

Edgar Filing: INTERNATIONAL TOWER HILL MINES LTD - Form 10-Q

Registrant's telephone number, including area code: (604) 683-6332

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-accelerated 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	<input type="checkbox"/>	Accelerated Filer	<input type="checkbox"/>
Non-Accelerated filer	<input type="checkbox"/>	Smaller Reporting Company	<input checked="" type="checkbox"/>

(Do not check if a smaller 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 October 27, 2015, the registrant had 116,313,638 Common Shares outstanding.

Table of Contents

		Page
Part I	<u>FINANCIAL INFORMATION</u>	
Item 1	<u>Financial Statements</u>	4
Item 2	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	16
Item 3	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	22
Item 4	<u>Controls and Procedures</u>	23
Part II	<u>OTHER INFORMATION</u>	
Item 1	<u>Legal Proceedings</u>	24
Item 1A	<u>Risk Factors</u>	24
Item 2	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	24
Item 3	<u>Defaults Upon Senior Securities</u>	24
Item 4	<u>Mine Safety Disclosures</u>	24
Item 5	<u>Other Information</u>	24
Item 6	<u>Exhibits</u>	25
	<u>SIGNATURES</u>	

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 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. 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 contains 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 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 potential for opportunities to improve the economics of the Livengood Gold Project by reducing certain capital and operating costs;
- the potential for higher head grades at the Project;
- the Company's ability to potentially include the results of the optimization process in a new or updated feasibility study or any future financial analysis of the Project;
- the Company's ability to carry forward and incorporate into future engineering studies of the Project updated mine design, production schedule, and recovery concepts identified during the optimization process;
- the potential for the Company to carry out an engineering phase that will evaluate and optimize the Project configuration and capital and operating expenses, including determining the optimum scale for the Project;
- the Company's strategies and objectives, both generally and specifically in respect of the Livengood Gold Project;
- the Company's belief that there are no known environmental issues that are anticipated to materially impact the Company's ability to conduct mining operations at the 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, the Company's ability to meet its financial obligations as they come due (including payment of the derivative liability due in January 2017), and the Company's ability to be able to raise the necessary funds to continue operations on acceptable terms, if at all; and
- future general business and economic conditions, including changes in the price of gold and the overall sentiment of the markets for public equity.

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 claims, or the ability to obtain surface rights, either of which could affect our property rights and claims;
- conditions in the financial markets generally, the overall sentiment of the markets for public equity, interest rates and currency rates;
- the Company's ability to secure the necessary services and supplies on favorable terms in connection with its programs at the Livengood Gold Project and other activities;
- the Company's ability to attract and retain key staff, particularly in connection with the permitting and 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 timing of the receipt of and the terms of the consents, permits and authorizations necessary to carry out 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. 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 I, Item 1A, Risk Factors, of our Annual Report on Form 10-K for the year ended December 31, 2014, 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, 2015 and December 31, 2014
 (Expressed in US Dollars - Unaudited)

	Note	September 30, 2015	December 31, 2014
ASSETS			
Current			
Cash and cash equivalents		\$7,908,605	\$13,521,473
Prepaid expenses and other		214,271	242,058
Total current assets		8,122,876	13,763,531
Property and equipment			
Capitalized acquisition costs	4	31,835	37,128
		55,204,041	55,204,041
Total assets		\$63,358,752	\$69,004,700
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable		\$178,506	\$270,488
Accrued liabilities		492,166	878,682
Total current liabilities		670,672	1,149,170
Non-current liabilities			
Derivative liability	6	14,200,000	14,700,000
Total liabilities		14,870,672	15,849,170
Shareholders' equity			
Share capital, no par value; authorized 500,000,000 shares; 116,313,638 shares issued and outstanding at September 30, 2015 and December 31, 2014	7	243,692,185	243,692,185
Contributed surplus		33,887,559	33,439,249
Accumulated other comprehensive income		773,344	2,196,252
Deficit		(229,865,008)	(226,172,156)

Total shareholders' equity	48,488,080	53,155,530
Total liabilities and shareholders' equity	\$63,358,752	\$69,004,700

Nature and continuance of operations (Note 1)

Commitments (Note 9)

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

INTERNATIONAL TOWER HILL MINES LTD.

