

INTERNATIONAL TOWER HILL MINES LTD
Form 40-F
August 30, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 40-F

**REGISTRATION STATEMENT PURSUANT TO SECTION
12 OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

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

For the fiscal year ended May 31, 2010

Commission file number: 001-33638

INTERNATIONAL TOWER HILL MINES LTD.

(Exact Name of Registrant as Specified in its Charter)

**British Columbia,
Canada**

(Province or other
jurisdiction of

1040

(Primary Standard Industrial
Classification Code)

N/A

(I.R.S. Employer
Identification No.)

incorporation or
organization)

**#1920 - 1188 West Georgia Street
Vancouver, British Columbia, V6E 4A2
(604) 683-3332**

(Address and Telephone Number of Registrant's Principal Executive Offices)

Copies to:

**CT Corporation
111 Eighth Avenue, 13th Floor,
New York, New York 10011**

(212) 894-8940

(Name, address (including zip code) and telephone
number (including area code) of agent for service in the
United States)

Jason K. Brenkert

**Dorsey & Whitney LLP
Republic Plaza Building, Suite 4700
370 Seventeenth Street**

Denver, Colorado 80202

(303) 352-1133

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of Each Class:

Common Shares, no par value

Name of Each Exchange On Which Registered:

NYSE Amex Equities

Securities registered or to be registered pursuant to Section 12(g) of the Act: **N/A**

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: **N/A**

For annual reports, indicate by check mark the information filed with this form:

Annual Information Form

Audited Annual Financial Statements

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report: As at May 31, 2010, 66,117,922 common shares of the Registrant were issued and outstanding.

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act 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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

EXPLANATORY NOTE

International Tower Hill Mines Ltd. (the “Company” or the “Registrant”) is a Canadian issuer eligible to file its annual report pursuant to Section 13 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), on Form 40-F pursuant to the multi-jurisdictional disclosure system of the Exchange Act. The Company is a foreign private issuer as defined in Rule 3b-4 under the Exchange Act. Equity securities of the Company are accordingly exempt from Sections 14(a), 14(b), 14(c), 14(f) and 16 of the Exchange Act pursuant to Rule 3a12-3.

FORWARD-LOOKING STATEMENTS

This annual report on Form 40-F 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 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 may, could or should (or the negative and grammatical variations of any of these terms) occur or be achieved.

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:

- risks relating to the Company’s ability to finance the exploration and development of its mineral properties;
- permitting risks relating to the Company’s exploration and development of its mineral properties and business activities;
- risks and uncertainties relating to the interpretation of exploration results, geology, grade and continuity of the Company’s mineral deposits;
- commodity price fluctuations (particularly gold and silver commodities);
- currency fluctuations;
- risks related to governmental regulations, including environmental regulations;
- risks related to possible reclamation activities on the Company’s properties;
- the Company’s ability to attract and retain qualified management and the Company’s dependence upon such management in the development of its mineral properties;
- increased competition in the exploration industry;
- the Company’s lack of infrastructure;
- the Company’s history of losses and expectation of future losses.

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 described in the Annual Information Form (AIF) of the Company filed as Exhibit 1 to this annual report on Form 40-F.

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The Company's forward-looking statements contained in this annual report on Form 40-F and the documents incorporated by reference herein are based on the beliefs, expectations and opinions of management as of the date of this annual report and documents incorporated by reference herein. 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.

NOTE TO UNITED STATES READERS -

DIFFERENCES IN UNITED STATES AND CANADIAN REPORTING PRACTICES

The Company is permitted, under the multi-jurisdictional disclosure system adopted by the United States Securities and Exchange Commission (the SEC), to prepare this annual report in accordance with Canadian disclosure requirements, which differ from those of the United States. The Company prepares its financial statements, which are filed as Exhibit 2 to this annual report on Form 40-F, in accordance with Canadian generally accepted accounting principles (GAAP), and the financial statements are subject to Canadian auditing and auditor independence standards. The Company's financial statements are not comparable to financial statements of United States companies. Significant measurement differences between Canadian GAAP and United States GAAP are described in Note 11 of the audited consolidated financial statements of the Company.

RESOURCE AND RESERVE ESTIMATES

The Company's AIF filed as Exhibit 1 to this annual report on Form 40-F has been prepared in accordance with the requirements of the securities laws in effect in Canada, which differ from the requirements of United States securities laws. 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 SEC Industry Guide 7 under the United States Securities Act of 1993, 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 any part or all of mineral deposits 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 Industry Guide 7 standards as in place tonnage and grade without reference to unit measures.

