



CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in US Dollars)

Years Ended December 31, 2018 and 2017

Corporate Office

2300-1177 West Hastings Street
Vancouver, BC
Canada
V6E 2K3
Tel: 604-683-6332

INTERNATIONAL TOWER HILL MINES LTD.

December 31, 2018 and 2017

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Report of Independent Registered Public Accounting Firm

To the Shareholders and Directors of International Tower Hill Mines Ltd.

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of International Tower Hill Mines Ltd. (the “Company”), as of December 31, 2018 and 2017, and the related consolidated statements of operations and comprehensive loss, changes in shareholders’ equity, and cash flows for the years ended December 31, 2018 and 2017, and the related notes (collectively referred to as the “financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for the years ended December 31, 2018 and 2017 in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatements of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Davidson & Company LLP
Chartered Professional Accountants
Vancouver, British Columbia, Canada
March 14, 2019

We have served as the Company’s auditor since 2017.

INTERNATIONAL TOWER HILL MINES LTD.**CONSOLIDATED BALANCE SHEETS**

As at December 31, 2018 and 2017

(Expressed in U.S. Dollars)

	Note	December 31, 2018	December 31, 2017
ASSETS			
Current assets			
Cash and cash equivalents		\$ 10,228,964	\$ 2,244,466
Prepaid expenses and other		203,968	177,730
Total current assets		10,432,932	2,422,196
Property and equipment		17,750	20,794
Capitalized acquisition costs	4	55,273,432	55,204,041
Total assets		\$ 65,724,114	\$ 57,647,031
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable		\$ 43,475	\$ 82,269
Accrued liabilities	5	504,478	346,569
Total liabilities		547,953	428,838
Shareholders' equity			
Share capital, no par value; authorized 500,000,000 shares; 186,990,683 and 162,392,996 shares issued and outstanding at December 31, 2018 and 2017, respectively	8	277,852,672	265,616,642
Contributed surplus		34,960,292	34,459,264
Obligation to issue shares		-	63,593
Accumulated other comprehensive income		1,162,900	1,686,359
Deficit		(248,799,703)	(244,607,665)
Total shareholders' equity		65,176,161	57,218,193
Total liabilities and shareholders' equity		\$ 65,724,114	\$ 57,647,031

Nature of operations (Note 1)**Commitments** (Note 10)

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

INTERNATIONAL TOWER HILL MINES LTD.**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**

For the Years Ended December 31, 2018 and 2017

(Expressed in U.S. Dollars)

	Note	December 31, 2018	December 31, 2017
Operating Expenses			
Consulting fees	8	\$ 553,292	\$ 660,362
Depreciation		3,043	4,006
Insurance		169,036	281,948
Investor relations	8	58,267	83,630
Mineral property exploration	4	1,576,251	2,446,934
Office		33,870	35,297
Other		16,229	18,237
Professional fees		227,082	263,863
Regulatory		146,615	152,599
Rent		135,736	139,735
Travel		59,192	94,873
Wages and benefits	8	1,889,611	1,935,980
Total operating expenses		(4,868,224)	(6,117,464)
Other income (expense)			
Gain/(loss) on foreign exchange		522,248	(364,188)
Interest income		119,106	27,395
Other income	3	34,832	22,200
Total other income (expense)		676,186	(314,593)
Net loss for the year		(4,192,038)	(6,432,057)
Other comprehensive income (loss)			
Unrealized loss on marketable securities		(1,526)	(8,517)
Reclassification of accumulated unrealized loss on available-for-sale securities to other income		22,352	-
Exchange difference on translating foreign operations		(544,285)	350,657
Total other comprehensive income/(loss) for the year		(523,459)	342,140
Comprehensive loss for the year		\$ (4,715,497)	\$ (6,089,917)
Basic and diluted net loss per share		\$ (0.02)	\$ (0.04)
Weighted average number of shares outstanding		181,984,179	162,283,493

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

INTERNATIONAL TOWER HILL MINES LTD.**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

For the Years Ended December 31, 2018 and 2017

(Expressed in U.S. Dollars)

