
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2013

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number: 001-33638



INTERNATIONAL TOWER HILL MINES LTD.

(Exact Name of Registrant as Specified in its Charter)

British Columbia, Canada
(State or other jurisdiction of incorporation or organization)

N/A
(I.R.S. Employer Identification No.)

2300-1177 West Hastings Street
Vancouver, British Columbia, Canada
(Address of principal administrative office)

V6E 2K3
(Zip code)

Registrant's telephone number, including area code: **(604) 683-3332**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerate filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer

Accelerated Filer

Non-Accelerated filer
(Do not check if a smaller reporting company)

Small Reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of November 5, 2013, the registrant had 98,068,638 Common Shares outstanding.

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CAUTIONARY NOTE TO U.S. INVESTORS REGARDING ESTIMATES OF MEASURED, INDICATED AND INFERRED RESOURCES AND PROVEN AND PROBABLE RESERVES

International Tower Hill Mines Ltd. (“we”, “us”, “our,” “ITH” or the “Company”) is a mineral exploration company engaged in the acquisition and exploration of mineral properties. As used in this Quarterly Report on Form 10-Q, the terms “mineral reserve”, “proven mineral reserve” and “probable mineral reserve” are Canadian mining terms as defined in accordance with Canadian National Instrument 43-101—Standards of Disclosure for Mineral Projects (“NI 43-101”) and the Canadian Institute of Mining, Metallurgy and Petroleum (the “CIM”)—CIM Definition Standards on Mineral Resources and Mineral Reserves, adopted by the CIM Council, as amended. These definitions differ from the definitions in the United States Securities and Exchange Commission (“SEC”) Industry Guide 7 (“SEC Industry Guide 7”) under the United States Securities Act of 1933, as amended (the “Securities Act”). Under SEC Industry Guide 7 standards, a “final” or “bankable” feasibility study is required to report reserves, the three-year historical average price is used in any reserve or cash flow analysis to designate reserves, and the primary environmental analysis or report must be filed with the appropriate governmental authority. In addition, the terms “mineral resource”, “measured mineral resource”, “indicated mineral resource” and “inferred mineral resource” are defined in and required to be disclosed by NI 43-101; however, these terms are not defined terms under SEC Industry Guide 7 and are normally not permitted to be used in reports and registration statements filed with the SEC. Investors are cautioned not to assume that all or any part of a mineral deposit in these categories will ever be converted into reserves.

“Inferred mineral resources” have a great amount of uncertainty as to their existence, and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all, or any part, of an inferred mineral resource will ever be upgraded to a higher category. Under Canadian rules, estimates of inferred mineral resources may not form the basis of feasibility or pre-feasibility studies, except in rare cases. Investors are cautioned not to assume that all or any part of an inferred mineral resource exists or is economically or legally mineable.

Disclosure of “contained ounces” in a resource is permitted disclosure under Canadian regulations; however, the SEC normally only permits issuers to report mineralization that does not constitute “reserves” by SEC standards as in place tonnage and grade without reference to unit measures. Accordingly, information contained in this report and the documents incorporated by reference herein contain descriptions of our mineral deposits that may not be comparable to similar information made public by U.S. companies subject to the reporting and disclosure requirements under the United States federal securities laws and the rules and regulations thereunder.

The term “mineralized material” as used in this Quarterly Report on Form 10-Q, although permissible under SEC Industry Guide 7, does not indicate “reserves” by SEC Industry Guide 7 standards. We cannot be certain that any part of the mineralized material will ever be confirmed or converted into SEC Industry Guide 7 compliant “reserves”. Investors are cautioned not to assume that all or any part of the mineralized material will ever be confirmed or converted into reserves or that mineralized material can be economically or legally extracted.

CAUTIONARY NOTE TO ALL INVESTORS CONCERNING ECONOMIC ASSESSMENTS THAT INCLUDE INFERRED RESOURCES

The Company currently holds or has the right to acquire interests in an advanced stage exploration project in Alaska referred to as the Livengood Gold Project (the “Livengood Gold Project” or the “Project”). Mineral resources that are not mineral reserves have no demonstrated economic viability. The preliminary assessments on the Project are preliminary in nature and include “inferred mineral resources” that have a great amount of uncertainty as to their existence, and are considered too speculative geologically to have economic considerations applied to them that would enable them to be categorized as mineral reserves. It cannot be assumed that all, or any part, of an inferred mineral resource will ever be upgraded to a higher category. Under Canadian rules, estimates of inferred mineral resources may not form the basis of feasibility or pre-feasibility studies, except in rare cases. There is no certainty that such inferred mineral resources at the Project will ever be realized. Investors are cautioned not to assume that all or any part of an inferred mineral resource exists or is economically or legally mineable.

Forward Looking Statements

This Quarterly Report on Form 10-Q and the exhibits attached hereto contain forward-looking statements or information within the meaning of the United States Private Securities Litigation Reform Act of 1995 concerning anticipated results and developments in the operations of the Company in future periods, planned exploration activities, the adequacy of the

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Company's financial resources and other events or conditions that may occur in the future. Forward-looking statements are frequently, but not always, identified by words such as "expects," "anticipates," "believes," "intends," "estimates," "potential," "possible" and similar expressions, or statements that events, conditions or results "will," "may," "could" or "should" (or the negative and grammatical variations of any of these terms) occur or be achieved. These forward looking statements may include, but are not limited to, statements concerning:

- the Company's strategies and objectives, both generally and specifically in respect of the Livengood Gold Project;
- the potential for the expansion of the estimated resources at the Livengood Gold Project;
- the potential for a production decision concerning, and any production at, the Livengood Gold Project;
- the potential for cost savings due to the high gravity gold concentration component of some of the Livengood Gold Project mineralization;
- the sequence of decisions regarding the timing and costs of development programs with respect to, and the issuance of the necessary permits and authorizations required for, the Livengood Gold Project;
- the Company's estimates of the quality and quantity of the resources at the Livengood Gold Project;
- the timing and cost of the planned future exploration programs at the Livengood Gold Project, and the timing of the receipt of results therefrom;
- the Company's future cash requirements;
- general business and economic conditions, including changes in the price of gold and the overall value of the markets for public equity;
- the Company's ability to meet its financial obligations as they come due, and to be able to raise the necessary funds to continue operations on acceptable terms, if at all;
- the ability of the Company to continue to refine the project economics for the Livengood Gold Project;
- the potential for opportunities to reduce capital costs for the Livengood Gold Project;
- the potential for opportunities to improve the economics of the Livengood Gold Project by reducing certain costs, including through the reduction of reagent consumption and energy costs, and improving recovery through intensive cyanide leach of gravity concentrates; and
- the potential for opportunities to improve the economics of the Livengood Gold Project by enhancing mill head grades through stockpile management strategies and/or additional test work to confirm drill assays of the resource.

Such forward-looking statements reflect the Company's current views with respect to future events and are subject to certain known and unknown risks, uncertainties and assumptions. Many factors could cause actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements, including, among others:

- the demand for, and level and volatility of the price of, gold;
- general business and economic conditions;
- government regulation and proposed legislation (and changes thereto or interpretations thereof);
- defects in title to other claims, or the ability to obtain surface rights, either of which could affect our property rights and claims;

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- the timing of the receipt of regulatory and governmental approvals, permits and authorizations necessary to implement and carry on the Company's planned exploration and potential development program at the Livengood Gold Project;
- conditions in the financial markets generally, the overall value of the markets for public equity, interest rates and currency rates;
- the Company's ability to secure the necessary consulting, drilling and related services and supplies on favorable terms in connection with its drilling program at the Livengood Gold Project and other activities;
- the Company's ability to attract and retain key staff, particularly in connection with the development of any mine at the Livengood Gold Project;
- the accuracy of the Company's resource estimates (including with respect to size and grade) and the geological, operational and price assumptions on which these are based;
- the timing of the ability to commence and complete planned work programs at the Livengood Gold Project;
- the terms of the consents, permits and authorizations necessary to carry out planned exploration and development programs at the Livengood Gold Project and the Company's ability to comply with such terms on a safe and cost-effective basis;
- the ongoing relations of the Company with the lessors of its property interests and applicable regulatory agencies;
- the metallurgy and recovery characteristics of samples from certain of the Company's mineral properties and whether such characteristics are reflective of the deposit as a whole; and
- the continued development of and potential construction of any mine at the Livengood Gold Project property not requiring consents, approvals, authorizations or permits that are materially different from those identified by the Company.

Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described herein or implied by forward-looking statements. This list is not exhaustive of the factors that may affect any of the Company's forward-looking statements. Forward-looking statements are statements about the future and are inherently uncertain, and actual achievements of the Company or other future events or conditions may differ materially from those reflected in the forward-looking statements due to a variety of risks, uncertainties and other factors, including without limitation those discussed in Part II, Item 1A, Risk Factors, of this Quarterly Report on Form 10-Q, which are incorporated herein by reference, as well as other factors described elsewhere in this report and the Company's other reports filed with the SEC.

The Company's forward-looking statements contained in this Quarterly Report on Form 10-Q are based on the beliefs, expectations and opinions of management as of the date of this report. The Company does not assume any obligation to update forward-looking statements if circumstances or management's beliefs, expectations or opinions should change, except as required by law. For the reasons set forth above, investors should not attribute undue certainty to or place undue reliance on forward-looking statements.

PART 1**ITEM 1. FINANCIAL STATEMENTS****INTERNATIONAL TOWER HILL MINES LTD.**

(An Exploration Stage Company)

CONDENSED CONSOLIDATED BALANCE SHEETS

As at September 30, 2013 and December 31, 2012

(Expressed in US Dollars - Unaudited)

| | Note | September 30, 2013 | December 31, 2012 |
|--|------|-----------------------|----------------------|
| ASSETS | | | |
| Current | | | |
| Cash and cash equivalents | | \$ 16,611,039 | \$ 30,170,905 |
| Marketable securities | | 75,839 | 180,415 |
| Accounts receivable | | 5,141 | 262,516 |
| Advance to contractors | | 482,034 | 582,009 |
| Prepaid expenses | | 193,960 | 228,221 |
| Total current assets | | <u>17,368,013</u> | <u>31,424,066</u> |
| Property and equipment | | 73,352 | 89,714 |
| Capitalized acquisition costs | 4 | 55,173,564 | 55,173,564 |
| Total assets | | <u>\$ 72,614,929</u> | <u>\$ 86,687,344</u> |
| Current liabilities | | | |
| Accounts payable | | \$ 503,431 | \$ 1,198,771 |
| Accrued liabilities | | 636,834 | 2,548,498 |
| Total current liabilities | | <u>1,140,265</u> | <u>3,747,269</u> |
| Non-current liabilities | | | |
| Derivative liability | 5 | <u>16,700,000</u> | <u>22,400,000</u> |
| Total liabilities | | <u>17,840,265</u> | <u>26,147,269</u> |
| Shareholders' equity | | | |
| Share capital, no par value; authorized 500,000,000 shares; 98,068,638 shares issued and outstanding at September 30, 2013 and December 31, 2012 | 6 | 236,401,096 | 236,401,096 |
| Contributed surplus | | 32,243,815 | 28,589,591 |
| Accumulated other comprehensive income | | 3,512,426 | 4,101,968 |
| Deficit accumulated during the exploration stage | | <u>(217,382,673)</u> | <u>(208,552,580)</u> |
| Total shareholders' equity | | <u>54,774,664</u> | <u>60,540,075</u> |
| Total liabilities and shareholders' equity | | <u>\$ 72,614,929</u> | <u>\$ 86,687,344</u> |

Nature and continuance of operations (note 1)**Commitments** (note 8)

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

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INTERNATIONAL TOWER HILL MINES LTD.

(An Exploration Stage Company)

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

For the Three and Nine Months Ended September 30, 2013 and 2012

(Expressed in US Dollars - Unaudited)

| | Note | Three Months Ended | | Nine Months Ended | | From Inception |
|---|------|-----------------------|------------------------|-----------------------|------------------------|-------------------------|
| | | September 30, 2013 | September 30, 2012 | September 30, 2013 | September 30, 2012 | |
| Operating expenses | | | | | | |
| Consulting fees | | \$ 441,993 | \$ 2,091,336 | \$ 1,560,440 | \$ 2,580,386 | \$ 15,184,497 |
| Depreciation | | 5,445 | 7,911 | 16,361 | 23,732 | 260,192 |
| Insurance | | 73,123 | 82,420 | 215,962 | 229,425 | 1,132,139 |
| Investor relations | | 61,685 | 224,918 | 256,720 | 405,969 | 4,657,424 |
| Mineral property exploration | 4 | 1,621,127 | 13,447,132 | 6,868,226 | 30,402,145 | 150,897,275 |
| Office | | 21,953 | 45,407 | 77,144 | 122,596 | 974,401 |
| Other | | 11,246 | 18,217 | 44,238 | 57,234 | 1,778,753 |
| Professional fees | | 89,384 | 194,736 | 363,116 | 447,009 | 3,465,501 |
| Regulatory | | 5,295 | 14,677 | 117,651 | 143,124 | 1,072,349 |
| Rent | | 53,924 | 58,068 | 171,093 | 180,987 | 1,022,081 |
| Travel | | 48,367 | 38,106 | 176,409 | 185,686 | 1,370,665 |
| Wages and benefits | | 1,426,493 | 4,189,034 | 5,066,580 | 10,368,246 | 43,477,138 |
| Write-down of mineral properties | | — | — | — | — | 1,605,522 |
| Total operating expenses | | (3,860,035) | (20,411,962) | (14,933,940) | (45,146,539) | (226,897,937) |
| Other income (expenses) | | | | | | |
| Gain (loss) on foreign exchange | | (287,591) | (660,392) | 622,232 | (232,648) | 944,857 |
| Interest income | | 22,865 | 38,574 | 80,384 | 152,174 | 2,583,681 |
| Income from mineral property earn-in | | — | — | — | 141,948 | 660,744 |
| Impairment of available-for-sale securities | | — | — | (298,769) | — | (298,769) |
| Spin-out cost | | — | — | — | — | (775,249) |
| Unrealized gain/(loss) on derivative | 5 | — | (4,000,000) | 5,700,000 | (4,300,000) | 6,400,000 |
| Total other income (expense) | | (264,726) | (4,621,818) | 6,103,847 | (4,238,526) | 9,515,264 |
| Loss from continuing operations | | (4,124,761) | (25,033,780) | (8,830,093) | (49,385,065) | (217,382,673) |
| Loss from discontinued operations | | — | — | — | — | (19,630,113) |
| Net loss for the period | | (4,124,761) | (25,033,780) | (8,830,093) | (49,385,065) | (237,012,786) |
| Other comprehensive income (loss) | | | | | | |
| Unrealized gain (loss) on marketable securities | | 18,777 | 83,828 | (100,335) | (75,862) | (469,034) |
| Reclassification of impairment of available-for-sale securities | | — | — | 298,769 | — | 298,769 |
| Exchange difference on translating foreign operations | | 408,736 | 862,914 | (787,976) | 1,112,160 | 3,682,691 |
| Total other comprehensive income (loss) for the period | | 427,513 | 946,742 | (589,542) | 1,036,298 | 3,512,426 |
| Comprehensive loss for the period | | \$ (3,697,248) | \$ (24,087,038) | \$ (9,419,635) | \$ (48,348,767) | \$ (233,500,360) |
| Basic and fully diluted loss per share | | \$ (0.04) | \$ (0.27) | \$ (0.09) | \$ (0.55) | |
| Weighted average number of shares outstanding | | 98,068,638 | 92,918,976 | 98,068,638 | 88,777,442 | |

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

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INTERNATIONAL TOWER HILL MINES LTD.

(An Exploration Stage Company)

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the Nine Months Ended September 30, 2013 and 2012

(Expressed in US Dollars - Unaudited)

| | Number of shares | Share capital | Contributed surplus | Accumulated other comprehensive income/(loss) | Deficit | Total |
|---|-----------------------------|-----------------------|--------------------------------|--|-------------------------|----------------------|
| 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 |
| Stock based compensation | — | — | 7,184,159 | — | — | 7,184,159 |
| Share issuance costs | — | (554,280) | — | — | — | (554,280) |
| Unrealized loss on available-for-sale securities | — | — | — | (75,862) | — | (75,862) |
| Exchange difference on translating foreign operations | — | — | — | 1,112,160 | — | 1,112,160 |
| Net loss | — | — | — | — | (49,385,065) | (49,385,065) |
| Balance, September 30, 2012 | 98,068,638 | 236,401,096 | 26,566,775 | 4,560,423 | (201,294,183) | 66,234,111 |
| Private placement | — | — | — | — | — | — |
| Share issuance costs | — | — | — | — | — | — |
| Stock based compensation | — | — | 2,022,816 | — | — | 2,022,816 |
| Unrealized loss on available-for-sale securities | — | — | — | (87,314) | — | (87,314) |
| Exchange difference on translating foreign operations | — | — | — | (371,141) | — | (371,141) |
| Net loss | — | — | — | — | (7,258,397) | (7,258,397) |
| Balance, December 31, 2012 | 98,068,638 | 236,401,096 | 28,589,591 | 4,101,968 | (208,552,580) | 60,540,075 |
| Stock based compensation | — | — | 3,654,224 | — | — | 3,654,224 |
| Unrealized loss on available-for-sale securities | — | — | — | (100,335) | — | (100,335) |
| Reclassification of impairment of available-for-sale securities | — | — | — | 298,769 | — | 298,769 |
| Exchange difference on translating foreign operations | — | — | — | (787,976) | — | (787,976) |
| Net loss | — | — | — | — | (8,830,093) | (8,830,093) |
| Balance, September 30, 2013 | <u>98,068,638</u> | <u>\$ 236,401,096</u> | <u>\$ 32,243,815</u> | <u>\$ 3,512,426</u> | <u>\$ (217,382,673)</u> | <u>\$ 54,774,664</u> |

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

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INTERNATIONAL TOWER HILL MINES LTD.

(An Exploration Stage Company)

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

For the Nine Months Ended September 30, 2013 and 2012

(Expressed in US Dollars - Unaudited)

| | Nine Months Ended | | From Inception |
|---|-------------------------------|-------------------------------|-----------------------|
| | September 30, 2013 | September 30, 2012 | |
| Operating Activities | | | |
| Loss for the period from continuing operations | \$ (8,830,093) | \$ (49,385,065) | \$ (217,382,673) |
| Add items not affecting cash: | | | |
| Depreciation | 16,361 | 23,732 | 260,192 |
| Stock based compensation | 3,654,224 | 7,184,159 | 36,968,934 |
| Unrealized (gain) loss on derivative liability | (5,700,000) | 4,300,000 | (6,400,000) |
| Spin-out recovery | — | — | (254,339) |
| Gain on foreign exchange | — | — | (254,512) |
| Impairment of available-for-sale securities | 298,769 | — | 298,769 |
| Write-down of mineral properties | — | — | 1,605,522 |
| Other | — | (41,948) | (285,323) |
| Changes in non-cash items: | | | |
| Accounts receivable | 345,426 | 218,039 | 73,213 |
| Prepaid expenses | 28,921 | (39,791) | (335,567) |
| Advance to contractors | 99,975 | (175,000) | 413,057 |
| Accounts payable and accrued liabilities | (2,603,659) | (2,051,982) | 1,135,424 |
| Cash used in operating activities of continuing operations | <u>(12,690,076)</u> | <u>(39,967,856)</u> | <u>(184,157,303)</u> |
| Cash used in operating activities of discontinued operations | <u>—</u> | <u>—</u> | <u>(12,786,324)</u> |
| Financing Activities | | | |
| Issuance of share capital | — | 29,768,529 | 251,751,411 |
| Share issuance costs | — | (554,280) | (7,643,229) |
| Cash provided by financing activities of continuing operations | <u>—</u> | <u>29,214,249</u> | <u>244,108,182</u> |
| Cash used in financing activities of discontinued operations | <u>—</u> | <u>—</u> | <u>(3,902,947)</u> |
| Investing Activities | | | |
| Proceeds from sale of available-for-sale-securities | — | — | 172,734 |
| Capitalized acquisition costs | — | (2,127,694) | (27,781,245) |
| Expenditures on property and equipment, net | — | — | (332,415) |
| Cash used in investing activities of continuing operations | <u>—</u> | <u>(2,127,694)</u> | <u>(27,940,926)</u> |
| Cash used in investing activities of discontinued operations | <u>—</u> | <u>—</u> | <u>(312,593)</u> |
| Effect of foreign exchange on cash of continuing operations | (869,790) | 1,211,203 | 2,137,826 |
| Effect of foreign exchange on cash of discontinued operations | — | — | (534,876) |
| (Decrease) increase in cash and cash equivalents | (13,559,866) | (11,670,098) | 16,611,039 |
| Cash and cash equivalents, beginning of the period | 30,170,905 | 54,712,073 | — |
| Cash and cash equivalents, end of the period | <u>\$ 16,611,039</u> | <u>\$ 43,041,975</u> | <u>\$ 16,611,039</u> |

Supplemental cash flow information (note 9)

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

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INTERNATIONAL TOWER HILL MINES LTD.
(An Exploration Stage Company)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
Nine Months Ended September 30, 2013 and 2012
(Expressed in U.S. dollars — Unaudited)

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. In these financial statements references to ITH include 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 September 30, 2013, the Company was in the exploration stage and controls a 100% interest in its Livengood Gold Project in Alaska, U.S.A (the “Livengood Gold Project”).