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Accordingly, information contained in this annual 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.

CURRENCY

Unless otherwise indicated, all dollar amounts in this annual report on Form 40-F are in Canadian dollars. The exchange rate of Canadian dollars into United States dollars, on May 31, 2010, based upon the noon rate of exchange as quoted by the Bank of Canada was Cdn.\$1.00 = US\$0.9558.

ANNUAL INFORMATION FORM

The Company's AIF for the fiscal year ended May 31, 2010 is filed as Exhibit 1 and incorporated by reference in this annual report on Form 40-F.

AUDITED ANNUAL FINANCIAL STATEMENTS

The audited consolidated financial statements of the Company for the years ended May 31, 2010, 2009 and 2008, including the report of the independent auditor with respect thereto, are filed as Exhibit 2 and incorporated by reference in this annual report on Form 40-F. For a reconciliation of material measurement differences between Canadian and United States GAAP, see Note 11 to the Company's audited consolidated financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Company's management's discussion and analysis (MD&A) is filed as Exhibit 3 and incorporated by reference in this annual report on Form 40-F.

TAX MATTERS

Purchasing, holding, or disposing of securities of the Company may have tax consequences under the laws of the United States and Canada that are not described in this annual report on Form 40-F. Shareholders are solely responsible for determining the tax consequences applicable to their particular circumstances and should consult their own tax advisors concerning an investment in the Company's common shares.

CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

At the end of the period covered by this annual report for the fiscal year ended May 31, 2010, an evaluation was carried out under the supervision of, and with the participation of, the Company's management, including its Chief Executive Officer (CEO) and Chief Financial Officer (CFO), of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) of the Exchange Act). Based upon that evaluation, the Company's CEO and CFO have concluded that the disclosure controls and procedures were effective to give reasonable assurance that the information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is (i) recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms, and (ii) accumulated and communicated to management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Management's Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rules 13a-15(f) under the Exchange Act. A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements. It should be noted that a control system, no matter how well conceived or operated, can only provide reasonable assurance, not absolute assurance, that the objectives of the control system are met. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies and procedures may deteriorate.

Management, including the CEO and CFO, assessed the effectiveness of the Company's internal control over financial reporting as of May 31, 2010. In making this assessment, management used the criteria set forth in the Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on its assessment, management has concluded that, as of May 31, 2010, the Company's internal control over financial reporting was effective and no material weaknesses in the Company's internal control over financial reporting were discovered.

The Company is required to provide an auditor's attestation report on internal control over financial reporting for the fiscal year ended May 31, 2010. In this annual report, the Company's independent registered auditor, MacKay LLP (MacKay), must state its opinion as to the effectiveness of the Company's internal control over financial reporting for the fiscal year ended May 31, 2010. MacKay has audited the Company's financial statements included in this annual report on Form 40-F and issued a report thereon.

Auditor's Attestation Report

MacKay's attestation report on the Company's internal control over financial reporting is included as part of Exhibit 2 and incorporated by reference in this annual report on Form 40-F.

Changes in Internal Control over Financial Reporting

There have been no changes in the Company's internal control over financial reporting during its fiscal year ended May 31, 2010 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

CORPORATE GOVERNANCE

The Company has a Compensation Committee, and a Nominating and Corporate Governance Committee each comprised of independent directors, as determined by the Company's Board of Directors based on

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the requirements for independence and unrelatedness set forth in section 803 of the NYSE Amex Company Guide.

AUDIT COMMITTEE

Audit Committee

The Company has a separately designated standing Audit Committee established in accordance with section 3(a)(58)(A) of the Exchange Act. The Company's Audit Committee is composed of Anton J. Drescher, Rowland Perkins and Ronald Sheardown, all of whom, in the opinion of the directors, are independent (as determined under Rule 10A-3 of the Exchange Act and section 803 of the NYSE Amex Company Guide) and are financially literate.

The Audit Committee meets the composition requirements set forth by section 803(B)(2) of NYSE Amex Company Guide. Please refer to the Company's AIF attached as Exhibit 1 to this annual report for details in connection with each of the members of the Company's Audit Committee and their qualifications.

The members of the Audit Committee do not have fixed terms and are appointed and replaced from time to time by resolution of the directors.

