

## **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**

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#### **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.

## Results of Operations

### Summary of Quarterly Results

	September 30, 2013	June 30, 2013	March 31, 2013	December 31, 2012
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)

  

Description	September 30, 2012	June 30, 2012	March 31, 2012	4 months December 31, 2011
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:

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

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:

<b>Expense category:</b>	<b>September 30, 2013</b>	<b>September 30, 2012</b>
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
	\$ 3,654,224	\$ 7,184,159

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 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 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							
	2013	2014	2015	2016	2017	2018	2019 and beyond	Total
Livengood Property Purchase <sup>(1)</sup>	\$ -	\$ -	\$ -	\$ 16,700,000	\$ -	\$ -	\$ -	\$ 16,700,000
Mineral Property Leases <sup>(2)</sup>	-	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
<b>Total</b>	<b>\$ 110,364</b>	<b>\$ 696,609</b>	<b>\$ 574,049</b>	<b>\$ 17,200,266</b>	<b>\$ 505,153</b>	<b>\$ 515,113</b>	<b>\$ 520,148</b>	<b>\$ 20,121,702</b>

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).

**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.