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. 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 10 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, 2012 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 September 30, 2013 and the results of its operations for the nine months then ended. Operating results for the nine months ended September 30, 2013 are not necessarily indicative of the results that may be expected for the year ending December 31, 2013. The 2012 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.

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.

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3. 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 September 30, 2013 | |
|-------------------------------|--|----------------------|
| | Level 1 | Level 2 |
| Financial assets: | | |
| Marketable securities | \$ 75,839 | \$ — |
| Total | <u>\$ 75,839</u> | <u>\$ —</u> |
| Financial liabilities: | | |
| Derivative liability (note 5) | \$ — | \$ 16,700,000 |
| Total | <u>\$ —</u> | <u>\$ 16,700,000</u> |
| | | |
| | Fair value as at December 31, 2012 | |
| | Level 1 | Level 2 |
| Financial assets: | | |
| Marketable securities | \$ 180,415 | \$ — |
| Total | <u>\$ 180,415</u> | <u>\$ —</u> |
| Financial liabilities: | | |
| Derivative liability (note 5) | \$ — | \$ 22,400,000 |
| Total | <u>\$ —</u> | <u>\$ 22,400,000</u> |

4. CAPITALIZED ACQUISITION COSTS

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

| Capitalized acquisition costs | Amount |
|--------------------------------------|----------------------|
| Balance, December 31, 2012 | \$ 55,173,564 |
| Additions | — |
| Balance, September 30, 2013 | <u>\$ 55,173,564</u> |

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The following table presents costs incurred for exploration and evaluation activities for the nine month periods ended September 30, 2013 and 2012:

| | September 30, 2013 | September 30, 2012 |
|-----------------------------------|-----------------------|-----------------------|
| Exploration costs: | | |
| Aircraft services | \$ 62,915 | \$ 1,844,776 |
| Assay | 10,924 | 777,004 |
| Drilling | (28,714) | 8,378,230 |
| Environmental | 1,776,134 | 2,874,513 |
| Equipment rental | 332,193 | 1,309,746 |
| Field costs | 752,928 | 6,017,737 |
| Geological/geophysical | 3,253,822 | 8,362,518 |
| Land maintenance & tenure | 414,351 | 354,708 |
| Legal | 170,756 | 286,396 |
| Surveying and mapping | 74,084 | 145,967 |
| Transportation and travel | 48,833 | 50,550 |
| Total expenditures for the period | <u>\$ 6,868,226</u> | <u>\$ 30,402,145</u> |

Livengood Gold Project Property

The Livengood Gold Project property is located in the Tintina gold belt approximately 110 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 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 in December 2011. As of September 30, 2013 the Company has paid \$1,326,363 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 September 30, 2013, the Company has paid \$480,000 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

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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 September 30, 2013, 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 September 30, 2013, the Company has paid \$68,000 from the inception of this lease.

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. DERIVATIVE LIABILITY

During 2011, the Company acquired certain mining claims and related rights in the vicinity of the Livengood Gold Project located near Fairbanks, Alaska. The aggregate consideration for the claims and rights 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.

At initial recognition on December 13, 2011 the derivative liability was valued at \$23,100,000. 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 based on actual gold prices to September 30, 2013 and projected gold prices from September 30, 2013 to the end of the five year period in December 2016 of \$1,441 per ounce of gold.

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 31, 2012 | \$ 22,400,000 | \$ 1,688 |
| Unrealized (gain) loss for the period | (5,700,000) | |
| Derivative value at September 30, 2013 | \$ 16,700,000 | \$ 1,441 |

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6. SHARE CAPITAL

Authorized

500,000,000 common shares without par value. At September 30, 2013 and December 31, 2012 there were 98,068,638 shares issued and outstanding.

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 of the Company at the date of grant.

On March 14, 2013, the Company granted incentive stock options to certain officers, employees and consultants of the Company to purchase an aggregate of 613,000 common shares in the capital stock of the Company. The options are exercisable on or before March 14, 2018 at a price of C\$2.18 per share and will vest as to 204,328 shares on March 14, 2013; 204,328 shares on March 14, 2014; and the balance on March 14, 2015.

A summary of the status of the stock option plan as of September 30, 2013, and December 31, 2012 and changes is presented below:

| | Nine Months Ended September 30, 2013 | | Year Ended December 31, 2012 | |
|----------------------------------|---|--|---------------------------------|--|
| | Number of Options | Weighted Average Exercise Price (C\$) | Number of Options | Weighted Average Exercise Price (C\$) |
| Balance, beginning of the period | 8,570,000 | \$ 4.73 | 7,215,000 | \$ 7.48 |
| Granted | 613,000 | \$ 2.18 | 6,380,000 | \$ 3.26 |
| Exercised | — | \$ — | — | \$ — |
| Expired | (1,040,000) | \$ 7.78 | (4,050,000) | \$ 7.16 |
| Cancelled | (1,100,000) | \$ 8.27 | (975,000) | \$ 5.42 |
| Forfeited | (300,000) | \$ 3.17 | — | \$ — |
| Balance, end of the period | <u>6,743,000</u> | \$ 3.52 | <u>8,570,000</u> | \$ 4.73 |

The weighted average remaining life of options outstanding at September 30, 2013 was 3.86 years.

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Stock options outstanding are as follows:

| Expiry Date | September 30, 2013 | | | December 31, 2012 | | |
|--------------------|----------------------|-------------------|------------------|----------------------|-------------------|------------------|
| | Exercise Price (C\$) | Number of Options | Exercisable | Exercise Price (C\$) | Number of Options | Exercisable |
| January 10, 2013 | — | — | — | \$ 9.15 | 190,000 | 190,000 |
| July 28, 2013 | — | — | — | \$ 7.47 | 950,000 | 950,000 |
| May 9, 2016 | — | — | — | \$ 8.35 | 1,000,000 | 666,666 |
| August 23, 2016 | \$ 8.07 | 600,000 | 600,000 | \$ 8.07 | 600,000 | 400,000 |
| November 15, 2016 | \$ 5.64 | 100,000 | 66,666 | \$ 5.64 | 100,000 | 66,666 |
| January 9, 2017 | \$ 4.60 | 30,000 | 20,000 | \$ 4.60 | 30,000 | 10,000 |
| August 24, 2017 | \$ 3.17 | 4,400,000 | 2,933,321 | \$ 3.17 | 4,700,000 | 1,566,655 |
| September 19, 2017 | \$ 2.91 | 1,000,000 | 666,666 | \$ 2.91 | 1,000,000 | 333,333 |
| March 14, 2018 | \$ 2.18 | 613,000 | 204,328 | — | — | — |
| | | <u>6,743,000</u> | <u>4,490,981</u> | | <u>8,570,000</u> | <u>4,183,320</u> |

A summary of the non-vested options as of September 30, 2013 and changes during the nine months ended September 30, 2013 is as follows:

| Non-vested options: | Number of options | Weighted average grant-date fair value (C\$) |
|-----------------------------------|-------------------|--|
| Outstanding at December 31, 2012 | 4,386,680 | \$ 2.05 |
| Granted | 613,000 | 0.50 |
| Vested | (2,547,660) | 2.27 |
| Forfeited | (200,001) | 1.61 |
| Outstanding at September 30, 2013 | <u>2,252,019</u> | <u>\$ 1.41</u> |

At September 30, 2013 there was unrecognized compensation expense of C\$1,424,476 related to non-vested options outstanding. The cost is expected to be recognized over a weighted-average remaining period of approximately 0.92 years.

Share-based payments

During the nine month period ended September 30, 2013, the Company granted an aggregate of 613,000 stock options with a fair value of C\$304,585 calculated using the Black-Scholes option pricing model. Share-based payment charges for the nine months ended September 30, 2013 totaled \$3,654,224.

During the nine month period ended September 30, 2012, the Company granted an aggregate of 6,380,000 stock options with a fair value of C\$10,688,119 calculated using the Black-Scholes option pricing model. Share-based payment charges for the nine months ended September 30, 2012 totaled \$7,184,159.

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

| | September 30, 2013 | December 31, 2012 |
|--------------------------|--------------------|-------------------|
| Expected life of options | 4 years | 4 years |
| Risk-free interest rate | 1.29% | 1.32% |
| Annualized volatility | 59.48% | 67.68% |
| Dividend rate | 0.00% | 0.00% |
| Exercise price (C\$) | \$ 2.18 | \$ 3.26 |

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

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7. 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:

| | <u>Canada</u> | <u>United States</u> | <u>Total</u> |
|---|----------------------|---------------------------|---------------------------|
| September 30, 2013 | | | |
| Capitalized acquisition costs | \$ — | \$ 55,173,564 | \$ 55,173,564 |
| Property and equipment | 12,564 | 60,788 | 73,352 |
| Current assets | 15,661,511 | 1,706,502 | 17,368,013 |
| Total assets | <u>15,674,075</u> | <u>56,940,854</u> | <u>72,614,929</u> |
| 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 | <u>\$ 29,060,802</u> | <u>\$ 57,626,542</u> | <u>\$ 86,687,344</u> |
| Three months ended | | <u>September 30, 2013</u> | <u>September 30, 2012</u> |
| Net loss for the period — Canada | | \$ (1,430,485) | \$ (5,346,486) |
| Net loss for the period - United States | | (2,694,276) | (19,687,294) |
| Net loss for the period | | <u>\$ (4,124,761)</u> | <u>\$ (25,033,780)</u> |
| Nine months ended | | <u>September 30, 2013</u> | <u>September 30, 2012</u> |
| Net loss for the period — Canada | | \$ (4,369,867) | \$ (8,690,609) |
| Net loss for the period - United States | | (4,460,226) | (40,694,456) |
| Net loss for the period | | <u>\$ (8,830,093)</u> | <u>\$ (49,385,065)</u> |

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8. COMMITMENTS

The following table discloses, as of September 30, 2013, the Company's contractual obligations including optional mineral property payments and work commitments and committed office and equipment lease obligations. Under the terms of the Company's mineral property purchase agreements, mineral leases and the terms of the unpatented mineral claims held by it, the Company is required to make certain scheduled acquisition payments, incur certain levels of expenditures, make lease or advance royalty payments, make payments to government authorities and incur assessment work expenditures as summarized in the table below in order to maintain and preserve the Company's interests in the related mineral properties. If the Company is unable or unwilling to make any such payments or incur any such expenditures, it is likely that the Company would lose or forfeit its rights to acquire or hold the related mineral properties. The following table assumes that the Company retains the rights to all of its current mineral properties, but no other lease purchase or royalty buyout options:

| | Payments Due by Year | | | | | | | 2019 and beyond | Total |
|--|----------------------|-------------------|-------------------|----------------------|-------------------|-------------------|-------------------|-----------------|----------------------|
| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | | | |
| Livengood Property Purchase ⁽¹⁾ | \$ — | \$ — | \$ — | \$ 16,700,000 | \$ — | \$ — | \$ — | \$ — | \$ 16,700,000 |
| Mineral Property Leases ⁽²⁾ | — | 401,236 | 405,979 | 410,794 | 415,681 | 425,641 | 430,676 | | 2,490,007 |
| Mining Claim Government Fees | 54,810 | 89,110 | 89,110 | 89,110 | 89,110 | 89,110 | 89,110 | 89,110 | 589,470 |
| Office and Equipment Lease Obligations | 55,554 | 206,263 | 78,960 | 362 | 362 | 362 | 362 | 362 | 342,225 |
| Total | \$ 110,364 | \$ 696,609 | \$ 574,049 | \$ 17,200,266 | \$ 505,153 | \$ 515,113 | \$ 520,148 | | \$ 20,121,702 |

1. The amount payable in December 2016 of \$16,700,000 represents the fair value of the Company's derivative liability as at September 30, 2013 and will be revalued at each subsequent reporting period. See note 5.
2. Does not include required work expenditures, as it is assumed that the required expenditure level is significantly below the work for which 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.

9. SUPPLEMENTAL CASH FLOW INFORMATION

| | Nine months ended September 30, 2013 | Nine months ended September 30, 2012 |
|-------------------|--|--|
| Income taxes paid | \$ — | \$ 150,282 |

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, 2012. All currency amounts are stated in US dollars unless noted otherwise.

Current Business Activities

General

During the nine months ended September 30, 2013, and to the date of this MD&A, the Company advanced its Livengood Gold Project in Alaska with the issuance of the Canadian National Instrument 43-101 report that is based on the Feasibility Study for the Livengood Gold Project. The Feasibility Study had been underway since early 2012.

Livengood Gold Project - Feasibility Study Results

The Company announced the results of the Feasibility Study on July 23, 2013. On September 6, 2013 the Company filed a technical report on SEDAR that summarizes the results of the Feasibility Study on the Livengood Gold Project. The technical report is entitled "Canadian National Instrument 43-101 Technical Report on the Livengood Gold Project, Feasibility Study, Livengood, Alaska," dated September 4, 2013. The purpose of the Feasibility Study was to evaluate the feasibility of developing the Livengood Gold Project. Using the trailing three year gold price of \$1,500 per ounce, the Project generates an after-tax internal rate of return of 1.7%. The study identified a number of opportunities that upon further study and analysis could improve the economics of the project.

Next Steps and Opportunities

The Company is reviewing certain opportunities as identified in the Feasibility Study. These opportunities include optimizing and reducing project costs. An opportunity may exist to improve project efficiencies through enhanced mine modeling and production scheduling. Evaluation of mill throughput and capital cost studies may help determine the optimum scale for the Project. Additional metallurgical testwork may confirm a higher resource grade, as the testing to date has shown generally higher calculated head grades compared to the average assay obtained from composited drill core assays that make up the metallurgical test samples.

There is an opportunity to expand the portion of the resource included within the present pit design with additional drilling. Drilling may expand the resource at depth and to the southwest incorporating additional mineralized material into the current grade model. Multiple exploration targets have been identified in the land package area and may increase the resource with additional exploration.

Other opportunities to improve the performance of the Project that warrant further study include improved recovery through intensive cyanide leach reactors and possible opportunities exist to reduce reagent consumption and costs and energy costs.

2013 Outlook

During the remainder of 2013, the Company will continue to review and prioritize opportunities for further study as identified with the completion of the Feasibility Study. The Company also plans to complete critical baseline environmental studies required to maintain the integrity of five years of historical data already compiled, which will support future permitting and better position the Livengood Gold Project for a construction decision when warranted by market conditions.

In light of the recent decrease in the gold price and its effect on the gold mining industry, the Company has prepared for the potential of a continuing lower gold price by revising its 2013 program to limit spending to essential activities. These activities included protection of the asset, reviewing opportunities identified in the Feasibility Study, continuing environmental baseline work and a reduction of corporate and administrative costs.

The Company will continue to seek a strategic alliance with a larger entity to help support the future development of the Project while considering all other appropriate financing options. The strength of the gold asset, the favorable location, and the proven team are the reasons the Company would potentially attract a strategic partner with a long term development horizon who understands the Project is highly leveraged to gold prices. To date ITH has signed multiple confidentiality agreements with large and intermediate mining companies and has been reviewing the final Feasibility Study results as well as the various opportunities with those companies.

[Table of Contents](#)**Results of Operations****Summary of Quarterly Results**

| | <u>September 30, 2013</u> | <u>June 30, 2013</u> | <u>March 31, 2013</u> | <u>December 31, 2012</u> |
|---|---------------------------|----------------------|-----------------------|--------------------------|
| Net loss | \$ (4,124,761) | \$ (642,050) | \$ (4,063,282) | \$ (7,258,397) |
| Basic and diluted net loss per common share | \$ (0.04) | \$ (0.01) | \$ (0.04) | \$ (0.07) |

| <u>Description</u> | <u>September 30, 2012</u> | <u>June 30, 2012</u> | <u>March 31, 2012</u> | <u>4 months December 31, 2011</u> |
|---|---------------------------|----------------------|-----------------------|---------------------------------------|
| Net loss | \$ (25,033,780) | \$ (12,909,320) | \$ (11,441,965) | \$ (16,727,561) |
| Basic and diluted net loss per common share | \$ (0.27) | \$ (0.15) | \$ (0.13) | \$ (0.19) |

Three Months Ended September 30, 2013 compared to Three Months Ended September 30, 2012

The Company incurred a net loss of \$4,124,761 for the three months ended September 30, 2013, compared to a net loss of \$25,033,780 for the three months ended September 30, 2012. The following discussion highlights certain selected financial information and changes in operations between the three months ended September 30, 2013 and the three months ended September 30, 2012.

Mineral property expenditures decreased significantly to \$1,621,127 for the three months ended September 30, 2013 from \$13,447,132 for the three months ended September 30, 2012, primarily due to the Company completing its current exploration and drilling programs in 2012 and shifting to activities primarily related to the completion of the Feasibility Study including metallurgical, process engineering, and environmental baseline work.

Share-based payment charges were \$904,343 during the three months ended September 30, 2013 compared to \$4,235,792 during the three months ended September 30, 2012. The decrease in share-based payment charges during the period was mainly the result of option grants in August and September of 2012. The Company did not grant any options during the three month period ended September 30, 2013.

Share-based payment charges

Share-based payment charges for the three month periods ended September 30, 2013 and 2012 were allocated as follows:

| <u>Expense category:</u> | <u>September 30, 2013</u> | <u>September 30, 2012</u> |
|--------------------------|-------------------------------|-------------------------------|
| Consulting | \$ 359,007 | \$ 1,653,692 |
| Investor relations | 15,681 | 124,298 |
| Wages and benefits | 529,655 | 2,457,802 |
| | <u>\$ 904,343</u> | <u>\$ 4,235,792</u> |

Excluding share-based payment charges of \$529,655 and \$2,457,802, respectively, wages and benefits decreased to \$896,838 during the three months ended September 30, 2013 from \$1,731,232 during the three months ended September 30, 2012 as a result of decreased severance charges and decreased personnel during the current year period.

Excluding share-based payment charges of \$359,007 and \$1,653,692, respectively, consulting fees decreased to \$82,986 during the three months ended September 30, 2013 from \$437,644 during the three months ended September 30, 2012 due to additional fees incurred in the prior period primarily for the Company's interim CEO.

Other expense categories reflected only moderate change period over period.

Other items amounted to expense of \$264,726 during the three month period ended September 30, 2013 compared to expense of \$4,621,818 during the three month period ended September 30, 2012. The decrease in other expenses in the current period resulted primarily from an unrealized loss of \$4 million on the revaluation of the derivative liability at September 30, 2012 resulting from a decrease in the average price of gold. The Company had foreign exchange loss of \$287,591 during the three month period ended September 30, 2013 compared to a loss of \$660,392 during the three month period ended September 30, 2012 as a result of higher U.S. dollar cash balances in the prior year subject to currency fluctuations.

Nine Months Ended September 30, 2013 compared to Nine Months Ended September 30, 2012

The Company incurred a net loss of \$8,830,093 for the nine month period ended September 30, 2013, compared to a net loss of \$49,385,065 for the nine month period ended September 30, 2012. The following discussion highlights certain selected financial information and changes in operations between the nine months ended September 30, 2013 and the nine months ended September 30, 2012.

Mineral property expenditures decreased significantly to \$6,868,226 for the nine months ended September 30, 2013 from \$30,402,145 for the nine months ended September 30, 2012 primarily due to the Company completing its exploration and drilling programs in 2012 and shifting to activities related to the completion of the Feasibility Study such as metallurgical, process engineering, and environmental baseline work.

Share-based payment charges were \$3,654,224 during the nine months ended September 30, 2013 compared to \$7,184,159 during the nine months ended September 30, 2012. The decrease in share-based payment charges during the period was primarily the result of a reduction in the number and fair value of options granted during the period and vesting of prior option grants. The Company granted 613,000 options during the nine months ended September 30, 2013 compared to 6,380,000 during the nine months ended September 30, 2012.

Share-based payment charges

Share-based payment charges for the nine month periods ended September 30, 2013 and 2012 were allocated as follows:

| Expense category: | September 30, 2013 | September 30, 2012 |
|--------------------------|-------------------------------|-------------------------------|
| Consulting | \$ 1,301,550 | \$ 1,727,250 |
| Investor relations | 32,991 | 125,770 |
| Professional fees | — | 393 |
| Wages and benefits | 2,319,683 | 5,330,746 |
| | <u>\$ 3,654,224</u> | <u>\$ 7,184,159</u> |

Excluding share-based payment charges of \$2,319,683 and \$5,330,746, respectively, wages and benefits decreased to \$2,746,897 during the nine months ended September 30, 2013 from \$5,037,500 during the nine months ended September 30, 2012 as a result of decreased severance charges and decreased personnel during the current year period.

Excluding share-based payment charges of \$1,301,550 and \$1,727,250, respectively, consulting fees decreased to \$258,890 during the nine months ended September 30, 2013 from \$853,136 during the three months ended September 30, 2012 due to additional fees incurred in the prior period primarily for the interim CEO in 2012, general corporate matters and compensation benefits design and implementation.