The Audit Committee meets with the President, the CEO, the CFO and the Company's independent auditors to review and inquire into matters affecting financial reporting, the system of internal accounting and financial controls, as well as audit procedures and audit plans. The Audit Committee also recommends to the Board of Directors which independent registered public auditing firm should be appointed by the Company. In addition, the Audit Committee reviews and recommends to the Board of Directors for approval the annual financial statements and the MD&A, and undertakes other activities required by stock exchanges on which the Company's securities are listed and by regulatory authorities to which the Company is held responsible.

The full text of the Audit Committee Charter is attached as Schedule A to the Company's AIF, attached hereto as Exhibit 1, and is incorporated by reference in this annual report on Form 40-F.

Audit Committee Financial Expert

The Company's Board of Directors has determined that Anton J. Drescher qualifies as a financial expert (as defined in Item 407 of Regulation S-K under the Exchange Act) and is independent (as determined under Exchange Act Rule 10A-3 and section 803 of the NYSE Amex Company Guide).

PRINCIPAL ACCOUNTING FEES AND SERVICES INDEPENDENT AUDITORS

The following table shows the aggregate fees billed to the Company by MacKay LLP, Chartered Accountants, its external auditor, in each of the last two years.

	Years ended May 31	
	2010	2009
Audit	\$49,500	\$35,000
Audit Related	\$29,500	\$5,100
Tax	\$9,500	\$6,000
All Other Fees	\$Nil	\$Nil
Total	\$88,500	\$46,100

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**PRE-APPROVAL OF AUDIT AND NON-AUDIT SERVICES PROVIDED BY
INDEPENDENT AUDITORS**

The Audit Committee recommends for appointment by the shareholders and, following appointment by the shareholders, engages the Company's independent auditors to audit the Company's financial statements and approves all audit, audit-related services, tax services and other services provided by the Company's independent auditors. The Audit Committee is authorized to review the performance of the Company's independent auditors, to approve in advance the provisions of services other than auditing and to consider the independence of the external auditors. The Chairman of the Audit Committee is authorized to approve any non-audit services or additional work by the independent auditors which the Chairman of the Audit Committee deems necessary. The Chairman is required to notify the other members of the audit committee of such non-audit services or additional work.

OFF-BALANCE SHEET TRANSACTIONS

The Company does not have any off-balance sheet financing arrangements or relationships with unconsolidated special purpose entities.

CODE OF ETHICS

The Company adopted a Code of Business Conduct and Ethics (the Code) effective September 22, 2006, for all its directors, executive officers and employees. The Code was filed with the SEC as Exhibit 99.5 to the Company's Form 20-F for its fiscal year ended May 31, 2006, filed on December 29, 2006. A copy of the Code is also posted on the Company's website at www.ithmines.com.

All amendments to the Code, and all waivers of the Code with respect to any of the officers covered by it, will be posted on the Company's web site, furnished to the SEC under a Current Report on Form 6-K, and provided in print to any shareholder who requests them. There have been no amendments, waivers or implicit waivers to the Code during the fiscal year ended May 31, 2010.

Any person may obtain without charge, upon written request, a copy of the Code by contacting the Vice-President and General Counsel at Suite 1920, 1188 West Georgia Street, Vancouver, BC, V6E 4A2 or by visiting the Company's website at www.ithmines.com.

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. The Company does not have any long-term debt or loan obligations. Under the terms of the Company's mineral property purchase agreement, 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 and/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 and 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 gives effect to the spin-out of all of its mineral properties, other than the Livengood project in Alaska, to Corvus Gold Inc. under a Plan of Arrangement which became effective August 26, 2010 and assumes that the Company retains the rights to all of its current landholdings in connection with the Livengood Project:

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Contractual Obligations	Payments Due by Period⁽⁴⁾			
	Total	Prior to May 31, 2011 (9 months)	June 1, 2011 to May 31, 2014 (36 months)	June 1, 2014 to May 31, 2017 (36 months)
<i>Mineral Property Leases⁽¹⁾⁽²⁾</i>	12,383,000	53,000	1,165,000	11,165,000
<i>Mining Claim Government Fees</i>	296,940	42,420	127,260	127,260
<i>Office and Equipment Lease Obligations⁽³⁾</i>	1,623,290	190,130	716,580	716,580
<i>Total Contractual Obligations</i>	14,303,230	285,550	2,008,840	12,008,840

Notes:

1.

Does not include required work expenditures, as it is assumed that the required expenditure level is significantly below the work which will actually be carried out by the Company.

2.

Does not include potential royalties that may be payable (other than annual minimum royalty payments).

