 from the inception of this lease.

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 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. As of December 31, 2012, the Company has paid $430,000 from the inception of this lease.

c) a lease of patented lode 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. As of December 31, 2012, the Company has paid $95,000 from the inception of this lease.

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. As of December 31, 2012, the Company has paid $53,000 from the inception of this lease.

Livengood acquisitions

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 of $23,100,000. Of the $13,500,000 cash consideration, $5,000,000 was paid at the date of acquisition and $8,500,000 was paid in March

2012 and is included in “payable for mineral rights and claims ” on the consolidated balance sheets at December 31, 2011. The derivative liability is a contingent payment based on the five-year average daily gold price (“Average Gold Price”) from the date of the acquisition (see note 8). 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.

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.

8. DERIVATIVE LIABILITY

As discussed in note 7 above, the Company acquired certain mining claims and related rights in the vicinity of the Livengood Gold Project located near Fairbanks, Alaska. The aggregate consideration was $13,500,000 in cash plus an additional contingent payment based on the five-year average daily gold price (“Average Gold Price”) from the date of the acquisition. The contingent payment 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 key assumption used in the valuation of the derivative is the estimate of the future Average Gold Price. The estimate of the future Average Gold Price was determined using a forward curve on future gold prices as published by the CME Group. The CME Group represents the merger of the Chicago Mercantile Exchange (CME), the Chicago Board of Trade (CBOT), the New York Mercantile Exchange (NYMEX) and its commodity exchange division, Commodity Exchange, Inc. (COMEX). Using this forward curve, the Company estimated an Average Gold Price five years from the date of acquisition of $1,720 per ounce of gold. Based on the inputs and assumptions used in valuing the derivative liability, it has been classified as a Level 2 financial instrument.

The fair value of the derivative liability and the estimated Average Gold Price are as follows:

	Fair value	Average Gold Price/oz.
Derivative value at December 13, 2011	$ 23,100,000	$ 1,720
Unrealized (gain) loss for the period	(2,300,000)	
Derivative value at December 31, 2011	20,800,000	$ 1,619
Unrealized (gain) loss for the period	1,600,000	
Derivative value at December 31, 2012	$ 22,400,000	$ 1,688

9. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows for the year ended December 31, 2012 and the seven month period ended December 31, 2011:

	December 31, 2012	December 31, 2011
Loss from continuing operations before income taxes	$ (56,643,462)	$ (43,309,957)
Statutory Canadian corporate tax rate	25.00%	26.50%
Income tax recovery at statutory rates	$ (14,160,866)	$ (11,477,139)
Share-based payments	2,301,744	2,025,996
Unrecognized items for tax purposes	(131,503)	(305,948)
Difference in tax rates in other jurisdictions	(8,473,936)	(5,898,911)
Unrecognized amounts	20,464,561	15,656,002
Income tax recovery	$ -	$ -

The significant components of the Company's deferred income tax assets and liabilities are as follows:

	December 31, 2012	December 31, 2011
Deferred income tax assets (liabilities):		
Mineral properties	$ 56,693,975	$ 44,860,309
Derivative liability	(151,900)	(499,100)
Other	51,515	121,436
Share issue costs	732,798	946,746
Non-capital losses available for future periods	22,597,296	13,967,149
	79,923,684	59,396,540
Valuation allowance	(79,923,684)	(59,396,540)
Deferred income tax asset	$ -	$ -

At December 31, 2012, the Company has available net operating losses for Canadian income tax purposes of approximately $14,015,000 and net operating losses for US income tax purposes of approximately $43,994,000 available for carry-forward to reduce future years' taxable income, if not utilized, expiring as follows:

	Canada	United States
2025	$ 65,000	$ -
2026	78,000	-
2027	907,000	1,252,000
2028	1,253,000	1,350,000
2029	2,074,000	2,600,000
2030	2,829,000	5,691,000
2031	4,180,000	14,730,000
2032	2,629,000	18,371,000
	$ 14,015,000	$ 43,994,000

In addition, the Company has available mineral resource related expenditure pools for Canadian income tax purposes totalling approximately $2,641,000 which may be deducted against future taxable income in Canada on a discretionary basis. The Company also has available mineral resource expenses that are related to the Company's exploration activities in the United States of approximately $184,695,000 which may be deductible for US tax purposes. Future tax benefits, which may arise as a result of applying these deductions to taxable income, have not been recognized in these accounts due to the uncertainty of future taxable income.

10. SHARE CAPITAL

Authorized

500,000,000 common shares without par value. At December 31, 2012 and 2011 there were 98,068,638 and 86,683,919 shares issued and outstanding, respectively.

Share issuances

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.

Stock options

The Company has adopted an incentive stock option plan (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 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 Plan will not be less than the discounted market price of the common shares (defined as the last closing market price of the Company's common shares immediately preceding the issuance of a news release announcing the granting of the options, less the maximum discount permitted under applicable stock exchange policies), 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.