Other expense categories reflected only moderate change period over period.

Other items amounted to a gain of \$6,103,847 during the nine month period ended September 30, 2013 compared to expense of \$4,238,526 during the nine month period ended September 30, 2012. The gain in the current period resulted mainly from an unrealized gain of \$5.7 million on the revaluation of the derivative liability at September 30, 2013 resulting from a decrease in the average price of gold, compared to an unrealized loss of \$4.3 million on the revaluation of the derivative liability during the prior period which resulted from an increase in the average price of gold. In addition to the unrealized gain on the derivative liability, the Company had foreign exchange gain of \$622,232 during the nine month period ended September 30, 2013 compared to a loss of \$232,648 during the nine month period ended September 30, 2012 as a result of an increase in the value of the Canadian dollar compared to the US dollar. The increase in other income was partially offset by a loss of \$298,769 related to the other than temporary impairment of certain available-for-sale securities during the nine months ended September 30, 2013. Furthermore, income of \$141,948 from mineral property earn-in was recognized during the nine month period ended September 30, 2012 which was related to the Terra and Chisna properties transferred to Corvus Gold Inc. in 2010 compared to no mineral property earn-in income for the nine month period ended September 30, 2013.

Liquidity and Capital Resources

The Company has no revenue generating operations from which it can internally generate funds. To date, the Company's ongoing operations have been predominantly financed through sale of its equity securities by way of private placements and the subsequent exercise of share purchase and broker warrants and options issued in connection with such private placements. However, the exercise of warrants/options is dependent primarily on the market price and overall market liquidity of the

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Company's securities at or near the expiry date of such warrants/options (over which the Company has no control) and therefore there can be no guarantee that any existing warrants/options will be exercised.

As at September 30, 2013, the Company reported cash and cash equivalents of \$16,611,039 compared to \$30,170,905 at December 31, 2012. The decrease of approximately \$13.6 million resulted mainly from expenditures on the Livengood Gold Project and advancing work to the completion of the Feasibility Study. In light of the current market conditions, and upon completion of the Feasibility Study, the Company continues to manage its cash resources and advance the Livengood Gold Project by focusing on the Feasibility Study recommendations, including related metallurgical and geotechnical studies, and reducing its corporate administrative costs.

The Company had no investing cash flows during the nine months ended September 30, 2013. Investing activities during the nine months ended September 30, 2012 comprised of mineral property acquisitions of approximately \$2 million. Mineral property acquisition costs during 2012 related to certain mining claims and related rights in the vicinity of the Livengood Gold Project.

The Company had no cash flows from financing activities during the nine month period ended September 30, 2013. During the nine month period ended September 30, 2012, the Company closed a non-brokered private placement financing through the issuance of 11,384,719 common shares for gross proceeds of \$29,768,529. Total share issuance costs for this non-brokered private placement financing amounted to \$554,280.

As at September 30, 2013, the Company had working capital of \$16,227,748 compared to working capital of \$27,676,797 at December 31, 2012. 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 the non-discretionary activities at the Livengood Gold Project, and its currently anticipated general and administrative costs, through the 2014 fiscal year and well into 2015. To advance the Livengood Gold Project towards permitting and development, the Company anticipates maintaining certain essential environmental baseline activities for the fiscal year ending December 31, 2013. The additional financing completed by the Company in the third quarter of 2012 will fund the continued operations for the 2013 fiscal year and the planned environmental baseline activities for continuing the Livengood Gold Project towards permitting and the Company's currently anticipated general and administrative costs through the 2014 fiscal year. The Company will require significant additional financing to continue its operations (including general and administrative expenses) in connection with post- Feasibility Study 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.

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 "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" in Part II, Item 1A, Risk Factors, of this Quarterly Report on Form 10-Q. The quantity of funds to be raised and the terms of any proposed equity financing that may be undertaken will be negotiated by management as opportunities to raise funds arise. Specific plans related to the use of proceeds will be devised once financing has been completed and management knows what funds will be available for these purposes. Due to this uncertainty, if the Company is unable to secure additional financing, it may be required to reduce all discretionary activities at Livengood to preserve its working capital to fund anticipated non-discretionary expenditures beyond the 2013 fiscal year.

Other than cash held by its subsidiaries for their immediate operating needs in Alaska and Colorado, all of the Company's cash reserves are on deposit with a major Canadian chartered bank. The Company does not believe that the credit, liquidity or market risks with respect thereto have increased as a result of the current market conditions. However, to achieve greater security for the preservation of its capital, the Company has, of necessity, been required to accept lower rates of interest which has also lowered its potential interest income.

Contractual Obligations

The following table discloses the Company's contractual obligations for optional mineral property payments and work commitments and committed office and equipment lease obligations as of September 30, 2013. The table also includes amounts payable under the purchase agreement related to the acquisition of certain mining claims and related rights in the vicinity of the Livengood Gold Project ("Livengood Property Purchase"). The Company does not have any other long-term debt or loan obligations. Under the terms of the Company's mineral property purchase agreements, mineral leases and the

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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. The table reflects the amended lease terms with the Alaska Mental Health Trust Authority effective as of June 30, 2013. If the Company is unable or unwilling to make any such payments or incur any such expenditures, it is likely that the Company would lose or forfeit its rights to acquire or hold the related mineral properties. The following table assumes that the Company retains the rights to all of its current mineral properties, but no other lease purchase or royalty buyout options:

| | Payments Due by Year | | | | | | | Total |
|--|----------------------|-------------------|-------------------|----------------------|-------------------|-------------------|-------------------|----------------------|
| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 and beyond | |
| Livengood Property Purchase ⁽¹⁾ | \$ — | \$ — | \$ — | \$ 16,700,000 | \$ — | \$ — | \$ — | \$ 16,700,000 |
| Mineral Property Leases ⁽²⁾ | — | 401,236 | 405,979 | 410,794 | 415,681 | 425,641 | 430,676 | 2,490,007 |
| Mining Claim Government Fees | 54,810 | 89,110 | 89,110 | 89,110 | 89,110 | 89,110 | 89,110 | 589,470 |
| Office and Equipment Lease Obligations | 55,554 | 206,263 | 78,960 | 362 | 362 | 362 | 362 | 342,225 |
| Total | \$ 110,364 | \$ 696,609 | \$ 574,049 | \$ 17,200,266 | \$ 505,153 | \$ 515,113 | \$ 520,148 | \$ 20,121,702 |

1. The amount payable in December 2016 of \$16,700,000 represents the fair value of the Company's derivative liability as at September 30, 2013 and will be revalued at each subsequent reporting period.
2. Does not include required work expenditures, as it is assumed that the required expenditure level is significantly below the work for which will actually be carried out by the Company. Does not include potential royalties that may be payable (other than annual minimum royalty payments).

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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, 2012, 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

The Company has exposure to market risk in areas of interest rate risk, foreign currency exchange rate risk, and other price risk.

Interest Rate Risk

Interest rate risk consists of the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company's cash and cash equivalents consists of cash and cash equivalents held in bank accounts with two major Canadian financial institutions that earn interest at variable interest rates. Future cash flows from interest income on cash and cash equivalents will be affected by interest rate fluctuations. Due to the short-term nature of these financial instruments, fluctuations in market rates do not have a significant impact on estimated fair values.

The Company manages interest rate risk by maintaining an investment policy that focuses primarily on preservation of capital and liquidity. The Company's sensitivity analysis suggests that a 0.5% change in interest rates would affect interest income by approximately \$75,000.

Foreign Currency Risk

The Company is exposed to foreign currency risk to the extent that certain monetary financial instruments and other assets are denominated in Canadian dollars. As the majority of the Company's assets, aside from cash, are denominated in U.S. dollars, currency risk is limited to those Canadian cash balances. The Company has not entered into any foreign currency contracts to mitigate this risk. The Company's sensitivity analysis suggests that a consistent 5% change in the absolute rate of exchange for the Canadian dollar would affect net assets by approximately \$250,000. Furthermore, depending on the amount of cash held by the Company in Canadian dollars at the end of each reporting period using the period end exchange rate, significant changes in the exchange rates could cause significant changes to the currency translation amounts recorded to accumulated other comprehensive income.

As at September 30, 2013, Canadian balances were converted at a rate of C\$1 to US \$0.9723.

Credit Risk

Concentration of credit risk exists with respect to the Company's Canadian cash and cash equivalents as all amounts are held at two major Canadian financial institutions. Credit risk with regard to cash held in the United States is mitigated as the amount held in the United States is only sufficient to cover short-term requirements.

Other Price Risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or foreign exchange risk. The Company's investments in marketable securities are exposed to such risk. The Company's derivative liability, which consists of a future contingent payment valued using historic and estimated future gold prices, is also exposed to other price risk. See Note 5 to the unaudited condensed consolidated interim financial statements included elsewhere in this Quarterly Report on Form 10-Q. The fair value of this liability will fluctuate with the average daily price of gold as well as with future projections for the average price of gold over the life of the obligation. For every dollar change in the average daily price of gold, the value of the derivative liability will change by \$23,148.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

As of September 30, 2013, an evaluation was carried out under the supervision of and with the participation of the Company's management, including the Chief Executive Officer (the principal executive officer) and Chief Financial Officer (the principal financial officer and accounting 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, 2013, the Company's disclosure controls and procedures were effective in ensuring that: information required to be disclosed in reports filed or submitted to the SEC under the Exchange Act is (i) 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.

Changes in Internal Control over Financial Reporting

There were no changes in internal controls over financial reporting during the quarter ended September 30, 2013 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II — OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Not applicable.

ITEM 1A. RISK FACTORS

You should carefully consider the following risk factors in addition to the other information included in this Quarterly Report on Form 10-Q as well as the Company's Annual Report on Form 10-K for the year ended December 31, 2012. Each of these risk factors could adversely affect our business, operating results and financial condition, as well as adversely affect the value of an investment in our common shares. The risks described below are not the only ones facing the Company. Additional risks that we are not presently aware of, or that we currently believe are immaterial, may also adversely affect our business, operating results and financial condition. We cannot assure you that we will successfully address these risks or other unknown risks exist that may affect our business.

Risks Related to Our Business

Our success depends on the development and operation of the Livengood Gold Project, which is our only project and may not be commercially viable at current gold prices.

Our only property at this time is our Livengood Gold Project, which is in the exploration stage. We have issued a Feasibility Study on the Livengood Gold Project which indicates that the Project generates a minimal positive return at a gold price of \$1,500 per ounce. The price of gold is \$1,307 per ounce as of November 5, 2013, and the Project is not commercially viable at current gold prices. While management is exploring opportunities identified in the Feasibility Study for optimization and reducing Project costs, there can be no assurance that any such efforts will be successful or that the price of gold will increase sufficiently to warrant a decision to develop the Project. If the Project is not developed, or if the Project is otherwise subject to deterioration, destruction or significant delay, we may never generate revenues and our shareholders may lose most or all of their investment in our common shares.

We have a history of losses and expect to continue to incur losses in the future.

We have incurred losses and have had no revenue from operations since inception, and we expect to continue to incur losses in the future. We have not commenced commercial production on the Livengood Gold Project and we have no other mineral properties. We have no revenues from operations, and we anticipate we will have no operating revenues and will continue to incur operating losses until such time as we place the Livengood Gold Project into production and such project generates sufficient revenues to fund continuing operations. The Livengood Gold Project is currently in the exploration stage. Our activities may not result in profitable mining operations and we may not succeed in establishing mining operations or profitably producing metals at the Livengood Gold Project.

We are an exploration stage company and have no history producing metals from our properties. Any future revenues and profits are uncertain.

We have no history of mining or refining any mineral products or metals and the Livengood Gold Project is not currently producing. There can be no assurance that the Livengood Gold Project will be successfully placed into production, produce minerals in commercial quantities or otherwise generate operating earnings. Advancing properties from the exploration stage into development and commercial production requires significant capital and time and will be subject to further feasibility studies, permitting requirements and construction of the mine, processing plants, roads and related works and infrastructure. We will continue to incur losses until our mining activities successfully reach commercial production levels and generate sufficient revenue to fund continuing operations. There is no certainty that we will produce revenue from any source, operate profitably or provide a return on investment in the future. If we are unable to generate revenues or profits, our shareholders might not be able to realize returns on their investment in our common shares.

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.

Advancing properties from exploration into the development stage requires significant capital and time, and successful commercial production from a property, if any, will be subject to completing feasibility studies, permitting and construction of the mine, processing plants, roads, and other related works and infrastructure. The Company does not presently have

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sufficient financial resources or a source of operating cash flow to undertake by itself to complete the permitting process and, if a production decision is made, the construction of a mine at the Livengood Gold Project. The completion of the permitting process, and any construction of a mine at the Livengood Gold Project following the making of a production decision, will therefore depend upon the Company's ability to obtain financing through the sale of its equity securities, enter into a joint venture relationship, secure significant debt financing or find alternative means of financing. There is no assurance that the Company will be successful in obtaining the required financing on favorable terms or at all. Even if the results of exploration are encouraging, the Company may not be able to obtain sufficient financing to conduct the further exploration that may be necessary to determine whether or not a commercially mineable deposit exists.

Our ability to obtain additional financing in the future will depend upon a number of factors, including prevailing capital market conditions, the status of the national and worldwide economy, our business performance and the price of gold and other precious metals. Capital markets worldwide have been adversely affected in recent years by substantial losses by financial institutions. At present, it is impossible to determine what amount of additional funds, if any, may be required. Failure to obtain such additional financing on favorable terms or at all could result in delay or indefinite postponement of further mining operations or exploration and development and the possible partial or total loss of our interests in the Livengood Gold Project.

We have not yet identified, and may never identify, commercially viable reserves that would generate revenues.

We are considered an exploration stage company and will continue to be until we identify commercially viable reserves on our properties and develop our properties. We have no producing properties and have never generated any revenue from our operations. We have issued a Feasibility Study on the Livengood Gold Project. Using the trailing three year gold price of \$1,500 per ounce, the Project generates a minimal positive return; however, the Project is not economically robust at current gold prices. The majority of exploration projects do not result in the discovery of commercially mineable deposits of ore. Further exploration and substantial expenditures are required to establish ore reserves through drilling and metallurgical and other testing techniques, determine metal content and metallurgical recovery processes to extract metal from the ore, and construct, renovate or expand mining and processing facilities. No assurance can be given that any level of recovery of ore reserves will be realized or that any identified mineral deposit will ever qualify as a commercial mineable ore body which can be legally and economically exploited. If we are not able to identify commercially viable mineral deposits or profitably extract minerals from such deposits, our business would be materially adversely affected and our investors could lose all or a substantial portion of their investment.

Resource exploration is a highly speculative business, and certain inherent exploration risks could have a negative effect on our business.

Our long-term success depends on our ability to identify mineral deposits on the Livengood Gold Project and other properties we may acquire, if any, that can then be developed into commercially viable mining operations. Resource exploration is a highly speculative business and involves a high degree of risk, including, among other things, unprofitable efforts resulting both from the failure to discover mineral deposits and from finding mineral deposits which, though present, are insufficient in size and grade at the then prevailing market conditions to return a profit from production. Substantial expenditures are required to establish proven and probable mineral reserves through drilling and analysis, to develop metallurgical processes to extract metal, and to develop the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineralized deposit, no assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations or that funds required for development can be obtained on a timely basis. The marketability of minerals which may be acquired or discovered by the Company will be affected by numerous factors beyond the control of the Company and which cannot be accurately predicted. These factors include market fluctuations, the proximity and capacity of milling facilities, mineral markets and processing equipment, and government regulations, including regulations relating to prices, taxes, royalties, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital.

Mineral resource estimates are based on interpretation and assumptions and could be inaccurate or yield less mineral production under actual conditions than is currently estimated. Any material changes in these estimates will affect the economic viability of placing a property into production.

The mineral resource estimates included in our reports are estimates only and no assurance can be given that any particular level of recovery of minerals will in fact be realized or that an identified reserve or resource will ever qualify as a commercially mineable (or viable) deposit which can be legally and economically exploited. The estimating of mineral resources and mineral reserves is a subjective process and the accuracy of mineral resource and mineral reserve estimates is a function of the quantity and quality of available data, the accuracy of statistical computations, and the assumptions used and judgments made in interpreting available engineering and geological information. There is significant uncertainty in any

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mineral resource or mineral reserve estimate and the actual deposits encountered and the economic viability of a deposit may differ materially from the Company's estimates. In addition, the grade of mineralization ultimately mined may differ from that indicated by drilling results and such differences could be material. Because we have not commenced actual production, mineralization estimates, including mineral resource estimates, for the Livengood Gold Project may require adjustments or downward revisions.

Until ore is actually mined and processed, mineral resources, mineral reserves and grades of mineralization must be considered as estimates only. The grade of ore ultimately mined, if any, may differ from that indicated by any pre-feasibility or definitive feasibility studies and drill results. There can be no assurance that minerals recovered in small scale laboratory tests will be duplicated in large scale tests under on-site conditions or in production scale operations. Extended declines in market prices for gold may render portions or all of our mineral resources uneconomic and result in reduced reported mineralization or adversely affect the commercial viability determinations reached by us. Material changes in estimates of mineralization, grades, stripping ratios, recovery rates or of our ability to extract such mineralization may affect the economic viability of projects and the value of our Livengood Gold Project. The estimated resources described in our reports should not be interpreted as assurances of mine life or of the profitability of future operations. Estimated mineral resources and mineral reserves may have to be re-estimated based on changes in applicable commodity prices, further exploration or development activity or actual production experience. This could materially and adversely affect estimates of the volume or grade of mineralization, estimated recovery rates or other important factors that influence mineral resource or mineral reserve estimates. Market price fluctuations for gold, silver or base metals, increased production costs or reduced recovery rates or other factors may render any particular reserves uneconomical or unprofitable to develop at a particular site or sites. A reduction in estimated reserves could require material write downs in investment in the affected mining property and increased amortization, reclamation and closure charges. Mineral resources are not mineral reserves and there is no assurance that any mineral resources will ultimately be reclassified as proven or probable reserves. Mineral resources which are not mineral reserves do not have demonstrated economic viability.

There are differences in U.S. and Canadian practices for reporting reserves and resources.

Our reserve and resource estimates are not directly comparable to those made in filings subject to SEC reporting and disclosure requirements, as we generally report reserves and resources in accordance with Canadian practices. These practices are different from the practices used to report reserve and resource estimates in reports and other materials filed with the SEC. It is Canadian practice to report measured, indicated and inferred mineral resources, which are generally not permitted in disclosure filed with the SEC by U.S. issuers. In the United States, mineralization may not be classified as a "reserve" unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time the reserve determination is made. U.S. investors are cautioned not to assume that all or any part of measured, indicated or inferred mineral resources will ever be converted into reserves.

Further, "inferred mineral resources" have a great amount of uncertainty as to their existence and as to whether they can be mined legally or economically. Disclosure of "contained ounces" is permitted disclosure under Canadian regulations; however, the SEC only permits issuers to report "resources" as in place, tonnage and grade without reference to unit measures.

Accordingly, information concerning descriptions of mineralization, reserves and resources contained in our reports may not be comparable to information made public by other U.S. companies subject to the reporting and disclosure requirements of the SEC.

Increased costs could affect our ability to bring our projects into production and, once in production, our financial condition and ability to be profitable.

Management anticipates that costs at the Livengood Gold Project will frequently be subject to variation from one year to the next due to a number of factors, such as changing ore grade, metallurgy and revisions to mine plans, if any, in response to the physical shape and location of the ore body. In addition, costs are affected by the price of commodities such as fuel, rubber and electricity. Such commodities are at times subject to volatile price movements, including increases that could make production less profitable or not profitable at all. A material increase in costs could also impact our ability to maintain operations and have a significant effect on the Company's profitability.

The volatility of the price of gold could adversely affect our future operations and, if warranted, our ability to develop our properties.

Even if commercial quantities of mineral deposits are discovered by the Company, there is no guarantee that a profitable market will exist for the sale of the metals produced, if any. The Company's long-term viability and profitability, the value of

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the Company's properties, the market price of its common shares and the Company's ability to raise funding to conduct continued exploration and development, if warranted, depend, in large part, upon the market price of gold. The decision to put a mine into production and to commit the funds necessary for that purpose must be made long before the first revenue from production would be received. A decrease in the price of gold may prevent the Company's property from being economically mined or result in the write-off of assets whose value is impaired as a result of lower gold prices.

The price of gold has experienced significant movement over short periods of time, and is affected by numerous factors beyond the control of the Company, including economic and political conditions, expectations of inflation, currency exchange fluctuations, interest rates, global or regional demand, sale or purchase of gold by various central banks and financial institutions, speculative activities and increased production due to improved mining and production methods. The volatility of mineral prices represents a substantial risk which no amount of planning or technical expertise can fully eliminate. There can be no assurance that the price of gold will be such that any such deposits can be mined at a profit.