	Number of shares	Share capital	Contributed surplus	Obligation to issue shares	Accumulated other comprehensive income/(loss)	Deficit	Total
Balance, December 31, 2016	162,186,972	265,569,796	34,079,301	-	1,344,219	(238,175,608)	62,817,708
Share issuance costs	-	(52,646)	-	-	-	-	(52,646)
Stock based compensation-option	-	-	61,998	-	-	-	61,998
Stock based compensation-DSU	-	-	381,558	-	-	-	381,558
Unrealized loss on available-for-sale securities	-	-	-	-	(8,517)	-	(8,517)
Exchange difference on translating foreign operations	-	-	-	-	350,657	-	350,657
Obligation to issue shares	-	-	(63,593)	63,593	-	-	-
Share issuance (Note 11)	206,024	99,492	-	-	-	-	99,492
Net loss	-	-	-	-	-	(6,432,057)	(6,432,057)
Balance, December 31, 2017	162,392,996	265,616,642	34,459,264	63,593	1,686,359	(244,607,665)	57,218,193
Stock based compensation-option	-	-	189,396	-	-	-	189,396
Stock based compensation-DSU	-	-	414,422	-	-	-	414,422
Unrealized loss on available-for-sale securities	-	-	-	-	(1,526)	-	(1,526)
Reclassification of accumulated unrealized loss on available-for-sale securities to other income	-	-	-	-	22,352	-	22,352
Exchange difference on translating foreign operations	-	-	-	-	(544,285)	-	(544,285)
Share issuance	24,129,687	12,063,593	-	(63,593)	-	-	12,000,000
Exercise of options	468,000	181,026	-	-	-	-	181,026
Share issuance costs	-	(111,379)	-	-	-	-	(111,379)
Reallocation from contributed surplus	-	102,790	(102,790)	-	-	-	-
Net loss	-	-	-	-	-	(4,192,038)	(4,192,038)
Balance, December 31, 2018	186,990,683	\$ 277,852,672	\$ 34,960,292	\$ -	\$ 1,162,900	\$ (248,799,703)	\$ 65,176,161

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

INTERNATIONAL TOWER HILL MINES LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2018 and 2017
(Expressed in U.S. Dollars)

	December 31, 2018	December 31, 2017
Operating Activities		
Loss for the year	\$ (4,192,038)	\$ (6,432,057)
Add items not affecting cash:		
Depreciation	3,043	4,006
Stock-based compensation-option	189,396	61,998
Stock-based compensation-DSU	414,422	381,558
Loss on sale of marketable securities	19,953	-
Shares for services	-	99,492
Changes in non-cash working capital items:		
Accounts receivable	(99,480)	4,129
Prepaid expenses	48,162	25,166
Accounts payable and accrued liabilities	124,812	30,339
Cash used in operating activities	(3,491,730)	(5,825,369)
Financing Activities		
Issuance of common shares	12,181,026	-
Derivative payment	-	(14,694,169)
Share issuance costs	(111,379)	(52,646)
Cash provided by (used in) financing activities	12,069,647	(14,746,815)
Investing Activities		
Capitalized acquisition costs	(69,391)	-
Sale of marketable securities	14,519	-
Cash used in investing activities	(54,872)	-
Effect of foreign exchange on cash and cash equivalents	(538,547)	350,157
Increase/(decrease) in cash and cash equivalents	7,984,498	(20,222,027)
Cash and cash equivalents, beginning of year	2,244,466	22,466,493
Cash and cash equivalents, end of year	\$ 10,228,964	\$ 2,244,466
Supplemental disclosure with respect to cash flows:		
Obligation to issue shares	\$ -	\$ 63,593

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

INTERNATIONAL TOWER HILL MINES LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in U.S. Dollars)

1. GENERAL INFORMATION, NATURE OF OPERATIONS

International Tower Hill Mines Ltd. ("ITH" or the "Company") is incorporated under the laws of British Columbia, Canada. The Company's head office address is 2300-1177 West Hastings Street, Vancouver, British Columbia, Canada.