(An Exploration Stage Company)

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

For the Three and Nine Months Ended September 30, 2015 and 2014

(Expressed in US Dollars - Unaudited)

		Three Months Ended		Nine Months Ended	
	Note	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Operating expenses					
Consulting fees		\$82,091	\$114,361	\$340,463	\$232,650
Depreciation		1,754	3,950	5,293	11,844
Insurance		68,137	71,923	206,222	205,206
Investor relations		19,209	28,925	112,289	197,356
Mineral property exploration	4	727,477	557,735	1,957,019	1,957,849
Office		6,144	14,290	24,255	51,324
Other		4,675	5,424	15,427	22,755
Professional fees		63,572	86,711	189,185	321,558
Regulatory		40,444	14,853	139,812	102,025
Rent		36,733	56,520	121,719	165,811
Travel		41,064	33,582	80,706	89,441
Wages and benefits		657,914	782,868	1,962,707	2,802,423
Total operating expenses		(1,749,214)	(1,771,142)	(5,155,097)	(6,160,242)
Other income (expenses)					
Gain on foreign exchange		334,228	186,038	905,123	301,598
Interest income		7,497	14,198	38,122	46,017
Unrealized gain/(loss) on derivative	6	400,000	400,000	500,000	(300,000)
Other income		-	-	19,000	-
Total other income		741,725	600,236	1,462,245	47,615
Net loss for the period		(1,007,489)	(1,170,906)	(3,692,852)	(6,112,627)
Other comprehensive income (loss)					
Unrealized income/(loss) on marketable securities		5,272	(5,799)	(8,895)	(17,651)
Exchange difference on translating foreign operations		(583,280)	(385,516)	(1,414,013)	(518,383)
Total other comprehensive income (loss) for the period		(578,008)	(391,315)	(1,422,908)	(536,034)
Comprehensive loss for the period		\$(1,585,497)	\$(1,562,221)	\$(5,115,760)	\$(6,648,661)
Basic and fully diluted loss per share		\$(0.01)	\$(0.01)	\$(0.03)	\$(0.06)
Weighted average number of shares outstanding		116,313,638	98,068,638	116,313,638	98,068,638

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

INTERNATIONAL TOWER HILL MINES LTD.

(An Exploration Stage Company)

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the Nine Months Ended September 30, 2015 and 2014

(Expressed in US Dollars - Unaudited)

	Number of shares	Share capital	Contributed surplus	Accumulated other comprehensive income/(loss)	Deficit	Total
Balance, December 31, 2013	98,068,638	\$236,401,096	\$32,153,864	\$ 3,021,281	\$(218,405,060)	\$53,171,181
Stock based compensation	-	-	1,140,879	-	-	1,140,879
Unrealized loss on available-for-sale securities	-	-	-	(17,651)	-	(17,651)
Exchange difference on translating foreign operations	-	-	-	(518,383)	-	(518,383)
Net loss	-	-	-	-	(6,112,627)	(6,112,627)
Balance, September 30, 2014	98,068,638	236,401,096	33,294,743	2,485,247	(224,517,687)	47,663,399
Private placement	18,245,000	7,315,917	-	-	-	7,315,917
Share issuance costs	-	(24,828)	-	-	-	(24,828)
Stock based compensation	-	-	144,506	-	-	144,506
Unrealized loss on available-for-sale securities	-	-	-	(7,066)	-	(7,066)
Exchange difference on translating foreign operations	-	-	-	(281,929)	-	(281,929)
Net loss	-	-	-	-	(1,654,469)	(1,654,469)