On September 19, 2012, the Company granted incentive stock options to an officer of the Company to purchase 1,000,000 common shares in the capital of the Company. The options are exercisable on or before September 19, 2017 at a price of C$2.91 and vest as to one-third on September 19, 2012, one-third on September 19, 2013 and the balance on September 19, 2014.

On August 24, 2012, the Company granted incentive stock options to directors, officers, employees and consultants of the Company to purchase 4,700,000 common shares in the capital of the Company. The options are exercisable on or before August 24, 2017 at a price of C$3.17 and vest as to one-third on August 24, 2012, one-third on August 24, 2013 and the balance on August 24, 2014.

On January 9, 2012, the Company granted incentive stock options to an employee of the Company to purchase 30,000 common shares in the capital of the Company. The options are exercisable on or before January 9, 2017 at a price of C$4.60 and vest as to 10,000 shares on January 9, 2012, 10,000 shares on January 9, 2013 and the balance on January 9, 2014.

On January 3, 2012, the Company granted incentive stock options to an officer of the Company to purchase 650,000 common shares in the capital stock of the Company. The options are exercisable on or before January 3, 2017 at a price of C$4.43 per share and vest as to 216,666 shares on January 3, 2012, 216,666 shares on January 3, 2013 and the balance on January 3, 2014.

On November 15, 2011, the Company granted incentive stock options to an employee to purchase 100,000 common shares in the capital of the Company. The options are exercisable on or before November 15, 2016 at a price of C$5.64 per share. The options vest as to one-third on November 15, 2011, one-third on November 15, 2012 and the balance on November 15, 2013.

On August 23, 2011, the Company granted incentive stock options to an officer and an employee of the Company to purchase 650,000 common shares in the capital of the Company. The options are exercisable on or before August 23, 2016 at a price of C$8.07 per share. The options vest as to one-third on August 23, 2011, one-third on August 23, 2012 and the balance on August 23, 2013.

On July 28, 2011, the Company granted incentive stock options to directors of the Company to purchase 950,000 common shares in the capital of the Company. The options were vested on grant and are exercisable on or before July 28, 2013 at a price of C$7.47 per share.

On June 1, 2011, the Company granted incentive stock options to an officer of the Company to purchase 1,000,000 common shares in the capital of the Company. The options are exercisable on or before May 9, 2016 at a price of C$8.35 per share.

The options vest as to one-third on June 1, 2011, one-third on May 9, 2012 and the balance on May 9, 2013.

On January 10, 2011, the Company granted incentive stock options to officers, employees and consultants of the Company to purchase 265,000 common shares in the capital stock of the Company. The options are exercisable on or before January 10, 2013 at a price of C$9.15 per share. The options vest evenly over 12 months with the first vesting date being April 10, 2011.

A summary of the status of the stock option plan as of December 31, 2012 and 2011 and changes during the periods is presented below:

	Year Ended December 31, 2012		**Seven Months Ended December 31, 2011**	
	Number of Options	Weighted Average Exercise Price (C$)	Number of Options	Weighted Average Exercise Price (C$)
Balance, beginning of the period	7,215,000	$ 7.48	4,600,000	$ 7.24
Granted	6,380,000	$ 3.26	2,700,000	$ 7.87
Exercised	-	$ -	(35,000)	$ (6.57)
Expired	(4,050,000)	$ 7.16	-	$ -
Cancelled	(975,000)	$ 5.42	(50,000)	$ (6.96)
Balance, end of the period	8,570,000	$ 4.73	7,215,000	$ 7.48

The weighted average remaining life of options outstanding at December 31, 2012 was 3.87 years.

Stock options outstanding are as follows:

	December 31, 2012			**December 31, 2011**		
Expiry Date	Exercise Price (C$)	Number of Options	Exercisable	Exercise Price (C$)	Number of Options	Exercisable
January 12, 2012	$ -	-	-	$ 7.95	250,000	250,000
April 14, 2012	$ -	-	-	$ 7.34	2,635,000	2,635,000
August 19, 2012	$ -	-	-	$ 6.57	1,365,000	1,365,000
January 10, 2013	$ 9.15	190,000	190,000	$ 9.15	265,000	198,750
July 28, 2013	$ 7.47	950,000	950,000	$ 7.47	950,000	950,000
May 9, 2016	$ 8.35	1,000,000	666,666	$ 8.35	1,000,000	333,333
August 23, 2016	$ 8.07	600,000	400,000	$ 8.07	650,000	216,667
November 15, 2016	$ 5.64	100,000	66,666	$ 5.64	100,000	33,333
January 9, 2017	$ 4.60	30,000	10,000	$ -	-	-
August 24, 2017	$ 3.17	4,700,000	1,566,655	$ -	-	-
September 19, 2017	$ 2.91	1,000,000	333,333	$ -	-	-
		8,570,000	4,183,320		7,215,000	5,982,083

A summary of the non-vested options as of December 31, 2012 and 2011 and changes during the fiscal years ended December 31, 2012 and 2011 is as follows:

Non-vested options:	Number of options	Weighted average grant-date fair value (C$)
Outstanding at May 31, 2011	198,750	$2.88
Granted	2,700,000	$4.04
Vested	(1,665,832)	$3.20
Outstanding at December 31, 2011	1,232,918	$4.97
Granted	6,380,000	$1.68
Vested	(3,226,238)	$2.43
Outstanding at December 31, 2012	4,386,680	$2.05

At December 31, 2012 there was unrecognized compensation expense of C$5,163,111 related to non-vested options outstanding. The cost is expected to be recognized over a weighted-average remaining period of approximately 1.12 years.