The volatility in gold prices is illustrated by the following table, which presents the high, low and average fixed price in U.S. dollars for an ounce of gold, based on the London Bullion Market Association P.M. fix, over the past five years:

| | High | Low | Average |
|-------------------------------------|----------|----------|----------|
| 2008 | \$ 1,011 | \$ 713 | \$ 872 |
| 2009 | \$ 1,213 | \$ 810 | \$ 972 |
| 2010 | \$ 1,421 | \$ 1,058 | \$ 1,225 |
| 2011 | \$ 1,895 | \$ 1,319 | \$ 1,572 |
| 2012 | \$ 1,792 | \$ 1,540 | \$ 1,669 |
| January 1, 2013 to November 5, 2013 | \$ 1,694 | \$ 1,192 | \$ 1,439 |

Our results of operations could be affected by currency fluctuations.

The Livengood Gold Project is located in the United States, with most costs associated with the Project paid in US dollars, and the Company maintains its accounts in Canadian and US dollars, making it subject to foreign currency fluctuations. There can be significant swings in the exchange rate between the US and Canadian dollar. There are no plans at this time to hedge against any exchange rate fluctuations in currencies. Adverse foreign currency fluctuations may cause losses and materially affect the Company's financial position and results.

Resource exploration, development and production involve a high degree of risk and we do not maintain insurance with respect to certain of these risks, which exposes us to significant risk of loss.

Resource exploration, development and production involve a high degree of risk. Our operations are, and any future development or mining operations we may conduct will be, subject to all of the operating hazards and risks normally incident to exploring for and development of mineral properties, such as, but not limited to:

- economically insufficient mineralized material;
- fluctuation in exploration, development and production costs;
- labor disputes;
- unanticipated variations in grade and other geologic problems;
- water conditions;
- difficult surface or underground conditions;
- mechanical and equipment failure;
- failure of pit walls or dams;
- environmental hazards;
- industrial accidents;
- metallurgical and other processing problems;
- unusual or unexpected rock formations;
- personal injury, cave-ins, landslides, flooding, fire, explosions, and rock-bursts;

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- metal losses;
- power outages;
- periodic interruptions due to inclement or hazardous weather conditions; and
- decrease in the value of mineralized material due to lower gold prices.

These risks could result in damage to, or destruction of, mineral properties, facilities or other property, personal injury, environmental damage, delays in operations, increased cost of operations, monetary losses and possible legal liability. Although the Company maintains or can be expected to maintain insurance within ranges of coverage consistent with industry practice, no assurance can be given that the Company will be able to obtain insurance to cover all of these risks at economically feasible premiums or at all. The Company may elect not to insure where premium costs are disproportionate to the Company's perception of the relevant risks. The payment of such insurance premiums and of such liabilities would reduce the funds available for exploration and production activities, if warranted. Should events such as these that are not covered by insurance arise, they could reduce or eliminate our assets and shareholder equity as well as result in increased costs and a decline in the value of our assets or common shares.

We may not be able to obtain all required permits and licenses to place any of our properties into production.

The current and future operations of the Company require licenses and permits from various governmental authorities. There can be no assurance that the Company will be able to obtain all necessary licenses and permits that may be required to carry out exploration, development and mining operations at its projects, on reasonable terms or at all. Costs related to applying for and obtaining permits and licenses may be prohibitive and could delay our planned exploration and development activities. Failure to comply with permitting requirements may result in enforcement actions, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Delays in obtaining, or a failure to obtain, any such licenses and permits, or a failure to comply with the terms of any such licenses and permits that the Company does obtain, could delay or prevent production of the Livengood Gold Project and have a material adverse effect on the Company.

Title to the Livengood Gold Project may be subject to defects in title or other claims, which could affect our property rights and claims.

There are risks that title to the Livengood Gold Project may be challenged or impugned. The Livengood Gold Project is located in the State of Alaska and may be subject to prior unrecorded agreements or transfers or native land claims, and title may be affected by undetected defects. There may be valid challenges to the title of the Livengood Gold Project which, if successful, could impair development or operations. This is particularly the case in respect of those portions of our properties in which we hold our interest solely through a lease with the claim holders, as such interest is substantially based on contract and has been subject to a number of assignments (as opposed to a direct interest in the property).

Some of the mining claims at the Livengood Gold Project are U.S. federal or Alaska state "unpatented" mining claims. There is a risk that a portion of such unpatented mining claims could be determined to be invalid, in which case the Company could lose the right to mine any minerals contained within those mining claims. Unpatented mining claims are created and maintained in accordance with the applicable U.S. federal and Alaska state mining laws. Unpatented mining claims are unique property interests, and are generally considered to be subject to greater title risk than other real property interests due to the validity of unpatented mining claims often being uncertain. This uncertainty arises, in part, out of the complex federal and state laws and regulations under the provisions of the U.S. *General Mining Law of 1872* (the "Mining Law"). Unpatented mining claims are always subject to possible challenges of third parties or validity contests by the United States federal government or the Alaska state government, as applicable. The validity of an unpatented mining claim, in terms of both its location and its maintenance, is dependent on strict compliance with a complex body of federal and state statutory and decisional law. Title to the unpatented mining claims may also be affected by undetected defects such as unregistered agreements or transfers and there are few public records that definitively determine the issues of validity and ownership of unpatented mining claims. The Company has not obtained full title opinions for the majority of its mineral properties. Not all the mineral properties in which the Company has an interest have been surveyed, and their actual extent and location may be in doubt. Should the federal government impose a royalty or additional tax burdens on the properties that lie within public lands, the resulting mining operations could be seriously impacted, depending upon the type and amount of the burden.

The leases and agreements pursuant to which the Company has interests, or the right to acquire interests, in a significant portion of the Livengood Gold Project provide that the Company must make a series of cash payments over certain time periods or expend certain minimum amounts on the exploration of the properties. Failure by the Company to make such payments or make such expenditures in a timely fashion may result in the Company losing its interest in such properties. There can be no assurance that the Company will have, or be able to obtain, the necessary financial resources to be able to

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maintain all of its property agreements in good standing, or to be able to comply with all of its obligations thereunder, which could result in the Company forfeiting its interest in one or more of its mineral properties.

The Company may not have and may not be able to obtain surface or access rights to all or a portion of the Livengood Gold Project.

Although the Company acquires the rights to some or all of the minerals in the ground subject to the mineral tenures that it acquires, or has a right to acquire, in most cases it does not thereby acquire any rights to, or ownership of, the surface to the areas covered by its mineral tenures. In such cases, applicable mining laws usually provide for rights of access to the surface for the purpose of carrying on mining activities, however, the enforcement of such rights through the courts can be costly and time consuming. It is necessary to negotiate surface access or to purchase the surface rights if long-term access is required. There can be no guarantee that, despite having the right at law to access the surface and carry on mining activities, the Company will be able to negotiate satisfactory agreements with any such existing landowners/occupiers for such access or purchase such surface rights, and therefore it may be unable to carry out planned exploration or mining activities. In addition, in circumstances where such access is denied, or no agreement can be reached, the Company may need to rely on the assistance of local officials or the courts in such jurisdiction the outcomes of which cannot be predicted with any certainty. The inability of the Company to secure surface access or purchase required surface rights could materially and adversely affect the timing, cost or overall ability of the Company to develop any mineral deposits it may locate.

Our properties and operations may be subject to litigation or other claims.

From time to time our properties or operations may be subject to disputes which may result in litigation or other legal claims. We may be required to assert or defend against these claims which will divert resources and management time from operations. The costs of these claims or adverse filings may have a material effect on our business and results of operations.

We are subject to significant governmental regulations which affect our operations and costs of conducting our business.

Any exploration activities carried on by the Company are, and any future development or mining operations we may conduct will be, subject to extensive laws and regulations governing various matters, including:

- mineral concession acquisition, exploration, development, mining and production;
- management of natural resources;
- exports, price controls, taxes and fees;
- labor standards on occupational health and safety, including mine safety;
- post-closure reclamation;
- environmental standards, waste disposal, toxic substances, explosives, land use and environmental protection; and
- dealings with indigenous peoples and historic and cultural preservation.

Companies engaged in exploration activities often experience increased costs and delays in production and other schedules as a result of the need to comply with applicable laws, regulations and permits. Failure to comply with applicable laws, regulations and permits may result in civil or criminal fines or penalties, enforcement actions thereunder, including the forfeiture of claims, orders issued by regulatory or judicial authorities requiring operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or costly remedial actions, any of which could result in the Company incurring significant expenditures. The Company may also be required to compensate third parties suffering loss or damage as a result of our mineral exploration activities and may have civil or criminal fines or penalties imposed for violations of such laws, regulations and permits.

It is also possible that future laws and regulations, or more stringent enforcement of current laws and regulations by governmental authorities, could cause additional expense, capital expenditures, restrictions on or suspension of the Company's operations and delays in the exploration and development of the Company's property.

Legislation has been proposed that would significantly affect the mining industry and our business.

In recent years, members of the United States Congress have repeatedly introduced bills which would supplant or alter the provisions of the Mining Law. If adopted, such legislation, among other things, could eliminate or greatly limit the right to a mineral patent, impose federal royalties on mineral production from unpatented mining claims located on United States

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federal lands (which includes certain of the mining claims at the Livengood Gold Project), result in the denial of permits to mine after the expenditure of significant funds for exploration and development, reduce estimates of mineral reserves and reduce the amount of future exploration and development activity on U.S. federal lands, all of which could have a material and adverse effect on the Company's ability to operate and its cash flow, results of operations and financial condition.

Our activities are subject to environmental laws and regulations that may increase our costs of doing business and restrict our operations.

The activities of the Company are subject to environmental regulations in the jurisdictions in which we operate. Environmental legislation generally provides for restrictions and prohibitions on spills, releases or emissions into the air, discharges into water, management of waste, management of hazardous substances, protection of natural resources, antiquities and endangered species and reclamation of lands disturbed by mining operations. Certain types of operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner involving stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. Compliance with environmental laws and regulations and future changes in these laws and regulations may require significant capital outlays, cause material changes or delays in our current and planned operations and future activities and reduce the profitability of operations. It is possible that future changes in these laws or regulations could have a significant adverse impact on our Livengood Gold Project or some portion of our business, causing us to re-evaluate those activities at that time.

Examples of current U.S. federal laws which may affect our current operations and may impact future business and operations include, but are not limited to, the following:

The Comprehensive Environmental, Response, Compensation, and Liability Act ("CERCLA"), and comparable state statutes, impose strict, joint and several liability on current and former owners and operators of sites and on persons who disposed of or arranged for the disposal of hazardous substances found at such sites. It is not uncommon for the government to file claims requiring cleanup actions, demands for reimbursement for government-incurred cleanup costs, or natural resource damages, or for neighboring landowners and other third parties to file claims for personal injury and property damage allegedly caused by hazardous substances released into the environment. The Federal Resource Conservation and Recovery Act ("RCRA"), and comparable state statutes, govern the disposal of solid waste and hazardous waste and authorize the imposition of substantial fines and penalties for noncompliance, as well as requirements for corrective actions. CERCLA, RCRA and comparable state statutes can impose liability for clean-up of sites and disposal of substances found on exploration, mining and processing sites long after activities on such sites have been completed.

The Clean Air Act ("CAA") restricts the emission of air pollutants from many sources, including mining and processing activities. Our mining operations may produce air emissions, including fugitive dust and other air pollutants from stationary equipment, storage facilities and the use of mobile sources such as trucks and heavy construction equipment, which are subject to review, monitoring or control requirements under the CAA and state air quality laws. New facilities may be required to obtain permits before work can begin, and existing facilities may be required to incur capital costs in order to remain in compliance. In addition, permitting rules may impose limitations on our production levels or result in additional capital expenditures in order to comply with the regulations.

The National Environmental Policy Act ("NEPA") requires federal agencies to integrate environmental considerations into their decision-making processes by evaluating the environmental impacts of their proposed actions, including issuance of permits to mining facilities, and assessing alternatives to those actions. If a proposed action could significantly affect the environment, the agency must prepare a detailed statement known as an Environmental Impact Statement ("EIS"). The U.S. Environmental Protection Agency ("EPA"), other federal agencies, and any interested third parties will review and comment on the scoping of the EIS and the adequacy of and findings set forth in the draft and final EIS. We are required to undertake the NEPA process for the Livengood Gold Project permitting. The NEPA process can cause delays in issuance of required permits or result in changes to a project to mitigate its potential environmental impacts, which can in turn impact the economic feasibility of a proposed project or the ability to construct or operate the Livengood Gold Project or other properties entirely.

The Clean Water Act ("CWA"), and comparable state statutes, impose restrictions and controls on the discharge of pollutants into waters of the United States. The discharge of pollutants into regulated waters is prohibited, except in accordance with the terms of a permit issued by the EPA or an analogous state agency. The CWA regulates storm water mining facilities and requires a storm water discharge permit for certain activities. Such a permit requires the regulated facility to monitor and sample storm water run-off from its operations. The CWA and regulations implemented thereunder also prohibit discharges of dredged and fill material in wetlands and other waters of the United States unless authorized by an appropriately issued permit. The CWA and comparable state statutes provide for civil, criminal and administrative penalties for unauthorized

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discharges of pollutants and impose liability on parties responsible for those discharges for the costs of cleaning up any environmental damage caused by the release and for natural resource damages resulting from the release.

The Safe Drinking Water Act (“SDWA”) and the Underground Injection Control (“UIC”) program promulgated thereunder, regulate the drilling and operation of subsurface injection wells. The EPA directly administers the UIC program in some states and in others the responsibility for the program has been delegated to the state. The program requires that a permit be obtained before drilling a disposal or injection well. Violation of these regulations or contamination of groundwater by mining related activities may result in fines, penalties, and remediation costs, among other sanctions and liabilities under the SDWA and state laws. In addition, third party claims may be filed by landowners and other parties claiming damages for alternative water supplies, property damages, and bodily injury.

Regulations and pending legislation governing issues involving climate change could result in increased operating costs, which could have a material adverse effect on our business.

A number of governments or governmental bodies have introduced or are contemplating regulatory changes in response to various climate change interest groups and the potential impact of climate change. Legislation and increased regulation regarding climate change could impose significant costs on us, our future partners and our suppliers, including costs related to increased energy requirements, capital equipment, environmental monitoring and reporting and other costs to comply with such regulations. Any adopted future climate change regulations could also negatively impact our ability to compete with companies situated in areas not subject to such limitations. Given the emotion, political significance and uncertainty around the impact of climate change and how it should be dealt with, we cannot predict how legislation and regulation will affect our financial condition, operating performance and ability to compete. Furthermore, even without such regulation, increased awareness and any adverse publicity in the global marketplace about potential impacts on climate change by us or other companies in our industry could harm our reputation. The potential physical impacts of climate change on our operations are highly uncertain, and would be particular to the geographic circumstances in areas in which we operate. These may include changes in rainfall and storm patterns and intensities, water shortages, changing sea levels and changing temperatures. These impacts may adversely impact the cost, production and financial performance of our operations.

Land reclamation requirements for our properties may be burdensome and expensive.

Land reclamation requirements are generally imposed on mineral exploration companies (as well as companies with mining operations) in order to minimize long term effects of land disturbance.

Reclamation may include requirements to:

- control dispersion of potentially deleterious effluents;
- treat ground and surface water to drinking water standards; and
- reasonably re-establish pre-disturbance land forms and vegetation.

In order to carry out reclamation obligations imposed on us in connection with the potential development activities at the Livengood Gold Project, we must allocate financial resources that might otherwise be spent on further exploration and development programs. We plan to set up a provision for reclamation obligations on the Livengood Gold Project, as appropriate, but this provision may not be adequate. If we are required to carry out unanticipated reclamation work, our financial position could be adversely affected.

The mining industry is intensely competitive, and we have limited financial and personnel resources with which to compete.

The Company’s business of the acquisition, exploration and development, if warranted, of mineral properties is intensely competitive. The Company may be at a competitive disadvantage in acquiring additional mining properties because it must compete with other individuals and companies, many of which may have greater financial resources, operational experience and technical capabilities than the Company. The Company may also encounter increasing competition from other mining companies in efforts to hire experienced mining professionals. Increased competition could adversely affect the Company’s ability to attract necessary capital funding, acquire suitable producing properties or prospects for mineral exploration in the future, or attract or retain key personnel or outside technical resources.

A shortage of equipment and supplies could adversely affect our ability to operate our business.

We are dependent on various supplies and equipment to carry out our exploration and, if warranted, development and mining operations. The shortage of such supplies, equipment and parts could have a material adverse effect on our ability to carry out our operations and therefore limit or increase the cost of production.

We are dependent on key personnel and the absence of any of these individuals could adversely affect our business. We may experience difficulty attracting and retaining qualified personnel.

Our success is largely dependent on the performance and abilities of our directors, officers, employees and management and on our ability to attract and retain additional key personnel in exploration, mine development, sales, marketing, technical support and finance. In addition, the Company has relied and may continue to rely upon consultants and others for operating expertise. There is no assurance that we will be able to maintain the services of our directors, officers, employees or other qualified personnel required to operate our business. The loss of the services of these persons could have a material adverse effect on our business and prospects. Recruiting and retaining qualified personnel is critical to our success and there can be no assurance we will be able to recruit and retain such personnel. The number of persons skilled in the acquisition, exploration and development of mineral properties is limited and competition for such persons is intense. If we are not successful in attracting and retaining qualified personnel, our ability to develop our properties could be affected, which could have a material adverse effect on our business, results of operations, cash flows and financial condition. We do not maintain “key man” life insurance policies on any of our officers or employees.

Canadian investors may not be able to enforce their civil liabilities against us.

It may be difficult for Canadian investors to bring and enforce suits against us. As substantially all of the assets of the Company and its subsidiaries are located outside of Canada, and certain of the directors and officers of the Company are resident outside of Canada, it may be difficult or impossible for Canadian investors to enforce judgments granted by a court in Canada against the assets of the Company or the directors and officers of the Company residing outside of Canada. A shareholder should not assume that the courts of the United States (i) would enforce judgments of Canadian courts obtained in actions against us or such persons predicated upon the civil liability provisions of the Canadian securities laws or other laws of Canada, or (ii) would enforce, in original actions, liabilities against us or such persons predicated upon Canadian securities laws or other laws of Canada.

Risks Related to Our Common Shares

Our share price may be volatile and as a result you could lose all or part of your investment.

In recent years, the securities markets in the United States and Canada have experienced a high level of price and volume volatility, and the market price of securities of many companies, particularly those considered exploration or development stage companies, have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. It may be anticipated that any quoted market for our common shares will be subject to market trends and conditions generally, notwithstanding any potential success we have in creating revenues, cash flows or earnings. The price of our common shares has been subject to price and volume volatility in the past. In 2012, the price of our common shares on the Toronto Stock Exchange ranged from a low of C\$1.85 to a high of C\$5.61, and on the NYSE MKT ranged from a low of \$1.91 to a high of \$5.62. In 2013 to November 5, 2013, the price of our common shares on the TSX ranged from a low of C\$0.32 to a high of C\$2.43, and on the NYSE MKT ranged from a low of \$0.30 to a high of \$2.46. There can be no assurance that significant fluctuations in the trading price of the Company’s common shares will not continue to occur, or that such fluctuations will not materially adversely impact the Company’s ability to raise equity funding without significant dilution to its existing shareholders, or at all. As a result, you may be unable to resell your shares at a desired price.

Future sales of our securities in the public or private markets will dilute our current shareholders and could adversely affect the trading price of our common shares and our ability to continue to raise funds in new stock offerings.

It is likely that the Company will sell common shares or securities exercisable or convertible into common shares in the future. The Company may issue securities on less than favorable terms to raise sufficient capital to fund its business plan. Any transaction involving the issuance of equity securities or securities convertible into common shares would result in dilution, possibly substantial, to present and prospective holders of common shares, could adversely affect the trading prices of our common shares, and could impair our ability to raise capital through future offerings of securities.

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We have never paid dividends on our common shares.

We have not paid dividends on our common shares to date, and we may not be in a position to pay dividends for the foreseeable future. Our ability to pay dividends will depend on our ability to successfully develop the Livengood Gold Project and generate earnings from operations. Further, our initial earnings, if any, will likely be retained to finance our operations. Any future dividends will depend upon our earnings, our then-existing financial requirements and other factors, and will be at the discretion of our board of directors.

Our business is subject to evolving corporate governance and public disclosure regulations that have increased both our compliance costs and the risk of noncompliance, which could have an adverse effect on our stock price.

We are subject to changing rules and regulations promulgated by a number of governmental and self-regulated organizations, including the British Columbia Securities Commission, the SEC, the TSX, the NYSE MKT, and the Financial Accounting Standards Board. These rules and regulations continue to evolve in scope and complexity and many new requirements have been created in response to laws enacted by the United States Congress, making compliance more difficult and uncertain. For example, on July 21, 2010, the United States Congress passed the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”) with increased disclosure obligations for public companies and mining companies in the United States. Our efforts to comply with the Dodd-Frank Act and other new regulations have resulted in, and are likely to continue to result in, increased general and administrative expenses and a diversion of management time and attention from operating activities to compliance activities.

We likely constituted a “passive foreign investment company” during the fiscal year ended December 31, 2012, which may result in adverse U.S. federal income tax consequences to U.S. holders.