International Tower Hill Mines Ltd. consists of ITH and its wholly owned subsidiaries Tower Hill Mines, Inc. ("TH Alaska") (an Alaska corporation), Tower Hill Mines (US) LLC ("TH US") (a Colorado limited liability company), Livengood Placers, Inc. ("LPI") (a Nevada corporation), and 813034 Alberta Ltd. (inactive Alberta corporation - dissolved in 2013). The Company is in the business of acquiring, exploring and evaluating mineral properties, and either joint venturing or developing these properties further or disposing of them when the evaluation is completed. At December 31, 2018, the Company was in the exploration stage and controls a 100% interest in its Livengood Gold Project in Alaska, U.S.A.

These consolidated financial statements have been prepared on a going-concern basis, which presumes the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future.

The Company will require significant additional financing to continue its operations in connection with advancing activities at the Livengood Gold Project and for the development of any mine that may be determined to be built at the Livengood Gold Project. There is no assurance that the Company will be able to obtain the additional financing required on acceptable terms, if at all.

On January 12, 2017, the Company paid \$14,694,169 for the timely and full satisfaction of the final derivative payment due with respect to the acquisition of certain mining claims and related rights in the vicinity of the Livengood Gold Project.

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. The amount 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 the Project to preserve its working capital to fund anticipated non-discretionary expenditures beyond the 2019 fiscal year. As at March 14, 2019, management believes that the Company has sufficient financial resources to maintain its operations for the next twelve months.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These consolidated financial statements are presented in United States dollars and have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP"). On March 14, 2019, the Board approved the consolidated financial statements dated December 31, 2018.

Basis of consolidation

These consolidated financial statements include the accounts of ITH and its wholly owned subsidiaries TH Alaska, TH US, and LPI. All intercompany transactions and balances have been eliminated.

Significant judgments, estimates and assumptions

The preparation of financial statements in accordance 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 regularly evaluated and are based on management's experience and knowledge of the relevant facts and circumstances. While management believes the estimates to be reasonable, actual results could differ from those estimates and could impact future results of operations and cash flows.

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

Significant judgments

- the determination of functional currencies;
- quantitative and qualitative factors used in the assessment of impairment of the Company's capitalized acquisition costs; and
- the analysis of resource calculations, drill results, labwork, etc. which can impact the Company's assessment of impairment, and provisions, if any, for environmental rehabilitation and restoration.

Cash and cash equivalents

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

Marketable securities

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

Property and equipment

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

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

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

Mineral properties and exploration and evaluation expenditures

The Company's mineral project is currently in the exploration and evaluation phase. Mineral property acquisition costs are capitalized when incurred. Mineral property exploration costs are expensed as incurred. At such time that the Company determines that a mineral property can be economically developed, subsequent mineral property expenses will be capitalized during the development of such property.

The Company assesses interests in exploration properties for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount. Impairment analysis includes assessment of the following circumstances: a significant decrease in the market price of a long-lived asset or asset group; a significant adverse change in the extent or manner in which a long-lived asset or asset group is being used or in its physical condition; a significant adverse change in legal factors or in the business climate that could affect the value of a long-lived asset or asset group, including an adverse action or assessment by a regulator; an accumulation of costs significantly in excess of the amount originally expected for the acquisition or construction of a long-lived asset or asset group; a current-period operating or cash flow loss combined with a history of operating or cash flow losses or a projection or forecast that demonstrates continuing losses associated with the use of a long-lived asset or asset group; a current expectation that, more likely than not, a long-lived asset or asset group will be sold or otherwise disposed of significantly before the end of its previously estimated useful life. The term more likely than not refers to a level of likelihood that is more than 50%.

Asset retirement obligations

The Company records a liability based on the best estimate of costs for site closure and reclamation activities that the Company is legally or contractually required to remediate. The provision for closure and reclamation liabilities is estimated using expected cash flows based on engineering and environmental reports and accreted to full value over time through periodic charges to income. The Company does not have any material provisions for environmental rehabilitation as of December 31, 2018.

Derivatives

Derivatives are initially recognized at their fair value on the date the derivative contract is entered into and are subsequently re-measured at their fair value at each reporting period with changes in the fair value recognized in profit and loss.

Impairment of long-lived assets and long-lived assets to be disposed of

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount and the fair value less costs to sell.