Share-based payments

During the year ended December 31, 2012, the Company granted 6,380,000 stock options with a fair value of C$10,718,400, calculated using the Black-Scholes option pricing model. The Company recognized share-based payment expense of $9,206,975 during the year ended December 31, 2012 (seven months ended December 31, 2011 - $7,645,269; year ended May 31, 2011 – $3,450,477; year ended May 31, 2010 – $7,190,152).

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

	Year ended December 31, 2012	Seven month period ended December 31, 2011
Expected life of options	4 years	3.94 years
Risk-free interest rate	1.32%	1.77%
Expected volatility	67.68%	71.80%
Dividend rate	0.00%	0.00%
Exercise price (C$)	$3.26	$7.87

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

11. SEGMENT AND GEOGRAPHIC INFORMATION

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

	Canada	United States	Total
December 31, 2012			
Capitalized acquisition costs	$ -	$ 55,173,564	$ 55,173,564
Property and equipment	14,317	75,397	89,714
Current assets	29,046,485	2,377,581	31,424,066
Total assets	$ 29,060,802	$ 57,626,542	$ 86,687,344
December 31, 2011			
Capitalized acquisition costs	$ -	$ 53,045,871	$ 53,045,871
Property and equipment	22,880	102,101	124,981
Current assets	47,106,247	9,026,986	56,133,233
Total assets	$ 47,129,127	$ 62,174,958	$ 109,304,085

	December 31, 2012	December 31, 2011	May 31, 2011	May 31, 2010
Net loss from continuing operations for the period – Canada	$ (10,589,464)	$ (8,145,704)	$ (4,682,363)	$ (4,994,754)
Net loss from continuing operations for the period - United States	(46,053,998)	(35,164,253)	(42,739,510)	(27,237,910)
Net loss from discontinued operations for the period – Canada	-	-	(811,232)	(2,583,813)
Net loss from discontinued operations for the period - United States	-	-	(226,680)	(868,494)
Net loss for the period	$ (56,643,462)	$ (43,309,957)	$ (48,459,785)	$ (35,684,971)

12. COMMITMENTS

- Commitments for exploration and evaluation activities (note 7).

- Future minimum lease payments for the next five fiscal years and beyond are as follows:

2013	$ 215,476
2014	105,212
2015	6,092
2016	6,092
2017	6,092
2018 and thereafter	6,092
	$ 345,056

13. SUPPLEMENTAL CASH FLOW INFORMATION

	December 31, 2012	December 31, 2011	May 31, 2011	May 31, 2010
Income taxes paid	$ 150,607	$ -	$ -	$ -
Non-cash investing and financing transactions – continuing operations:				
Derivative liability included in capitalized acquisition costs	$ -	$ 23,100,000	$ -	$ -

CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

As of December 31, 2012, 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 December 31, 2012, the Company's disclosure controls and procedures were effective in ensuring that: (i) information required to be disclosed in reports filed or submitted to the SEC under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in applicable rules and forms and (ii) 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.

Management's Annual Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Exchange Act Rule 13a-15(f). Management evaluated, with the participation of our Chief Executive Officer and Chief Financial Officer, the effectiveness of internal control over financial reporting as of December 31, 2012. In conducting this evaluation, management used the framework established by the Committee of Sponsoring Organizations of the Treadway Commission as set forth in Internal Control – Integrated Framework. Based on this evaluation under the framework in Internal Control – Integrated Framework, management concluded that internal control over financial reporting was effective as of December 31, 2012.

Because of its inherent limitations, a system of internal control over financial reporting may not prevent or detect misstatements. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. The design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will achieve its stated objectives under all future conditions.

The effectiveness of our internal control over financial reporting as of December 31, 2012, has been audited by PricewaterhouseCoopers LLP, the independent registered public accounting firm who also audited the Company's consolidated financial statements included in this Annual Report on Form 10-K. PricewaterhouseCoopers LLP's report on the Company's internal control over financial reporting is included as part of Part II, Item 8, Financial Statements and Supplementary Data in this Annual Report on Form 10-K.

Changes in Internal Control over Financial Reporting

There were no changes in internal controls over financial reporting during the fourth quarter ended December 31, 2012 that has materially, or is reasonably likely to materially affect, the Company's internal control over financial reporting.