We believe that we were a PFIC for U.S. federal income tax purposes during the fiscal year ended December 31, 2012, and we expect that we will be a PFIC in the current year and that we may be a PFIC in future years. The determination of whether or not the Company is a PFIC is a factual determination dependent on a number of factors that cannot be made until the close of the applicable tax year and accordingly no assurances can be given regarding the Company’s PFIC status for the current year or any future year. If ITH is a PFIC at any time during a U.S. holder’s holding period, then certain potentially adverse tax consequences could apply to such U.S. holder’s acquisition, ownership, and disposition of common shares. For more information, please see the discussion in “Certain U.S. Federal Income Tax Considerations for U.S. Holders” above.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Not applicable.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES

Pursuant to Section 1503(a) of the Dodd-Frank Act, issuers that are operators, or that have a subsidiary that is an operator, of a coal or other mine in the United States are required to disclose specified information about mine health and safety in their periodic reports. These reporting requirements are based on the safety and health requirements applicable to mines under the Federal Mine Safety and Health Act of 1977 (the “Mine Act”) which is administered by the U.S. Department of Labor’s Mine Safety and Health Administration (“MSHA”). During the nine month period ended September 30, 2013, the Company and its subsidiaries were not subject to regulation by MSHA under the Mine Act and thus no disclosure is required under Section 1503(a) of the Dodd-Frank Act.

ITEM 5. OTHER INFORMATION

Not applicable.

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ITEM 6. EXHIBITS

- 10.1* Upland Mining Lease, effective July 1, 2004, between the Alaska Mental Health Trust Authority and Tower Hill Mines, Inc. (as successor to AngloGold (U.S.A.)).
- 10.2 Addendum No. 2 to Upland Mining Lease, effective July 1, 2007, between the State of Alaska, Department of Natural Resources, Mental Health Trust Land Office and Tower Hill Mines, Inc. (formerly Talon Gold Alaska, Inc.).
- 10.3 Addendum No. 3 to Upland Mining Lease, effective January 1, 2010, between the State of Alaska, Department of Natural Resources, Mental Health Trust Land Office and Tower Hill Mines, Inc. (formerly Talon Gold Alaska, Inc.).
- 10.4 Addendum No. 4 to Upland Mining Lease, effective June 27, 2013, between the State of Alaska, Department of Natural Resources, Mental Health Trust Land Office and Tower Hill Mines, Inc.
- 10.5* Addendum No. 5 to Upland Mining Lease, effective June 30, 2013, between the State of Alaska, Department of Natural Resources, Mental Health Trust Land Office and Tower Hill Mines, Inc.
- 31.1 Certification of Chief Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of Chief Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 101 Interactive data files pursuant to Rule 405 of Regulation S-T: (i) the Condensed Consolidated Balance Sheets at September 30, 2013 and December 31, 2012, (ii) the Condensed Consolidated Interim Statements of Operations and Comprehensive Loss for the Three and Nine Months ended September 30, 2013 and 2012, (iii) the Condensed Consolidated Interim Statements of Changes in Shareholders' Equity for the Nine Months Ended September 30, 2013 and 2012, (iii) the Condensed Consolidated Interim Statements of Cash Flows for the Nine Months Ended September 30, 2013 and 2012, and (iv) the Notes to the Condensed Consolidated Interim Financial Statements.

*** Certain portions of this exhibit have been omitted by redacting a portion of the text (indicated by asterisks in the text). This exhibit has been filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment.**

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

INTERNATIONAL TOWER HILL MINES LTD.

By: /s/ Donald C. Ewigleben
Donald C. Ewigleben
President and Chief Executive Officer
(Principal Executive Officer)

Date: November 6, 2013

By: /s/ Tom S. Q. Yip
Tom S. Q. Yip
Chief Financial Officer
(Principal Financial and Accounting Officer)

Date: November 6, 2013

Certain portions of this Lease, for which confidential treatment has been requested, have been omitted and filed separately with the Securities and Exchange Commission. Sections of the agreement where portions have been omitted have been identified in the text.

STATE OF ALASKA
DEPARTMENT OF NATURAL RESOURCES
MENTAL HEALTH TRUST LAND OFFICE
718 L Street, Suite 202
Anchorage, Alaska 99501

UPLAND MINING LEASE

MHT NO. 9400248

THIS UPLAND MINING LEASE (defined below as “**Lease**”) is made by and between: (1) the Alaska Mental Health Trust Authority (“**Trust Authority**”), a public corporation within the Alaska Department of Revenue (AS 47.30.011 et seq.), acting by and through the State of Alaska, Department of Natural Resources, Mental Health Trust Land Office (“**TLO**”), pursuant to AS 37.14.009 (a)(2) and AS 38.05.801 (the Trust Authority and the TLO are collectively the **Lessor** and referred to herein as the “**TLO**”), and (2) AngloGold (U.S.A.) Exploration Inc., the **Lessee**, a Delaware corporation, whose address is 7400 E. Orchard Road, Greenwood Village, Colorado 80111, referred to herein as “**AngloGold**”. This Lease is effective as of July 1, 2004 (defined below as the “**Effective Date**”).

This Lease includes this Preamble, the following Recital and Definitions, Numbered Paragraphs 1 through 25, Attachments A, B, C, and D hereto, and Schedules 1 through 3 attached hereto.

RECITAL

The TLO has determined that it is in the best interests of the beneficiaries of the Alaska Mental Health Trust to lease to AngloGold pursuant to this Lease the lands described in **Attachment A** hereto (defined below as the “**Leased Area**”), and AngloGold desires to lease the Leased Area from the TLO pursuant to this Lease.

DEFINITIONS

As used in this Lease, the following terms have the following meanings:

“**Affiliate**” means any person, partnership, limited liability company, joint venture, corporation, or other form of enterprise which Controls, is Controlled by, or is under common

Control with another person, partnership, limited liability company, joint venture, corporation, or other form of enterprise.

“Commercial Production” means the production of Minerals for sale from the Leased Area for at least ninety (90) consecutive days during any three (3) year period in quantities sufficient to yield a return in excess of operating costs, even though capital costs already incurred may never be repaid and the undertaking considered as a whole may ultimately result in a loss.

“Control” used as a verb means as follows: when used with respect to an entity, the ability, directly or indirectly through one or more intermediaries, to direct or cause the direction of the management and policies of such entity through (i) the legal or beneficial ownership of voting securities or membership interests, (ii) the right to appoint managers, directors or corporate management, (iii) contract, (iv) operating agreement, (v) voting trust, or otherwise; when used with respect to a person, the actual or legal ability to control the actions of another, through family relationship, agency, contract, or otherwise. **“Control”** used as a noun means an interest which gives the holder the ability to exercise any of the foregoing powers.

“Effective Date” means July 1, 2004.

“Force Majeure” means any cause beyond AngloGold’s reasonable control, including but not necessarily limited to the following: acts of God (e.g., earthquake, fire, flood, volcanic eruption); unusually severe weather; acts of war, insurrection, riots or terrorism; strikes, lockouts, or other labor disputes; inability to obtain necessary labor or materials or to obtain necessary permits, approvals, or consents; damage to, destruction of, or unavoidable shutdown of necessary facilities or equipment; acts or failures to act on the part of federal, state, or local governmental authorities (including courts).

“Information” means all factual non-interpretive geological, geochemical, and geophysical data and information, including but not limited to maps, drill logs, sample logs, assay results, etc.

“Lease” means this Upland Mining Lease between the TLO and AngloGold, including Attachments A, B, C, and D and Schedules I through 3 attached hereto.

“Lease Year” means the period commencing on July 1 and ending on the following June 30.

“Leased Area” means the lands described in Attachment A hereto, as modified from time to time pursuant to this Lease.

“Materials” means all rock, stone, gravel, sand, and other similar materials but excluding Minerals.

“**Minerals**” means all locatable minerals subject to 11 AAC 99.100.

“**Net Smelter Returns**” means, for any particular calendar month, the sum of the following:

- (1) [***]*;
- (2) [***]*;
- (3) [***]*.

[***]*;

- (i) [***]*; and
- (ii) [***]*;
- (iii) [***]*;
- (iv) [***]*.

[***]*.

“**Plan of Operations**” means a plan of operations submitted to and approved by the TLO pursuant to Paragraph 11 of this Lease. The application for a Plan of Operations (a) shall satisfy the requirements of 11 AAC 96.030 (regardless of whether the proposed activity is of a type described in 11 AAC 96.020 for which no application or permit would be required under 11 AAC 96.030) or 11 AAC 86.800 (if the TLO elects to require AngloGold to comply therewith or if AngloGold otherwise elects to comply therewith) and (b) shall include such supplemental information as the TLO reasonably requests.

“**Price of Gold**” means the average, for the particular calendar month for which net smelter returns are being calculated, of the daily London Bullion Market Association P. M. Gold Fixing (or if such price is unavailable, the daily COMEX spot price for gold (or if such price is unavailable, another published price for gold that is generally used and accepted by the industry)), as established from time to time during said calendar month.

“**Reclamation Plan**” means a reclamation plan submitted to and approved by the Commissioner of the Alaska Department of Natural Resources pursuant to, in accordance with, and to the extent required by AS 27.19.010-27.19.100 and 11 AAC 97.

*** CONFIDENTIAL INFORMATION HAS BEEN OMITTED AND HAS BEEN FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION**

“**State Mining Claim**” means a mining claim, a leasehold location, or a mining lease initiated or granted under AS 38.05.195, AS 38.05.205, or AS 38.05.275.

“**Support Lands**” (N/A)

“**Surface-Disturbing Activity**” means an activity for which a miscellaneous land use permit must be obtained under 11 AAC 96 before conducting such activity on a State Mining Claim not covered by a plan of operations approved under 11 AAC 86.800.

“**Trading Activities**” means forward sales, future trading or commodity options trading, and other price hedging, price protection, gold and silver loans, financing, and speculative arrangements which may involve the possible delivery of Minerals produced from the Leased Area but do not result in the actual sale and delivery of Minerals produced from the Leased Area.

“**Work Expenditures**” means [***].*

AGREEMENT

1. Grant of Lease.

- a) Subject to the royalty reserved under Paragraph 7 hereof and to the other provisions of this Lease, the TLO hereby grants to AngloGold the following rights, to have and to hold for the term set out in Paragraph 5 hereof:
 - i) the exclusive right to explore for, mine, remove, and dispose of all Minerals situated on, in, or under the Leased Area, together with any and all rights appurtenant thereto including but not necessarily limited to water rights and express and implied access rights; and
 - ii) the right to extract and use Materials situated on, in, or under the Leased Area in connection with the foregoing; and
 - iii) the right to conduct reclamation on, in, and under the Leased Area.
- b) Subject to the other provisions of this Lease (including but not limited to Paragraphs 10 and 11 hereof), AngloGold may mine and remove Minerals by any method consistent with good mining practice, including but not limited to underground, surface, or in situ mining. The rights granted to AngloGold by this Lease shall be exercised in a manner that will not unreasonably interfere with the reserved rights of the TLO or of its permittees, lessees, or grantees.

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- c) If a survey of the Leased Area is performed subsequent to the Effective Date, then upon completion thereof the legal description set out in Attachment A will be modified as necessary to conform the Leased Area to the survey.
- d) If the TLO's ownership of the Minerals within the Leased Area is less than the entire and undivided interest, then (i) the grant under this Lease is effective only as to the TLO's interest in the Minerals within the Leased Area, (ii) the advance royalties due under this Lease shall be paid to the TLO in the proportion that the TLO's interest bears to the entire undivided interest, and (iii) the production royalty due under this Lease shall be due only on that portion of the Minerals extracted from the Leased Area that is attributable to the interest of the TLO in the Leased Area.

2. Surface Lease or Purchase for Support Facilities

(N/A)

3. Area of Interest.

(N/A)

4. Reserved Rights.

- a) The TLO, for itself and others, reserves all rights not expressly granted to AngloGold by this Lease. These reserved rights include the following:
 - i) the right to explore for, remove, and dispose of from the Leased Area all resources other than Minerals;
 - ii) the right to establish or grant easements and rights-of-way upon, in, across, or through the Leased Area for any lawful purpose, including roads, railroads, well sites, pipelines, utility lines, drill holes, shafts, and tunnels necessary or convenient for the working of the Leased Area for resources other than Minerals, or necessary or convenient for access to or the working of other land for any useful purpose;
 - iii) the right to manage and to convey to third parties by grant, lease, permit, or otherwise, any and all interests in the Leased Area other than those granted by this Lease, provided that any such conveyance to a third party shall be made subject to AngloGold's rights under this Lease.
- b) The rights reserved pursuant to **Paragraph 4(a)** hereof shall not be exercised in any manner that unreasonably interferes with AngloGold's rights or operations under this Lease. The TLO shall provide AngloGold with prior notice of the TLO's intent to exercise any such reserved rights, the TLO and AngloGold shall

work cooperatively to identify potential conflicts, and the TLO shall require, as a condition to the exercise by any permittee, AngloGold, or grantee of the TLO of any of the TLO's reserved rights, such stipulations as appear necessary to avoid unreasonable interference with AngloGold's enjoyment of this Lease or endangerment of AngloGold's operations. The exercise of any of the TLO's reserved rights shall be subject to the consent of AngloGold, which consent shall not be unreasonably withheld. If at any time the exercise of any of the TLO's reserved rights must cease or a change must be made in the manner or place of such exercise in order to avoid unreasonable interference with AngloGold's enjoyment of this Lease or endangerment of AngloGold's operations, such cessation or change shall occur at no cost to AngloGold.

5. Term.

Unless sooner terminated pursuant to the terms of this Lease or extended per Paragraph 7(a), this Lease shall remain in effect for three (3) years from the Effective Date. It may be extended for two (2) extensions of three (3) years each upon timely written request for extension given by AngloGold and written acceptance thereof given by the TLO. Acceptance will not be unreasonably denied provided AngloGold is in compliance with the terms of this Lease. It shall continue in effect for so long thereafter as Commercial Production of Minerals from the Leased Area continues. If AngloGold desires to secure an extension, it shall so notify the TLO not less than ninety (90) days prior to the date this Lease would otherwise expire.

6. Work Commitment.

In order to keep this Lease in full force and effect, AngloGold must incur the following Work Expenditures for or during each of the following Lease Years:

- a) Lease Years 1-3: \$10 per acre per year
- b) Lease Years 4-6: \$20 per acre per year
- c) Lease Years 7-9: \$30 per acre per year

If the Lease is extended beyond Year 9 (as provided for in Paragraph 7), further work commitment requirements will be negotiated.

[***].*

[***].*

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7. Advance Royalty; Production Royalty.

a) Advance Royalty. Unless and until this Lease expires or is sooner terminated, and commencing on the date of execution of the Lease, AngloGold shall pay to the TLO on or before the first day of each Lease Year during the term of this Lease an advance royalty payment in accordance with the following schedule:

- i) Lease Years 1-3: \$5 per acre per year
- ii) Lease Years 4-6: \$15 per acre per year
- iii) Lease Years 7-9: \$25 per acre per year

The obligation of AngloGold to make the Advance Minimum Royalty (AMR) payments shall cease upon the earlier of (i) the commencement of production royalty payments or (ii) the termination or expiration of the Lease.

In the event that commercial production begins but is later suspended, AngloGold may extend the Lease by paying [***]*.

In the event that production is not occurring by the end of the third term, the Lease may be extended by paying a flat annual fee of 125% of the last rate paid for Advanced Minimum Royalties, unless AngloGold is not diligently pursuing development of the Lease, in which case the Lease can be terminated at the TLO's discretion. The fee will be credited against future royalty payments.

b) Production Royalty.

1) The TLO hereby reserves, and AngloGold shall pay to the TLO (except as provided in Paragraph 7(a) hereof), a royalty on all Minerals produced, saved, removed, and sold from the Leased Area equal to the percentage of Net Smelter Returns applicable to said Minerals determined in accordance with the following:

| <u>Price of Gold (per ounce)</u> | <u>Production Royalty</u> |
|----------------------------------|---------------------------|
| Below \$300.00 | 2.5% |
| \$300.01 - 350.00 | 3.0% |
| \$350.01 - 400.00 | 3.5% |
| \$400.01 - 450.00 | 4.0% |
| \$450.01 - 500.00 | 4.5% |
| Above \$500.00 | 5.0% |

2) For so long as this Lease remains in effect, AngloGold agrees to grant to the TLO a one percent (1%) Net Smelter Return (NSR) royalty on production from the federal unpatented mining claims AngloGold has leased,
a

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description of which is included as Attachment D to this Lease. Additionally, AngloGold agrees to grant a royalty interest in production from any claims that AngloGold may lease or otherwise control from Alaska Placer Development Company, also known as Livengood Placers, Inc. This royalty interest will be a 0.5% Net Smelter Return royalty for all gold mined and sold from the royalty lands when the gold is sold for a price below \$[***]* per ounce, and a 1% NSR for that which is sold at \$[***]* per ounce and above, regardless of whether the claims from which gold is produced and sold are located on state, federal, or Trust land, without consideration of other royalty requirements that may be associated with those claims.

- c) **Commingling.** AngloGold may commingle ores or products from the Leased Area with ores or products from other properties, either before or after concentration or beneficiation, so long as AngloGold ensures that adequate surveys of those portions of the Leased Area to be mined and those portions of other areas to be mined have been completed and that reasonable and sound mining and metallurgical practices and procedures are adopted and employed by AngloGold for weighing, determining moisture content, sampling, assaying, and determining recovery factors for the ores or products to be commingled. AngloGold shall keep and make available to the TLO at all reasonable times accurate records (including surveys) of the foregoing, including but not limited to (a) the actual locations mined, (b) the tonnage or volume of ores or products from the Leased Area to be commingled, (c) the tonnage or volume of ores or products from the other properties to be commingled, and (d) the analyses made thereof. Such information shall be used to determine, in accordance with reasonable and sound mining and metallurgical practices and procedures, the quantity of Minerals produced, saved, removed, and sold from the Leased Area and thus to determine the production royalty to be paid to the TLO hereunder.
- d) **Accrual; Payment.** The obligation to pay production royalty pursuant to Paragraph 7(b) hereof accrues upon the removal from the Leased Area of Minerals (or ores or products containing Minerals). Net Smelter Returns shall be calculated for each calendar month in which any Net Smelter Returns are realized, and such royalty as may be due thereon shall be paid within thirty (30) days following the end of the calendar month in which the Net Smelter Returns are realized. Such payments shall be accompanied by a statement summarizing the computation of Net Smelter Returns and any deductions made by AngloGold to recover any unrecovered advance royalty payments made to the TLO pursuant to Paragraph 7(a) hereof. All production royalty payments shall be made as required by Paragraph 9 hereof. Monthly production royalty payments will be provisional and subject to adjustment at the end of AngloGold's accounting year. If no written objection is made by the TLO to the correctness of a production royalty payment or its

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accompanying statement within three years from the date of such payment, such statement shall be deemed conclusively to be correct and such payment sufficient and complete, and no exception or claim for adjustment shall thereafter be permitted.

- e) Duty To Market; Royalty in Kind. AngloGold shall market in a reasonable and timely manner all Minerals produced and saved from the Leased Area. The TLO reserves the right to take all or a portion of production royalty in kind. This right may be exercised after giving sufficient notice to AngloGold and agreeing on how such a transaction will take place.
- f) No Exploration Credit. AngloGold shall not be entitled to apply exploration credits under AS 27.30.010 as to any advance royalty or production royalty payments due hereunder.
- g) Trading Activities. AngloGold shall have the right to engage in Trading Activities. The TLO acknowledges that the proceeds of Trading Activities shall not be considered part of or included in the amounts paid to or received by (or deemed to be paid to or received by) AngloGold for Minerals for purposes of determining Net Smelter Returns, and that the TLO shall be neither entitled to participate in the proceeds nor obligated to share in any losses generated by any Trading Activities.

8. Records.

- a) AngloGold shall keep all records necessary for calculation of production royalty payments for a period of three years and shall, upon receipt of written request from the TLO, make available copies of those records for inspection and copying at a convenient location.
- b) The TLO will keep information submitted to the TLO under this Paragraph 8 confidential in accordance with 11 AAC 99.120.

9. Payments.

All payments due hereunder shall be made payable to the Mental Health Trust Land Office or as otherwise directed by the TLO, shall refer to this Lease by the MET number which appears on the first page hereof, and unless otherwise specified shall be tendered either to the TLO at the following address:

Mental Health Trust Land Office
Dept. of Natural Resources
718 L Street, Suite 202
Anchorage, Alaska 99501

or, upon at least sixty (60) days advance written notice to AngloGold, to any depository designated by the TLO.

10. Conduct of Operations.

AngloGold shall perform all activities under this Lease in a lawful, prudent, and miner-like manner under and in conformance with a Plan of Operations, a Reclamation Plan (if required by law), and such other permits and authorizations as may be required by federal, state, or local law.

AngloGold will submit to the TLO a true copy of each application filed by it for any Reclamation Plan, permit, or other authorization relating to the Leased Area, of any supplement thereto, and of each decision approving, disapproving, or otherwise relating to any such application.