3.

Assumes that current office and storage leases are extended beyond current termination dates at the same terms.

4.

Assumes CAD and USD at par.

NOTICES PURSUANT TO REGULATION BTR

There were no notices required by Rule 104 of Regulation BTR that the Company sent during the year ended May 31, 2010 concerning any equity security subject to a blackout period under Rule 101 of Regulation BTR.

NYSE AMEX CORPORATE GOVERNANCE

The Company's common shares are listed on the NYSE Amex. Section 110 of the NYSE Amex Company Guide permits the NYSE Amex to consider the laws, customs and practices of foreign issuers in relaxing certain NYSE Amex listing criteria, and to grant exemptions from NYSE Amex listing criteria based on these considerations. A company seeking relief under these provisions is required to provide written certification from independent local counsel that the non-complying practice is not prohibited by home country law. A description of the significant ways in which the Company's governance practices differ from those followed by domestic companies pursuant to NYSE Amex standards is as follows:

Shareholder Meeting Quorum Requirement: The NYSE Amex minimum quorum requirement for a shareholder meeting is one-third of the outstanding shares of common stock. In addition, a company listed on the NYSE Amex is required to state its quorum requirement in its bylaws. The Company's quorum requirement is set forth in its Articles. A quorum for a meeting of members of the Company is two persons who are, or who represent by proxy, shareholders who, in the aggregate, hold at least 5% of the shares entitled to be voted at the meeting.

Proxy Delivery Requirement: The NYSE Amex requires the solicitation of proxies and delivery of proxy statements for all shareholder meetings, and requires that these proxies shall be solicited pursuant to a proxy statement that conforms to SEC proxy rules. The Company is a foreign private issuer as defined in Rule 3b-4 under the Exchange Act, and the equity securities of the Company are accordingly exempt from the proxy rules set forth in Sections 14(a), 14(b), 14(c)

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and 14(f) of the Exchange Act. The Company solicits proxies in accordance with applicable rules and regulations in Canada.

The foregoing are consistent with the laws, customs and practices in Canada.

In addition, the Company may from time-to-time seek relief from NYSE Amex corporate governance requirements on specific transactions under Section 110 of the NYSE Amex Company Guide by providing written certification from independent local counsel that the non-complying practice is not prohibited by our home country law, in which case, the Company shall make the disclosure of such transactions available on its website at www.ithmines.com. Information contained on the Company's website is not part of this annual report.

UNDERTAKING

The Company undertakes to make available, in person or by telephone, representatives to respond to inquiries made by the Commission staff, and to furnish promptly, when requested to do so by the Commission staff, information relating to: the securities registered pursuant to Form 40-F; the securities in relation to which the obligation to file an annual report on Form 40-F arises; or transactions in said securities.

CONSENT TO SERVICE OF PROCESS

The Company has filed an Appointment of Agent for Service of Process and Undertaking on Form F-X dated August 28, 2009, with respect to the class of securities in relation to which the obligation to file this annual report on Form 40-F arises.

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EXHIBIT INDEX

The following exhibits have been filed as part of the Annual Report:

Exhibit	Description
Annual Information	
<u>1</u>	<u>Annual Information Form of the Company for the year ended May 31, 2010</u>
<u>2</u>	<u>Audited consolidated financial statements of the Company and notes thereto for the years ended May 31, 2010, 2009 and 2008 together with the report of the auditors thereon</u>
<u>3</u>	<u>Management's Discussion and Analysis for the years ended May 31, 2010, 2009 and 2008</u>
Certifications	
<u>4</u>	<u>Certificate of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
<u>5</u>	<u>Certificate of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
<u>6</u>	<u>Certificate of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>

- 7 Certificate of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Consents

- 8 Consent of MacKay LLP
9 Consent of Paul D. Klipfel, Ph.D., of Mineral Resource Services Inc.
10 Consent of Timothy J. Carew, P.Geo., of Reserva International, LLC
11 Consent of William Pennstrom Jr., M.A., of Pennstrom Consulting Inc.

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SIGNATURES

Pursuant to the requirements of the Exchange Act, the Registrant certifies that it meets all of the requirements for filing on Form 40-F and has duly caused this annual report to be signed on its behalf by the undersigned, thereto duly authorized.

INTERNATIONAL TOWER HILL MINES LTD.

By: /s/ Jeffrey Pontius

Name:

Jeffrey Pontius

Title:

President and Chief Executive Officer

Date: August 27, 2010