AngloGold shall notify the TLO of AngloGold's receipt of any notices of violation or similar notices received in connection with its activities hereunder, shall carry out at AngloGold's expense all lawful orders and requirements of any governmental authority respecting AngloGold's activities hereunder, and shall notify the TLO in writing of the measures being taken by AngloGold to dispute, remedy, or otherwise resolve the matters raised thereby. If AngloGold shall fail to resolve any such notice of violation or other similar notice or to carry out any such lawful order or requirement, the TLO shall have the right, together with any other available legal recourse (including those available under Paragraph 17 hereof in case of default), to enter the Leased Area for the purpose of satisfying (at AngloGold's expense) AngloGold's obligations under this Paragraph 10 and taking (at AngloGold's expense) such other actions as may necessary to remedy or prevent additional damage to or waste of the Leased Area.

11. Plan of Operations.

Before AngloGold may undertake any activities under this Lease, and by April 1 of each Lease Year thereafter, a Plan of Operations that describes the activities to be conducted in the upcoming operating season must be submitted to and approved by the TLO. Approval by the TLO of a proposed Plan of Operations will not be unreasonably withheld, nor will it be construed to have satisfied any regulatory or other requirements that may be associated with the proposed operations. At the TLO's discretion, a Plan of Operations may be developed and approved in conjunction with a plan of operations submitted to and approved by the State of Alaska Department of Natural Resources pursuant to 11 AAC 86.800.

12. The TLO's Warranties.

The TLO hereby represents and warrants that, as of the Effective Date, title to the Leased Area is free and clear of any interests arising by, through, or under the TLO since designation of the Leased Area as Mental Health Trust Lands on June 24, 1994, pursuant to 1994 FSSLA ch. 5 as amended by 1994 SSSLA ch. I. The TLO hereby expressly disclaims (1) any other representations or warranties respecting title to the Leased Area, (ii) any representations or

warranties respecting the existence or availability of legal or practical access to the Leased Area, and (iii) any representations or warranties respecting the condition of the Leased Area or the suitability of the Leased Area for any particular purpose.

13. AngloGold's Warranties.

AngloGold represents and warrants, as of the Effective Date, all of the following:

- a) AngloGold is a wholly-owned subsidiary of AngloGold North America Inc., a Colorado corporation;
- b) AngloGold has the capacity to enter into and perform all of its obligations under this Lease and all transactions contemplated herein, and all corporate and other actions required to authorize AngloGold to enter into and perform hereunder have been properly taken;
- c) AngloGold will not violate any law or regulation applicable to it or breach any other agreement to which it is a party by entering into or performing under the terms of this Lease; and
- d) This Lease has been properly authorized and duly executed and delivered by AngloGold and is valid and binding upon AngloGold in accordance with the terms hereof, including AngloGold's representations and warranties as set forth herein.

14. Inspection; Reporting; AngloGold's Obligation of Confidentiality.

- a) At all reasonable times AngloGold shall keep available for inspection (i) the Leased Area, (ii) improvements and fixtures on the Leased Area, and (iii) all reports and records required by law or by Paragraph 8 hereof.
- b) AngloGold shall keep the TLO orally apprised of when field operations are taking place and shall provide the TLO with reasonable opportunities to observe field operations.
- c) AngloGold hereby agrees to meet with the TLO at the TLO's office in Anchorage at least once during each Lease Year commencing with the third Lease Year hereunder to provide the TLO with an opportunity to discuss with AngloGold such matters of interest or concern to the TLO relating to AngloGold's operations under this Lease.
- d) By March 1 of each Lease Year, and within two months after the expiration or termination of this Lease, AngloGold shall deliver to the TLO the following:

- 1) a report describing the location, nature, extent, and results of operations conducted by AngloGold during the previous operating season on or for the benefit of the Leased Area;
- 2) copies of all of the information generated or obtained by AngloGold during said Lease Year respecting the Leased Area;

provided, however, that AngloGold shall not be obligated to provide any information respecting any proprietary or confidential interpretive methods; and provided further, however, that AngloGold makes no representations respecting, and shall have no liability for, any Information provided hereunder or for any reliance thereon by the TLO or its successors and transferees. The TLO will keep information submitted to the TLO under this Paragraph 14 confidential in accordance with 11 AAC 99.120.

- e) As long as this Lease remains in effect, no data pertaining to the Leased Lands shall be divulged or made available to persons who are not parties hereto without the written consent of both parties. It is agreed that data may be divulged or made available to a party's data processor, reproduction company, interpretive consultants, and other persons providing necessary services chosen by a party subject to such persons' agreeing to be bound by a confidentiality agreement. The foregoing restrictions shall not apply to a disclosure by either party or its corporate affiliate(s) in which it shall have a twenty percent (20%) or more ownership or control or to third parties as may be necessary or desirable for purposes of effecting a merger, buyout, sale of assets, loan transaction, lease, joint bidding agreement, farm-out, or joint venture. However, prior to either party's release of the data to any third party, written notice must be given to the other party hereto and such third party must agree in writing to be bound by a confidentiality agreement. In this event, a copy of the confidentiality agreement evidencing such commitment shall be delivered to the party receiving the notice within seven (7) days after receipt of such notice.
- f) In the event that this Lease is terminated, expires, or is not renewed by AngloGold, AngloGold agrees that no data pertaining to the Leased Lands will be divulged or made available to anyone without the written permission of the TLO, which permission may be withheld at the TLO's discretion. Upon termination of the Lease, any data submitted or due to the TLO pursuant to this Lease becomes the property of the TLO and may be used at the TLO's discretion.
- g) AngloGold acknowledges that the data to be provided to the TLO is a special asset of the TLO. In the event that AngloGold fails to deliver the data as required by this Lease or allows or suffers any unauthorized disclosure of the data, such breach shall result in an immediate breach of the Lease. The TLO may not have an adequate remedy at law for such a breach and therefore, in addition to any other remedy at law or equity that it may have, the TLO shall be entitled to injunctive relief to enforce the provisions hereof.

15. Transfer; Binding Effect.

- a) This provision applies to any transfer of any interest under this Lease, except for transfers to AngloGold North America Inc. or any of its affiliates, so long as the Corporate Guaranty in Attachment C to this Lease remains in place, or another form of performance guaranty is agreed to between the parties as a condition of assignment approval. For the purposes of this provision, a “Transfer” includes, but is not limited to, (1) assignment of any right under this Lease, (2) delegation of any duty owed by AngloGold or any other party under this Lease, (3) substitution of a new party as the Lessee, (4) sublease, (5) mortgage, (6) any change in interest as a result of bankruptcy, or (7) if the Lessee is an entity such as a corporation, partnership, or limited liability company rather than a natural person, any change in the actual control of the entity through ownership or contractual relationship, including, for example but not by way of limitation, the sale, pledge or other disposition of a controlling interest in stock or partnership units.
- b) AngloGold shall not voluntarily or by operation of law Transfer or encumber all or any part of AngloGold’s interest in this Lease except in strict compliance with this Paragraph 15. Any attempted Transfer without such compliance shall be void, and shall constitute a breach of this Lease.
- c) AngloGold may Transfer any interest in or rights under this Lease, only upon the prior written approval of the TLO which shall only be granted if the TLO determines within its sole discretion and under applicable law that such Transfer is in the best interest of the Trust as determined under a Trust Benefit analysis and that the proposed transferee is qualified as determined under applicable regulations and as defined below.
- d) A Qualified Transferee is any person or entity, including a corporate successor of AngloGold, whose net worth on the date of assignment is equal to or greater than AngloGold’s net worth at the commencement of this Lease or who can otherwise demonstrate to the TLO, in the TLO’s exercise of prudent business judgment, that he or it is financially capable of meeting AngloGold’s obligations under this Lease. Net worth shall mean the amount by which the total of all assets of the person or entity exceeds the total of all his or its liabilities as determined by an independent, certified public accountant, in accordance with generally accepted accounting principles.
- e) In order to effect a proposed Transfer of interest, AngloGold shall submit a written request to the TLO at least 30 days in advance of the proposed Transfer date. This request shall include appropriate documentation sufficient in detail to describe the proposed Transfer, including disclosure of the full consideration to be received by AngloGold from the proposed Transfer.

- f) In the event that approval of a Transfer is granted by the TLO, and unless otherwise agreed, AngloGold shall pay either (a) a transfer fee equal to a percentage of the full consideration (if the net present value can be determined) received by AngloGold from the transferee, or (b) some other amount that the parties agree is appropriate, if the net present value in (a) cannot be determined. The percentage amount in (a) shall be the same as the royalty percentage agreed to in Paragraph 7(b).
- g) In the event of a Transfer that substitutes a new lessee for the transferor AngloGold, unless otherwise provided by the TLO in approving the Transfer, the transferor will have no continuing liability to the TLO with respect to any obligation that is imposed by the Lease after the effective date of the Transfer or that is based on an act or omission of the new lessee occurring after the effective date of the Transfer. In the case of any other Transfer, the transferor and the transferee will have joint liability to the TLO for all obligations arising under or associated with the Lease regardless of when they arise or the identity of the party whose conduct gives rise to them.
- h) In connection with Transfers proposed to be made to persons that the TLO must determine to be “qualified”, the transferor shall reimburse the TLO for up to \$5,000 in out-of-pocket costs incurred by the TLO in making the required determination.

16. Voluntary Surrender.

AngloGold may at any time surrender all or part of the Leased Area by providing to the TLO a recordable instrument effecting the same not less than ninety (90) days prior to the end of the Lease Year; provided, however, that partial surrender of any portion of the Leased Area may not unduly affect the manageability of either the remaining Leased Area or the surrendered portion (compared to the manageability of such portions on the Effective Date). Upon receipt by the TLO of a recordable instrument effecting a surrender of all of the Leased Area, or upon receipt and acceptance by the TLO of a recordable instrument effecting a surrender of part of the Leased Area, all rights, obligations, and liabilities of AngloGold under this Lease with respect to the surrendered portion of the Leased Area shall cease except for rights, obligations, and liabilities that accrued prior to such surrender and except as provided by Paragraph 18 hereof.

17. Default and Termination.

- a) The failure of AngloGold to timely abide by any provisions of this Lease or to timely perform any obligation under this Lease shall constitute a default. If the TLO believes that a default has occurred, it shall deliver written notice thereof to AngloGold. If AngloGold thereafter fails to commence to cure the default within 30 days of notice, or within 48 hours in the case of obligations which the TLO or an authorized regulatory agency has declared to be of an emergency nature, or does not continue to cure the default diligently and within a reasonable period of

time, the TLO in its discretion may terminate this Lease or order suspension of activities on the Leased Area until compliance is achieved and may take such other actions as may be authorized by law, all by delivering written notice thereof to AngloGold. Failure of the TLO to strictly enforce at any time any of the provisions of this Lease shall not be construed to be a waiver or affect the right of the TLO to thereafter strictly enforce such provisions.

- b) If AngloGold in good faith disputes (i) that a default has occurred, (ii) that a default is not being cured diligently or is continuing, or (iii) that a particular action taken by the TLO in response to an alleged default is authorized by this Lease or by law, AngloGold shall deliver a written notice to that effect (setting forth the evidence and arguments of law upon which AngloGold bases its position) within 20 days after AngloGold's receipt of written notice of the same from the TLO. The delivery of any such notice by AngloGold shall constitute a request for reconsideration by the TLO of the particular decision, determination, or action of the TLO. The TLO shall have 20 days following receipt of any such notice from AngloGold in which to reconsider its prior decision, determination, or action. If the TLO grants reconsideration within said 20-day period, it shall issue such orders regarding the submission of additional evidence and argument as appear necessary and thereafter shall proceed to reconsider the matter. If the TLO denies reconsideration of its prior decision, determination, or action within said 20-day period, such denial shall constitute the final agency action of the TLO as contemplated by 11 AAC 99.060(a). If the TLO fails to grant reconsideration of its prior decision, determination, or action within said 20-day period, such failure shall constitute a denial of such request for reconsideration, which denial shall constitute the final agency action of the TLO as contemplated by 11 AAC 99.060(a). Following any such actual or deemed denial of any request for reconsideration, AngloGold may appeal the matter to the Superior Court for the State of Alaska.
- c) Upon effective termination of this Lease for any reason, all rights, obligations, and liabilities of AngloGold under this Lease shall cease except for rights, obligations, and liabilities that accrued prior to such termination and except as provided by Paragraph 18 hereof, and the TLO may (notwithstanding any bond issued pursuant to Paragraph 21 hereof) take possession of the Leased Area subject, however, to the provisions of Paragraph 18 hereof.

18. Rights and Obligations Upon Termination.

Within one year after either the partial or complete surrender or termination of this Lease or the completion of all required reclamation activities on the surrendered or terminated portion of the Leased Area (whichever is later), AngloGold shall remove to the extent ordered by the TLO, and otherwise may remove, from the surrendered or terminated portion of the Leased Area all equipment, improvements, and fixtures owned, placed, or suffered to be placed on, in, or under said surrendered or terminated portion of the Leased Area by AngloGold. Unless

otherwise provided by the TLO, the provisions of this Lease relating to the conduct of operations, Plans of Operations, Reclamation, indemnification, bonding, insurance, and guaranty shall continue in effect during such removal period. Upon the expiration of such removal period, at the option of the TLO, any equipment, improvements, and fixtures which AngloGold has not removed from the surrendered or terminated portion of the Leased Area shall either be removed by the TLO at AngloGold's expense within one year or shall become the property of the TLO.

19. Reclamation.

AngloGold shall timely perform all required reclamation and deliver up the Leased Area or surrendered portion thereof in good condition with all required reclamation timely performed in accordance with the Plan of Operations, any approved Reclamation Plan, and any other regulatory requirements.

20. Indemnification.

AngloGold shall indemnify, defend, and hold harmless the State of Alaska, the Trust Authority, and the TLO from and against any and all damages, losses, claims, demands, or liabilities arising out of or resulting in any way from the operations of AngloGold under this Lease, except to the extent that any such damage, loss, claim, demand, or liability is a result of the sole negligence or willful misconduct of the State of Alaska, the Trust Authority, or the TLO. Without limiting the survival of any other promises made in this Lease, the parties hereby agree that the promise contained in this Paragraph 20 shall survive the expiration or termination of this Lease.

21. Bonds.

In order to secure return of the Leased Area in good condition, AngloGold shall furnish a bond or evidence of an existing bond in an amount determined as set forth in Schedule 2 attached hereto and shall maintain such bond in effect at all times during the term of this Lease and for such time thereafter as the TLO may require pursuant to Paragraph 18 hereof. In lieu of the bond required under the preceding sentence AngloGold may, with the TLO's written approval, furnish and maintain a statewide bond, in accordance with any applicable regulations.

22. Insurance.

Without limiting AngloGold's indemnification, AngloGold shall purchase, at its own expense, and maintain in force at all times during the term of this Lease and for such time thereafter as the TLO may require pursuant to Paragraph 18 hereof, the policies of insurance specified in Schedule 3 attached hereto. Where specific limits are shown, it is understood that they shall be the minimum acceptable limits. If AngloGold's policy contains higher limits, the TLO shall be entitled to coverage to the extent of such higher limits. Certificates of insurance evidencing the foregoing coverages must be furnished to the TLO upon execution of this Lease. Each policy of insurance maintained pursuant to this Paragraph 22 shall include, by endorsement, the following cancellation or change clause:

This insurance will not be cancelled, non-renewed, or mutually altered, nor shall any change be made in the policy which changes, restricts, or reduces the insurance provided or changes the name of any "Insured" or any "Additional Insured" without first giving 30 days' written notice to [the TLO].

The TLO shall be listed as an "Additional Insured" on all policies of insurance maintained pursuant to this Paragraph 22. Each policy of insurance maintained pursuant to this Paragraph 22 also shall include, by endorsement, a waiver of subrogation in favor of the TLO and the following cross liability clause or another cross liability or severability of intent clause acceptable to the TLO:

In the event of bodily injury or damage to property belonging to any one or more Insured or Additional Insured parties for which another Insured or Additional Insured is or may be liable, then this policy shall cover such Insured or Additional Insured against whom the claim is made or may be made in the same manner as if separate policies had been issued to each Insured and Additional Insured.

The obligations to maintain in effect during the term of this Lease the policies of insurance required to be maintained pursuant to this Paragraph 22 and to furnish satisfactory certificates of insurance therefor are material obligations of this Lease.

23. Guaranty

In order for this Lease to become effective, AngloGold shall procure the execution and delivery to the TLO of a guaranty in the form attached hereto as Attachment C.

24. Force Majeure

If AngloGold is prevented by an event of Force Majeure from the exercise of any of its rights hereunder or from the timely performance of any of its obligations hereunder, the time for the exercise of such rights or for the performance of such obligations, together with the term of this Lease, shall be extended for a period equal to the duration of the event of Force Majeure. AngloGold shall promptly notify the TLO of the existence or occurrence of any event of Force Majeure, shall use reasonable diligence under the circumstances to alleviate, overcome, or bring about the cessation of an event of Force Majeure, and shall promptly notify the TLO when such event of Force Majeure has ended. Notwithstanding the foregoing, (a) AngloGold shall not be required to challenge (by protest, petition, appeal, or any other means) or to consent to any actions or inactions of any federal, state, or local governmental authority or court, or of any officer or official acting under color of governmental authority, or to settle any strikes, lockouts, and other labor disputes (actions with respect to all of which shall be within AngloGold's sole discretion), and (b) nothing herein shall excuse any failure by AngloGold or extend the time for performance by AngloGold to make timely advance royalty payments and production royalty payments under Paragraph 7 hereof, or AngloGold's obligations to make timely payments of taxes or insurance premiums.

25. **General.**

a) **Notice**

i) **Authorized Representatives.** The Executive Director of the Mental Health Trust Land Office, Department of Natural Resources, State of Alaska, or such other person as the Executive Director may designate in a written notice to the TLO, and the individual executing this Lease on behalf of AngloGold, or such other person as AngloGold may designate in a written notice to the TLO, shall be the authorized representatives of their respective principals for the purposes of administering this Lease. In addition, if AngloGold's authorized representative is not resident in Alaska when activities are being conducted on the Leased Area under a Plan of Operations or Reclamation Plan, AngloGold shall designate by name, job title, address, and telephone, an authorized representative who will be present in Alaska during the conduct of such activities. Either party may from time to time change the authorized representative or the address to which notices to that representative are to be sent by delivering a written notice to that effect to the other party.

ii) **Delivery of Notices.** Any notice required or permitted under this Lease must be in writing and must be given personally or by registered or certified mail, return receipt requested, or by facsimile transmission producing a permanent record addressed as follows:

To the TLO:

Alaska Department of Natural Resources
Mental Health Trust Land Office
Attention: Executive Director
718 L Street, Suite 202
Anchorage, Alaska 99501
Facsimile: 907-269-8905

To AngloGold:

AngloGold (U.S.A.) Exploration Inc.
Attn: Jerry Bateman
7400 Orchard Road, Suite 350
Greenwood Village, Colorado 80111
Facsimile: 303-889-0707

iii) Any notice given in an authorized manner described above shall be effective when received by the authorized representative.

- b) **Entire Agreement**. This Lease embodies the entire agreement and understanding between the parties and supersedes all prior agreements and understandings relating to the subject matter hereof.
- c) **Modification of Agreement**. This Lease may be modified or amended only by a document in writing executed by all the parties hereto.
- d) **Waiver**. The failure of any party to this Lease to insist upon the strict performance of any provision of this Lease or to exercise any right, power, or remedy consequent upon a breach thereof or failure thereunder shall not constitute a waiver by said party of any such provision, right, power, remedy, breach, or failure unless the same is given in writing and expressly waives such provision, right, power, remedy, breach, or failure. Any such waiver extends only to the particular provision, right, power, remedy, breach, or failure expressly waived and does not limit the rights, powers, or remedies of the waiving party with respect to any future breach of or failure under the same or any different provision.
- e) **Remedies**. Except as otherwise provided in this Lease, the parties hereto shall be entitled to any and all remedies provided by law.
- f) **Severability**. If any provision of this Lease or any application thereof shall be invalid or unenforceable, the remainder of this Lease and any other application of such provision shall not be affected thereby.
- g) **No Discrimination**. In exercising any rights hereunder neither AngloGold nor any of its contractors or subcontractors shall discriminate against any employee or applicant because of race, religion, marital status, change in marital status, pregnancy, parenthood, physical handicap, color, sex, age, or national origin as set out in AS 18.80.220.
- h) **Interest in Real Property**. It is the intention of the parties that the rights granted to AngloGold by this Lease constitute an interest in real property in the Leased Area.
- i) **Recording of Short Form**. Upon the execution of this Lease, the TLO and AngloGold shall execute and acknowledge a memorandum of lease in the form of Attachment B hereto. AngloGold shall cause said memorandum of lease to be recorded in the Fairbanks Recording District, State of Alaska, and AngloGold shall pay any and all required recording fees relating thereto. This Lease shall not be recorded.
- j) **Governing Law**. This Lease shall be interpreted, construed, and enforced in accordance with, and otherwise governed in all respects by, the laws of the State of Alaska. This Lease is subject to all applicable federal, state, and local statutes, rules, and ordinances in effect on the Effective Date of this Lease and, to the

extent constitutionally permissible and otherwise consistent with AS 38.05.801 and 11 AAC 99, to all such statutes, rules, and ordinances enacted or promulgated after the Effective Date of this Lease. This Lease shall be interpreted and construed in a manner which furthers the purposes of the Alaska Mental Health Trust as defined in 11 AAC 99.990(1). All words and phrases used in this lease are to be interpreted in conformance with AS 01.10.040.

- k) **Counterparts.** Multiple originals of this Lease may be executed, each of which shall be deemed an original and all of which, taken together, shall constitute a single agreement.
- l) **Further Actions.** The parties hereby agree to take any and all actions and to execute, acknowledge, and deliver any and all documents reasonably necessary to effect the purposes of this Lease.
- m) **Paragraph Headings.** The descriptive paragraph headings throughout this Lease are for convenience and reference only, and the words contained therein shall not be used to expand, modify, or amplify the meaning of this Lease or to aid in the interpretation or construction of this Lease.
- n) **Venue.** Venue for any appeal from an administrative decision of the TLO relating to this Lease shall be in the Superior Court for the State of Alaska in Anchorage, Alaska. Venue for any other legal action arising under or relating to this Lease shall be in the Superior Court for the State of Alaska in either Fairbanks or Anchorage, Alaska.

IN WITNESS WHEREOF, the parties hereto have executed, delivered, and accepted this Lease effective as of the Effective Date.

ALASKA MENTAL HEALTH TRUST AUTHORITY

ANGLOGOLD (U.S.A.)
EXPLORATION INC.

By: State of Alaska
Department of Natural Resources
Mental Health Trust Land Office

By: /s/ Jeffrey Pontius
Its: Exploration Manager N.A.

By: /s/ [Illegible]
Executive Director
Mental Health Trust Land Office

STATE OF ALASKA)
) ss.
THIRD JUDICIAL DISTRICT)

This certifies that on the 25th day of June, 2004, the foregoing instrument was acknowledged before me by [illegible], Executive Director of the MENTAL HEALTH TRUST LAND OFFICE within the State of Alaska Department of Natural Resources, on behalf of said officer acting pursuant to AS 37.14.009(a)(2) and AS 38.05.801 on its own behalf and for the ALASKA MENTAL HEALTH TRUST AUTHORITY.

/s/ [Illegible]
Notary Public for the State of Alaska
My commission expires 11-15-07

STATE OF COLORADO)
) ss.
)

This certifies that on the 4th day of June, 2004, the foregoing instrument was acknowledged before me by Jeffrey Pontius of AngloGold (U.S.A.) Exploration Inc., a Delaware corporation, on behalf of said corporation.

/s/ Rosemarie G. Patterson
Notary Public for the State of Colorado
My commission expires 3/14/08

List of Attachments and Schedules

Attachment A: Description of Leased Area

Attachment B: Memorandum of Lease

Attachment C: Guaranty

Attachment D: Description of Federal claims leased by AngloGold and subject to royalty interest granted to the TLO

Schedule 1: Site-Specific Operating Stipulations

Schedule 2: Bond Requirements

Schedule 3: Insurance Requirements

ATTACHMENT A

Description of Leased Area

T. 008 N., R. 004 W., FAIRBANKS MERIDIAN, ALASKA

SECTION 5: LOTS 1 THROUGH 7, INCLUSIVE, NE1/4NE1/4, S1/2NE1/4, N1/2SW1/4, SE 1/4

SECTION 6: LOTS 1 THROUGH 12, INCLUSIVE, NE1/4SE1/4

SECTION 7: LOTS 1 THROUGH 9, INCLUSIVE, SW1/4NE1/4, E1/2NW1/4, E1/2SW1/4, W1/2SE1/4, SE1/4SE1/4

SECTION 8: LOTS 1 THROUGH 7, INCLUSIVE, NE1/4, E1/2SE1/4

SECTION 17: LOTS 1 THROUGH 4, INCLUSIVE, NE1/4, S1/2

SECTION 18: LOTS 1 THROUGH 4, INCLUSIVE, E1/2, E1/2W1/2

SECTION 19: LOTS 1 THROUGH 4, INCLUSIVE, E1/2, E1/2W1/2

SECTION 20: ALL

SECTION 27: ALL

SECTION 28: ALL

SECTION 29: ALL

SECTION 30: LOTS 1 THROUGH 4, INCLUSIVE, E1/2, E1/2W1/2

SECTION 33: ALL

SECTION 34: ALL

EXCLUDING MINING CLAIMS RECORDED UNDER F-37586 THROUGH F-37596, F-43162, F-43163, F-43706, F-45706 THROUGH F-45708, F-57086, F-60588 THROUGH F-60606, F-61269 THROUGH F-61272, F-61316 THROUGH F-61318, F-61380 THROUGH F-61390, F-61392, F-61499 THROUGH F-61501, F-62089, F-62090, F-63464, F-63465, F-64359 AND F-64360, WHICH APPEAR TO FALL WITHIN SECTIONS 4 THROUGH 9, 17, 19, 28, AND 30 THROUGH 33;

T. 008 N., R. 005 W., FAIRBANKS MERIDIAN, ALASKA

SECTION 1: LOTS 1 THROUGH 5, INCLUSIVE, N1/2, N1/2SW1/4

SECTION 2: LOT 1, N1/2, SW1/4, N1/2SE1/4, SW1/4SE1/4

SECTION 3: ALL

SECTION 10: LOTS 1 THROUGH 4, INCLUSIVE, N1/2, W1/2SW1/4

SECTION 11: LOTS 1 THROUGH 10, INCLUSIVE, NE1/4SE1/4, S1/2SE1/4
SECTION 12: LOTS 1 THROUGH 8, INCLUSIVE, NE1/4, E1/2SE1/4
SECTION 13: ALL
SECTION 14: LOT 1, NE1/4, E1/2NW1/4, SW1/4NW1/4, S1/2
SECTION 15: LOTS 1 THROUGH 8, INCLUSIVE, NW1/4NW1/4, SE1/4SW1/4, SE1/4
SECTION 16: LOTS 1 AND 2, N1/2, SW1/4, W1/2SE1/4
SECTION 21: ALL
SECTION 22: LOTS 1 THROUGH 4, INCLUSIVE, N1/2NE1/4, E1/2NW1/4, SW1/4NW1/4, SW1/4, W1/2SE1/4, SE1/4SE1/4
SECTION 23: LOTS 1 AND 2, E1/2, E1/2NW1/4, SW1/4
SECTION 24: ALL
SECTION 25: LOTS 1 THROUGH 9, INCLUSIVE, N1/2NE1/4, E1/2NW1/4, NE1/4SW1/4, S1/2SW1/4
SECTION 26: LOTS 1 THROUGH 5, INCLUSIVE, W1/2E1/2, W1/2
SECTION 27: ALL
SECTION 28: ALL
SECTION 33: ALL
SECTION 34: ALL

EXCLUDING MINING CLAIM RECORDATIONS F-37580 THROUGH F-37585, F-52058, F-52059, F-55452 THROUGH F-55471, F-61249, F-61250, F-61256 THROUGH F-61270, F-61273 THROUGH F-61278, F-61319 THROUGH F-61379, F-61381, F-61382, F-61477, F-61495, F-61498, F-61677 THROUGH F-61708, F-61709 THROUGH F-61714, F-62097, F-62098, F-63466, AND F-63707, WHICH APPEAR TO FALL WITHIN SECTIONS THROUGH 16, 21 THROUGH 26, 28, 29, 35, AND 36; T. 009 N., R. 004 W., FAIRBANKS MERIDIAN, ALASKA

T. 009 N., R. 004 W., FAIRBANKS MERIDIAN, ALASKA

SECTION 31, 32, AND 33: ALL;
EXCLUDING U.S. MINERAL SURVEY NOS. 1609 AND 1641, EXCLUDING MINING CLAIM RECORDATIONS F-61279 THROUGH F-61315, F-61389 THROUGH F-61396, F-61399, F-61400, F-61402 THROUGH F-61420, F-61478 THROUGH F-61494, F-61502 THROUGH F-61508, F-63461, F-63462, F-74190, AND F-74191, WHICH APPEAR TO FALL WITHIN SECTIONS 14, 16, 20, 21, 27 THROUGH 29, AND 31 THROUGH 33;

ALSO EXCLUDING FROM ALL OF THE ABOVE, THE FOLLOWING MINING CLAIMS:

ADL 330941, ADL 330942, ADL 330943, ADL 330946, ADL 330947, ADL 330948, ADL 330951, ADL 330952, ADL 330953, ADL 330954, ADL 330957, ADL 330958, ADL 330959, ADL 330960, ADL 330963, ADL 330964, ADL 330965, ADL 330970, ADL 330971, ADL 330972, ADL 330977, ADL 338477, ADL 338478, ADL 338481, ADL 338482, ADL 338483, ADL 338487, ADL 338488, ADL 338489, ADL 338490, ADL 338497, ADL 338498, ADL 338499, ADL 338500, ADL 338501, ADL 338511, ADL 338512, ADL 338513, ADL 338520, ADL 338521, ADL 338522, ADL 347945, ADL 347946, ADL 347949, ADL 347950, ADL 347951, ADL 347952, ADL 347953, ADL 347957, ADL 347958, ADL 347959, ADL 347960, ADL 347961, ADL 347969, ADL 347970, ADL 347971, ADL 347972, ADL 347973, ADL 347974, ADL 347975, ADL 353555, ADL 353556, ADL 353557, ADL 353558, ADL 353559, ADL 353560, ADL 353561, ADL 353562, ADL 353563, ADL 353564, ADL 353565, ADL 355559, ADL 361326, ADL 361327, ADL 361328, ADL 361330, ADL 361332, ADL 361333, ADL 361334, ADL 361335, ADL 361366, ADL 558105, ADL 558106, ADL 558814, ADL 559056, ADL 559057, ADL 559058, ADL 559059, ADL 559060, ADL 338479, ADL 338480, ADL 338484, ADL 338485, ADL 338486, ADL 338491, ADL 338492, ADL 338493, ADL 338494, ADL 338495, ADL 338496, ADL 338503, ADL 338504, ADL 338505, ADL 338506, ADL 338507, ADL 338508, ADL 338509, ADL 338510, ADL 338514, ADL 338515, ADL 338516, ADL 338517, ADL 338518, ADL 338519, ADL 347955, ADL 347956, ADL 347962, ADL 347963, ADL 347964, ADL 347965, ADL 347966, ADL 347967, ADL 347968, ADL 347976, ADL 347977, ADL 347978, ADL 347979, ADL 347980, ADL 348802, ADL 348803, ADL 348804, ADL 348805, ADL 348806, ADL 348807, ADL 348808, ADL 348809, ADL 348810, ADL 348811, ADL 348812, ADL 348813, ADL 348814, ADL 348815, ADL 348816, ADL 348817, ADL 348818, ADL 348819, ADL 348820, ADL 348821, ADL 348822, ADL 348823, ADL 348824, ADL 348825, ADL 348826, ADL 348827, ADL 348828, ADL 348829, ADL 348830, ADL 348831, ADL 348832, ADL 361329, ADL 361331, ADL 361349, ADL 361350, ADL 361351, ADL 361352, ADL 361353, ADL 361354, ADL 361355, ADL 361356, ADL 361357, ADL 361358, ADL 361359, ADL 361360, ADL 361361, ADL 361362, ADL 361363, ADL 361364, ADL 361365, ADL 505036, ADL 506391, ADL 506392, ADL 532022, ADL 532026, ADL 535710, ADL 535711, ADL 535712, ADL 535713, ADL 535714, ADL 535715, ADL 535716, ADL 538220, ADL 538221, ADL 538222, ADL 538223, ADL 538224, ADL 538225, ADL 538226, ADL 538227, ADL 538230, ADL 538231, ADL 538232, ADL 538233, ADL 538234, ADL 538235, ADL 539877, ADL 539878, ADL 539879, ADL 555900, ADL 556252, ADL 558604, ADL 558605, ADL 558606, ADL 558607, ADL 559157, ADL 570259, ADL 570260, ADL 570261, ADL 570262, ADL 570263, ADL 570264, ADL 570265, ADL 570266, ADL 570267, ADL 570268, ADL 570269, ADL 570270, ADL 570271, ADL 570272, ADL 570273, ADL 570274, ADL 570275, ADL 570276, ADL 570277, ADL 570278, ADL 570279, ADL 570280, ADL 570281, ADL 570282, ADL 570283, ADL 570284, ADL 570285, ADL 361365, ADL 361366, ADL 361367, ADL 361368, ADL 330936, ADL 330937, ADL 330938, ADL 330939, AND ADL 330940;

CONTAINING 8,600.00 ACRES, MORE OR LESS.

ACCORDING TO THE SURVEY PLATS ACCEPTED BY THE UNITED STATES DEPARTMENT OF THE INTERIOR,
BUREAU OF LAND MANAGEMENT IN ANCHORAGE, ALASKA ON NOVEMBER 5, 1987 AND JANUARY 7, 1991

ATTACHMENT B

Memorandum of Lease

[to be drafted after Lease is finalized] [will incorporate Lease; will recite all relevant grants, reservations, and term; will NOT recite financial terms]

ATTACHMENT C

Guaranty of AngloGold North America Inc.

GUARANTY OF ANGLOGOLD NORTH AMERICA INC.

AngloGold North America Inc. ("**Guarantor**"), a Colorado corporation, the address of which is 7400 Orchard Road, Suite 350, Greenwood Village, Colorado 80111-2799, at the request of its affiliate, AngloGold (U.S.A.) Exploration Inc., a Delaware corporation registered to do business in Alaska under the name AngloGold (U.S.A.) Exploration Inc., the address of which is 7400 Orchard Road, Suite 350, Greenwood Village, Colorado 80111, and in accordance with that certain Upland Mining Lease ("**Lease**") by and between: (1) the Alaska Mental Health Trust Authority ("**Trust Authority**"), a public corporation within the Alaska Department of Revenue (AS 47.30.011 et seq.), acting by and through the State of Alaska, Department of Natural Resources, Mental Health Trust Land Office ("**TLO**"), pursuant to AS 37.14.009(a)(2) and AS 38.05.801 (the Trust Authority and the TLO are collectively the Lessor and are referred to herein as "**the TLO**"), and (2) AngloGold (U.S.A.) Exploration Inc. (the Lessee referred to herein as "**AngloGold**"), to which a form of this Guaranty is attached as Attachment C, hereby irrevocably and unconditionally guarantees to the TLO the full performance, fulfillment, and satisfaction of all of the duties, obligations, and liabilities of AngloGold arising under or pursuant to the Lease.

If for any reason any such duty, obligation, or liability of AngloGold is not performed, fulfilled, or satisfied by AngloGold or a successor or transferee thereof within the time or in the manner required under the Lease, Guarantor shall perform, fulfill, or satisfy (or cause to be performed, fulfilled, or satisfied) each of such duties, obligations, and liabilities; provided, however, that (1) the TLO must first make demand upon AngloGold or said successor or transferee before making demand upon Guarantor, (2) if AngloGold or said successor or transferee in good faith denies that any such duty, obligation, or liability exists or has not been performed, fulfilled, or satisfied by AngloGold or said successor or transferee within the time or in the manner required under the Lease, the TLO must establish its rights as against AngloGold or said successor or transferee before demanding performance, fulfillment, or satisfaction from Guarantor, and (3) Guarantor shall be entitled to any and all benefits arising by virtue of any defense, set-off, counterclaim, or cross-claim available to AngloGold or said successor or transferee.

Guarantor agrees that this Guaranty shall not be discharged, limited, or reduced except by complete performance of the duties, obligations, and liabilities of AngloGold (including successors or transferees thereof) guaranteed hereby or upon the approval by the TLO, in connection with a transfer made pursuant to Paragraph 15 of the Lease, of the assumption of the duties, obligations, and liabilities of AngloGold (including successors or transferees thereof) guaranteed hereby by a person which the TLO determines to be capable of satisfying in a responsible manner all such duties, obligations, and liabilities.

This Guaranty shall be in addition to and without prejudice to any other security given by anyone (including but not limited to AngloGold) to the TLO and held at any time by the TLO in connection with any such duty, obligation, or liability.

This Guaranty shall be interpreted, construed, and enforced in accordance with the laws of the State of Alaska.

Venue for any appeal from an administrative decision of the TLO relating to this Guaranty shall be in the Superior Court for the State of Alaska in Anchorage, Alaska. Venue for any other legal action arising under or relating to this Guaranty shall be in the Superior Court for the State of Alaska in either Fairbanks, or Anchorage, Alaska.

This Guaranty shall be binding upon the Guarantor and the successors and assigns of the Guarantor and shall inure to the benefit of the TLO and its successors and assigns.

All notices required or permitted to be given pursuant to this Guaranty shall be in writing and shall be addressed respectively as follows:

Guarantor: AngloGold North America Inc.
7400 Orchard Road, Suite 350
Greenwood Village, Colorado 80111-2799
Facsimile: 303-889-0792
Telephone: 303-889-0700

The TLO: Alaska Department of Natural Resources
Mental Health Trust Land Office
Attention: Executive Director
718 L Street, Suite 202
Anchorage, Alaska 99501
Facsimile: 907-269-8905
Telephone: 907-269-8658

All notices shall be given (a) by personal delivery to the addressee, (b) by electronic communication, with a confirmation sent by registered or certified mail return receipt requested, or (c) by registered or certified mail return receipt requested. All notices shall be effective and shall be deemed delivered (a) if by personal delivery, on the date of delivery if delivered during normal business hours or on the next business day following delivery if not delivered during normal business hours, (b) if by electronic communication, on the next business day following the day of receipt (said day of receipt being the day of receipt at the office of the recipient) of the electronic communication, and (c) if solely by mail, on the next business day after actual receipt.

EXECUTED this 4th day of June, 2004, but effective for all purposes as of the Effective Date (as defined in the Lease) of the Lease.

ANGLOGOLD NORTH AMERICA INC,

By: /s/ Donald C. Ewigleben
Its: President

STATE OF COLORADO)
) ss.
)

This certifies that on the 4th day of June, 2004, the foregoing instrument was acknowledged before me by Donald C. Ewigleben of AngloGold (U.S.A.) Exploration Inc., a Delaware corporation, on behalf of said corporation.

/s/ Rosmarie Patterson
Notary Public for the State of Colorado

My commission expires 3/14/08

Attachment D

| <u>Claim Name</u> | <u>Federal Serial Number</u> |
|--------------------------|-------------------------------------|
| Sharon | FF055452 |
| Dorothea | FF055453 |
| Lenora | FF055454 |
| Foster | FF055455 |
| Vance | FF055456 |
| Twerpit | FF055457 |
| Saunders | FF055458 |
| Nickie | FF055459 |
| Patrick | FF055460 |
| White Rock | FF055461 |
| Sunshine #1 | FF055462 |
| Sunshine #2 | FF055463 |
| Old Smoky | FF055464 |
| Wittrock | FF055465 |
| Black Rock | FF055466 |
| Trapline | FF055467 |
| Patricia | FF055468 |
| Anne | FF055469 |
| Eileen | FF055470 |
| Bridget | FF055471 |

SCHEDULE 1

Site-Specific Operating Stipulations

NONE

SCHEDULE 2

Bond Requirements

AngloGold shall have in place at all times during the term of this Lease a bond that (1) meets the requirements of AS 27.19.010-27.19.100, 11 AAC 97, and the Reclamation Plan, (2) is for an amount, as determined and adjusted from time to time under the Reclamation Plan, equal to the estimated cost of performing all accrued but not yet satisfied obligations under the Reclamation Plan, and (3) secures AngloGold's performance of such accrued but not yet satisfied obligations under the Reclamation Plan.

SCHEDULE 3

Minimum Insurance Requirements

| Coverage | Limits |
|--|--|
| Workers' Compensation ("WC") and | WC: Statutory Limits |
| Employers' Liability ("EL") Insurance, with broad form "all states" endorsement: | EL: \$2,000,000 per occurrence |
| Business Automobile Liability Insurance, including all owned, non-owned, and hired vehicles utilized in connection with this Agreement: | \$2,000,000 combined single limit per occurrence for bodily injury, death, and property damage |
| Commercial General Liability Insurance on an occurrence form, including blanket contractual and owner's and contractor's liability: | \$2,000,000 for injury or death of any one person in any one accident or occurrence or property damage, including fire damage, with an aggregate coverage of \$4,000,000 |
| Excess Liability (covering matters covered by Employers' Liability Insurance, Business Automobile Liability Insurance, and Commercial General Liability Insurance): | \$5,000,000 |

**Addendum No. 2 to Upland Mining Lease
MHT 9400248**

This Addendum is entered into by the State of Alaska, Department of Natural Resources, Mental Health Trust Land Office (“TLO” or “Lessor”) and Talon Gold Alaska, Inc. (Lessee).

The purpose of this Addendum is to modify the above referenced lease as follows:

- (1) Extension of Contract: This contract addendum extends the contract for one additional three year term starting on July 1, 2007.
- (2) Expiration: This addendum and contract will expire on June 30, 2010
- (3) Effective Date of this Addendum: July 1, 2007.

All other terms and conditions of Upland Mining Lease MHT 9400248 remain in effect.

This Addendum is attached and made a part of MHT 9400248.

Agreed: /s/ [illegible] Date: 8.16.07

Title: [illegible]

**Addendum No. 3 to Upland Mining Lease
MHT 9400248**

This Addendum is entered into by the State of Alaska, Department of Natural Resources, Mental Health Trust Land Office (“TLO” or “Lessor”) and Talon Gold Alaska, Inc. (Lessee).

The purpose of this Addendum is to modify the above referenced lease as follows:

- (1) Change in Legal Description: The legal description of the Leased Area is modified pursuant to a lease expansion request submitted to the TLO by the Lessee. The revised description of the Leased Area is described in Attachment A to this Addendum.
- (2) Addition of new paragraph: Paragraph 25.(n) is added to the Lease, to read as follows:

25. (n) Additional Lease Acreage.

- i) If any of the land or mineral rights situated within the outer boundaries of the Leased Area and that are currently excluded from the Leased Area come under the control or ownership of the Trust at any time during the term of this Lease, Lessor shall offer to add such land or mineral rights, as applicable, to the Leased Area; and
 - ii) Whenever Lessor or Lessee becomes aware that lands or mineral rights have come under the ownership or control of the Trust, as described in (i) above, that party shall deliver notice to the other to that effect. Lessee shall have 30 days after receipt or delivery, as applicable, of said notice in which to notify Lessor that it does not wish to add said lands or mineral rights, as applicable, to the Leased Area. If Lessee does not timely reject the lands or mineral rights, as applicable, then said lands or mineral rights, as applicable, shall be added to the Leased Area, subject to conveyance (if necessary) to the Trust and the completion of the TLO public notice process.
- (3) Effective Date of this Addendum: January 1, 2010.

All other terms and conditions of Upland Mining Lease MHT 9400248 remain in effect.

Attachment A
MHT 9400248
Description of Leased Area

T. 008 N., R. 004 W., FAIRBANKS MERIDIAN, ALASKA

SECTION 5: LOTS 1 THROUGH 7, INCLUSIVE, NE1/4NE1/4, S1/2NE1/4, N1/2SW1/4, SE1/4
SECTION 6: LOTS 1 THROUGH 12, INCLUSIVE, NE1/4SE1/4
SECTION 7: LOTS 1 THROUGH 9, INCLUSIVE, SW1/4NE1/4, E1/2NW1/4, E1/2SW1/4, W1/2SE1/4, SE1/4SE1/4
SECTION 8: LOTS 1 THROUGH 7, INCLUSIVE, NE1/4, E1/2SE1/4
SECTION 17: LOTS 1 THROUGH 4, INCLUSIVE, NE1/4, S1/2
SECTION 18: LOTS 1 THROUGH 4, INCLUSIVE, E1/2, E1/2W1/2
SECTION 19: LOTS 1 THROUGH 4, INCLUSIVE, E1/2, E1/2W1/2
SECTION 20: ALL
SECTION 27: ALL
SECTION 28: ALL
SECTION 29: ALL
SECTION 30: LOTS 1 THROUGH 4, INCLUSIVE, E1/2, E1/2W1/2
SECTION 33: ALL
SECTION 34: ALL

EXCLUDING MINING CLAIMS RECORDED UNDER F-37589 , F-37596, F-43162, F-43163, F-43706, F-45706 THROUGH F-45708,, F-60602 THROUGH F-60606, F-61269 THROUGH F-61272, F-61380 THROUGH F-61383, F-61385 THROUGH F-61389, F-61392, F-61499 THROUGH F-61501, , , F-64359 AND F-64360, WHICH APPEAR TO FALL WITHIN SECTIONS 4 THROUGH 9, 17, 19, 28, AND 30 THROUGH 33;

T. 008 N., R. 005 W., FAIRBANKS MERIDIAN, ALASKA

SECTION 1: LOTS 1 THROUGH 5, INCLUSIVE, N1/2, N1/2SW1/4
SECTION 2: LOT 1, N1/2, SW1/4, N1/2SE1/4, SW1/4SE1/4
SECTION 3: ALL
SECTION 10: LOTS 1 THROUGH 4, INCLUSIVE, N1/2, W1/2SW1/4
SECTION 11: LOTS 1 THROUGH 10, INCLUSIVE, NE1/4SE1/4, S1/2SE1/4
SECTION 12: LOTS 1 THROUGH 8, INCLUSIVE, NE1/4, E1/2SE1/4
SECTION 13: ALL
SECTION 14: LOT 1, NE1/4, E1/2NW1/4, SW1/4NW1/4, S1/2
SECTION 15: LOTS 1 THROUGH 8, INCLUSIVE, NW1/4NW1/4, SE1/4SW1/4, SE1/4
SECTION 16: LOTS 1 AND 2, N1/2, SW1/4, W1/2SE1/4
SECTION 21: ALL
SECTION 22: LOTS I THROUGH 4, INCLUSIVE, N1/2NE1/4, E1/2NW1/4, SW1/4NW1/4, SW1/4, W1/2SE1/4, SE1/4SE1/4

SECTION 23: LOTS 1 AND 2, E1/2, E1/2NW1/4, SW1/4

SECTION 24: ALL

SECTION 25: LOTS 1 THROUGH 9, INCLUSIVE, N1/2NE1/4, E1/2NW1/4, NE1/4SW1/4, S1/2SW1/4

SECTION 26: LOTS 1 THROUGH 5, INCLUSIVE, WI/2E1/2, W1/2

SECTION 27: ALL

SECTION 28: ALL

SECTION 33: ALL

SECTION 34: ALL

EXCLUDING MINING CLAIM RECORDATIONS F-37580 THROUGH F-37585,, F-55452 THROUGH F-55471, F-61249, F-61250, F-61256 THROUGH F-61270, F-61273 THROUGH F-61278, F-61322 THROUGH F-61379, F-61381, F-61382, F-61477, F-61498, F-61693TROUGH F-61700, F-616703, F-616704, F-616706, F-61708 THROUGH F-61714, , F-63466, AND , WHICH APPEAR TO FALL WITHIN SECTIONS THROUGH 16, 21 THROUGH 26, 28, 29, 35, AND 36; T. 009 N., R. 004 W., FAIRBANKS MERIDIAN, ALASKA

T. 009 N., R. 004 W., FAIRBANKS MERIDIAN, ALASKA

SECTION 31, 32, AND 33: ALL;

EXCLUDING U.S. MINERAL SURVEY NOS. 1609 AND 1641, EXCLUDING MINING CLAIM RECORDATIONS F-61279 THROUGH F-61315, F-61389 THROUGH F-61396, F-61399, F-61400, F-61402 THROUGH F-61420, F-61478 THROUGH F-61494, F-61502 THROUGH F-61508, F-63461, F-63462, F-74190, AND F-74191, WHICH APPEAR TO FALL WITHIN SECTIONS 14, 16, 20, 21, 27 THROUGH 29, AND 31 THROUGH 33;

ALSO EXCLUDING FROM ALL OF THE ABOVE, THE FOLLOWING MINING CLAIMS:

ADL 330941, ADL 330942, ADL 330943, ADL 330946, ADL 330947, ADL 330948, ADL 330951, ADL 330952, ADL 330953, ADL 330954, ADL 330957, ADL 330958, ADL 330959, ADL 330960, ADL 330963, ADL 330964, ADL 330965, ADL 330970, ADL 330971, ADL 330972, ADL 330977, ADL 338477, ADL 338478, ADL 338481, ADL 338482, ADL 338483, ADL 338487, ADL 338488, ADL 338489, ADL 338490, ADL 338497, ADL 338498, ADL 338499, ADL 338500, ADL 338501, ADL 338511, ADL 338512, ADL 338513, ADL 338520, ADL 338521, ADL 338522, ADL 347945, ADL 347946, ADL 347949, ADL 347950, ADL 347951, ADL 347952, ADL 347953, ADL 347957, ADL 347958, ADL 347959, ADL 347960, ADL 347961, ADL 347969, ADL 347970, ADL 347971, ADL 347972, ADL 347973, ADL 347974, ADL 347975, ADL 353555, ADL 353556, ADL 353557, ADL 353558, ADL 353559, ADL 353560, ADL 353561, ADL 353562, ADL 353563, ADL 353564, ADL 353565, ADL 355559, ADL 361326, ADL 361327, ADL 361328, ADL 361330, ADL 361332, ADL 361333, ADL 361334, ADL 361335, ADL 361366, ADL 558105, ADL 558106, ADL 558814, ADL 559056, ADL 559057, ADL 559058, ADL 559059, ADL 559060, ADL 338479, ADL 338480, ADL 338484, ADL 338485, ADL 338486, ADL 338491, ADL 338492, ADL 338493, ADL 338494, ADL 338495, ADL 338496, ADL 338503, ADL 338504,

ADL 338505, ADL 338506, ADL 338507, ADL 338508, ADL 338509, ADL 338510, ADL 338514, ADL 338515, ADL 338516, ADL 338517, ADL 338518, ADL 338519, ADL 347955, ADL 347956, ADL 347962, ADL 347963, ADL 347964, ADL 347965, ADL 347966, ADL 347967, ADL 347968, ADL 347976, ADL 347977, ADL 347978, ADL 347979, ADL 347980, ADL 348802, ADL 348803, ADL 348804, ADL 348805, ADL 348806, ADL 348807, ADL 348808, ADL 348809, ADL 348810, ADL 348811, ADL 348812, ADL 348813, ADL 348814, ADL 348815, ADL 348816, ADL 348817, ADL 348818, ADL 348819, ADL 348820, ADL 348821, ADL 348822, ADL 348823, ADL 348824, ADL 348825, ADL 348826, ADL 348827, ADL 348828, ADL 348829, ADL 348830, ADL 348831, ADL 348832, ADL 361329, ADL 361331, ADL 361349, ADL 361350, ADL 361351, ADL 361352, ADL 361353, ADL 361354, ADL 361355, ADL 361356, ADL 361357, ADL 361358, ADL 361359, ADL 361360, ADL 361361, ADL 361362, ADL 361363, ADL 361364, ADL 361365, ADL 505036, ADL 506391, ADL 506392, ADL 532022, ADL 532026, ADL 535710, ADL 535711, ADL 535712, ADL 535713, ADL 535714, ADL 535715, ADL 535716, ADL 538220, ADL 538221, ADL 538222, ADL 538223, ADL 538224, ADL 538225, ADL 538226, ADL 538227, ADL 538230, ADL 538231, ADL 538232, ADL 538233, ADL 538234, ADL 538235, ADL 539877, ADL 539878, ADL 539879, ADL 555900, ADL 556252, ADL 558604, ADL 558605, ADL 558606, ADL 558607, ADL 559157, ADL 570259, ADL 570260, ADL 570261, ADL 570262, ADL 570263, ADL 570264, ADL 570265, ADL 570266, ADL 570267, ADL 570268, ADL 570269, ADL 570270, ADL 570271, ADL 570272, ADL 570273, ADL 570274, ADL 570275, ADL 570276, ADL 570277, ADL 570278, ADL 570279, ADL 570280, ADL 570281, ADL 570282, ADL 570283, ADL 570284, ADL 570285, ADL 361365, ADL 361366, ADL 361367, ADL 361368, ADL 330936, ADL 330937, ADL 330938, ADL 330939, AND ADL 330940;

CONTAINING 9970.00 ACRES, MORE OR LESS.

ACCORDING TO THE SURVEY PLATS ACCEPTED BY THE UNITED STATES DEPARTMENT OF THE INTERIOR, BUREAU OF LAND MANAGEMENT IN ANCHORAGE, ALASKA ON NOVEMBER 5, 1987 AND JANUARY 7, 1991.

**Addendum No. 4 to Upland Mining Lease
MHT 9400248**

By correspondence on June 27, 2013, the State of Alaska, Department of Natural Resources, Mental Health Trust Land Office (“Lessor”) acknowledged receipt of the Advance Royalty Payment for the lease year commencing July 1, 2013, and Lessor and Talon Gold Alaska, Inc. (Lessee) agreed to an extension of the above referenced lease pursuant to Paragraph 7(a) thereof.

Certain portions of this Addendum, for which confidential treatment has been requested, have been omitted and filed separately with the Securities and Exchange Commission. Sections of the agreement where portions have been omitted have been identified in the text.

Addendum No. 5 to Upland Mining Lease
MHT No. 9400248

THIS ADDENDUM NO. 5 (this “**Addendum**”), effective as of June 30, 2013, to that certain Upland Mining Lease MHT No. 9400248 effective as of July 1, 2004, as heretofore amended (as so amended, the “**Lease**”), made by and between

- (1) the Alaska Mental Health Trust Authority (“**Trust Authority**”), a public corporation within the Alaska Department of Revenue (AS 47.30.011 et seq.), acting by and through the State of Alaska, Department of Natural Resources, Mental Health Trust Land Office (“**TLO**”), pursuant to AS 37.14.009(a)(2) and AS 38.05.801 (the Trust Authority and the TLO are collectively the **Lessor** under the Lease and are referred to herein as the “**TLO**”),

and

- (2) Tower Hill Mines, Inc. (“**Lessee**”), an Alaska corporation formerly known as Talon Gold Alaska, Inc. that is successor-in-interest under the Lease to original lessee AngloGold (U.S.A.) Exploration Inc.,

WITNESSETH:

WHEREAS, the TLO has determined that it is in the best interest of the Trust Authority to enter into this Addendum; and

WHEREAS, Lessee desires to enter into this Addendum,

NOW, THEREFORE, in consideration of the amendments to the Lease set forth herein and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereby covenant and agree as follows:

1. General amendment.

The Lease is hereby amended by replacing the defined term “AngloGold” wherever it appears with the defined term “Lessee”.

2. Amendment of definition of “Work Expenditures”.

The definition of Work Expenditures on pages 4-5 of the Lease is hereby replaced in its entirety with the following:

“**Work Expenditures**” means [***].

3. Amendments to Paragraph 5 of the Lease.

Paragraph 5 is hereby replaced in its entirety with the following:

5. **Term.**

Unless sooner terminated, pursuant to the terms of this Lease, this Lease shall remain in effect for 19 years from the Effective Date and (a) so long thereafter as Commercial Production of Minerals from the Leased Area continues or (b) if Commercial Production of Minerals from the Leased Area has not commenced prior to July 1, 2023, or is not occurring during each Lease Year thereafter, then the Lease may be extended in one year increments so long as Lessee is in compliance with all Lease terms, including payment of Advance Minimum Royalty as provided in Paragraph 7(a), unless the TLO determines, in its sole discretion, that the Lessee is not diligently pursuing development of the Lease, in which case the Lease can be terminated at the TLO’s discretion.

4. Amendments to Paragraph 6 of the Lease.

Paragraph 6 is hereby replaced in its entirety with the following:

6. **Work Commitment.**

In order to keep this Lease in full force and effect, Lessee must incur the following Work Expenditures for or during each of the following Lease Years:

- | | |
|----------------------|------------------------|
| a) Lease Years 1-3: | \$10 per acre per year |
| b) Lease Years 4-6: | \$20 per acre per year |
| c) Lease Years 7-9: | \$30 per acre per year |
| d) Lease Years 10-14 | \$45 per acre per year |
| e) Lease Years 15-19 | \$65 per acre per year |

[***].

[***].

*** CONFIDENTIAL INFORMATION HAS BEEN OMITTED AND HAS BEEN FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION**

5. Amendments to Paragraph 7(a) of the Lease.

Paragraph 7(a) is hereby replaced in its entirety with the following:

a) Advance Royalty.

Unless and until this Lease expires or is sooner terminated, and commencing on the date of execution of the Lease, Lessee shall pay to the TLO on or before the first day of each Lease year during the term of this Lease an Advance Minimum Royalty payment (AMR) in accordance with the following schedule:

- | | | |
|------|-----------------------------------|--|
| i) | Lease Years 1-3 | \$5 per acre per year |
| ii) | Lease Years 4-6 | \$15 per acre per year |
| iii) | Lease Years 7-9 | \$25 per acre per year |
| iv) | Lease Year 10 | \$31.25 per acre per year |
| v) | Lease Years 11-19 | An amount per acre per year equal to the product of \$31.25 times a fraction (1) the numerator of which is the U.S. Consumer Price Index for All Urban Consumers and All Items for Anchorage, Alaska, as reflected in the CPI Detailed Report published by the Bureau of Labor Statistics, Department of Labor (CPI-U), in January of the calendar year in which such payment is due (which CPI Detailed Report publishes the CPI-U for the second half of the calendar year preceding the calendar year in which such payment is due) and (2) the denominator of which is 206.617 [i.e., the CPI-U for the second half of 2012] |
| vi) | Lease Year 20: | 125% of the amount per acre per year for Lease Year 19 |
| vii) | Lease Years beyond Lease Year 20: | An amount per acre per year equal to the product of the amount per acre per year for Lease Year 20 times a fraction (1) the numerator of which is the CPI-U as reflected in the CPI Detailed Report published by the Bureau of Labor Statistics, Department of Labor, in January of the calendar year in which such payment is due (which CPI Detailed Report publishes the CPI-U for the second half of the calendar year preceding the calendar year in which such payment is |

due) and (2) the denominator of which is the CPI-U for the second half of 2022.

The obligation of Lessee to make the AMR shall cease upon the earlier of (i) the commencement of production royalty payments or (ii) the termination or expiration of the Lease

In the event that Commercial Production begins but is later suspended for more than 90 consecutive days and has not recommenced before the next anniversary date, Lessee may continue the Lease in effect by paying on or before said anniversary date, and on or before each succeeding anniversary date if Commercial Production has not recommenced before said date, an advance royalty equal to [***]*.

6. Amendments to Paragraph 14 d) of the Lease.

Paragraph 14(d) is hereby replaced in its entirety with the following:

- d) By March 31 of each Lease Year, and within two months after the expiration or termination of this Lease, Lessee shall deliver to the TLO the following:
- (1) a report describing the location, nature, extent, and results of operations conducted by Lessee during the previous calendar year on or for the benefit of the Leased Area and adjoining lands;
 - (2) copies of all of the Information generated or obtained by Lessee during said calendar year respecting the Leased Area and adjoining lands;

provided, however, that Lessee shall not be obligated to provide any information respecting any proprietary or confidential interpretive methods; and provided further, however, that Lessee makes no representations respecting, and shall have no liability for, any Information provided hereunder or for any reliance thereon by the TLO or its successors and transferees. The TLO will keep information submitted to the TLO under this Paragraph 14 confidential in accordance with 11 AAC 99.120.

*** CONFIDENTIAL INFORMATION HAS BEEN OMITTED AND HAS BEEN FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION**

IN WITNESS HEREOF, the parties hereto have executed, delivered, and accepted this Lease effective as of the Effective Date.

ALASKA MENTAL HEALTH TRUST AUTHORITY

By: State of Alaska
Department of Natural Resources
Mental Health Trust Land Office

By: /s/ Gregory L. Jones
Gregory L. Jones
Executive Director

TOWER HILL MINES, INC.

By: /s/ Karl Hanneman
Karl Hanneman
Alaska General Manager

STATE OF ALASKA)
) ss.
THIRD JUDICIAL DISTRICT)

This certifies that on the 6th day of August, 2013, the foregoing instrument was acknowledged before me by Gregory L. Jones, Executive Director of the MENTAL HEALTH TRUST LAND OFFICE within the State of Alaska Department of Natural Resources, on behalf of said office acting pursuant to AS 37.14.009(a)(2) and AS 38.05.801 on its own behalf and for the ALASKA MENTAL HEALTH TRUST AUTHORITY.

/s/ Anna M. Solorzano
Notary Public for the State of Alaska
My commission expires with office

STATE OF ALASKA)
) ss.
FOURTH JUDICIAL DISTRICT)

This certifies that on the 6th day of August, 2013, the foregoing instrument was acknowledged before me by Karl Hanneman, Alaska General Manager of TOWER HILL MINES, INC., an Alaska corporation, on behalf of said corporation.

/s/ Jane Kennedy
Notary Public for the State of Alaska
My commission expires December 11, 2014

CERTIFICATION

I, Donald C. Ewigleben, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of International Tower Hill Mines Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 6, 2013

By: /s/ Donald C. Ewigleben
Donald C. Ewigleben
Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION

I, Tom S. Q. Yip, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of International Tower Hill Mines Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 6, 2013

By: /s/ Tom S. Q. Yip
Tom S. Q. Yip
Chief Financial Officer
(Principal Financial and Accounting Officer)

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of International Tower Hill Mines Ltd. (the "Company"), for the period ended September 30, 2013, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Donald C. Ewigleben, Chief Executive Officer of the Company, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the Company.

Date: November 6, 2013

By: /s/ Donald C. Ewigleben
Donald C. Ewigleben
Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of International Tower Hill Mines Ltd. (the "Company"), for the period ended September 30, 2013, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Tom S. Q. Yip, Chief Financial Officer of the Company, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the Company.

Date: November 6, 2013

By: /s/ Tom S. Q. Yip
Tom S. Q. Yip
Chief Financial Officer
(Principal Financial and Accounting Officer)

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