Income taxes

The Company accounts for income taxes under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Under the asset and liability method, the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is recognized if it is more likely than not that some portion or the entire deferred tax asset will not be recognized.

Net loss per share

Basic loss per share is calculated using the weighted average number of common shares outstanding during the period. Diluted loss per share reflects the potential dilution that could occur if securities or contracts that may require the issuance of common shares in the future were converted, unless the impact is anti-dilutive. For the year ended December 31, 2018, this calculation proved to be anti-dilutive, and therefore the Company's 3,655,991 stock options and 1,356,975 deferred share units ("DSUs") outstanding at year-end have been excluded from the calculation.

Stock-based compensation

The Company follows the provisions of Financial Accounting Standards Board ("FASB") Accounting Standards Codification Section 718 "Compensation - Stock Compensation", which establishes accounting for equity based compensation awards to be accounted for using the fair value method. Equity-settled share based payment arrangements are initially measured at fair value at the date of grant and recorded within shareholders' equity. Arrangements considered to be cash-settled are initially recorded at fair value and classified as accrued liabilities, and subsequently re-measured at fair value at each reporting date. The Company's stock option plan is an equity-settled arrangement and the Company's deferred share unit plan can be an equity or cash settled arrangement depending on the grant date term.

The fair value at grant date of all share-based payments is recognized as compensation expense over the period for which benefits of services are expected to be derived, with a corresponding credit to shareholders' equity or accrued liabilities depending on whether they are equity-settled or cash-settled. The Company estimates the fair value of stock options granted using the Black-Scholes option pricing model and estimate the expected forfeiture rate at the date of grant. The value of DSUs is estimated based on the quoted market price of the Company's common shares. When awards are forfeited because non-market based vesting conditions are not satisfied, the expense previously recognized is proportionately reversed.

Functional Currency

The Company's consolidated financial statements are presented in U.S. dollars, which is the Company's reporting currency. The functional currency of ITH is the Canadian ("CAD" or "C") dollar and the functional currency of ITH Alaska, TH US

and LPI is the U.S. dollar.

In accordance with ASC 830, Foreign Currency Matters, the Company translates the assets and liabilities into U.S. dollars using the rate of exchange prevailing at the balance sheet date and the statements of operations and comprehensive loss and cash flows are translated at an average rate during the reporting period. Adjustments resulting from the translation from CAD into U.S. dollars are recorded in shareholders' equity as part of accumulated other comprehensive income.

Foreign currency transactions are translated into the functional currency of the respective currency of the entity or division, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items denominated in foreign currency at period-end exchange rates are recognized in profit or loss. Non-monetary items that are not re-translated at period end are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value, which are translated using the exchange rates as at the date when fair value was determined. Gains and losses are recorded in the statement of operations and comprehensive loss.

Recently Adopted Accounting Pronouncements

Accounting Standards Update 2016-16—Income Taxes, Intra-Entity Transfers of Assets Other Than Inventory (Topic 740). In October 2016, the FASB issued guidance intended to improve the accounting for the income tax consequences of intra-entity transfers of assets other than inventory by requiring an entity to recognize the income tax consequences when a transfer occurs, instead of when an asset is sold to an outside party. The amendments in this guidance should be applied on a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings as of the beginning of the period of adoption. The adoption of the guidance had no impact on the Company's financial statements.

Accounting Standards Update No. 2014-09—Revenue from Contracts with Customers (Topic 606). On May 28, 2014, the FASB issued guidance that requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. This ASU was further amended in August 2015, March 2016, April 2016, May 2016 and December 2016 by ASU No. 2015-014, No. 2016-08, No. 2016-10, No. 2016-12 and No. 2016-20, respectively. The guidance provides a five-step approach to be applied to all contracts with customers and also requires expanded disclosures about revenue recognition. The adoption of the guidance had no impact on the Company's financial statements.

Recently Issued Accounting Standards Updates

Accounting Standards Update No. 2016-02 Leases (Topic 842). In February 2016, the FASB issued a new standard regarding leases. These are elements of the new standard that could impact almost all entities to some extent, although lessees will likely see the most significant changes. Lessees will need to recognize virtually all of their leases on the balance sheet, by recording a right-of-use asset and a lease liability. Public business entities are required to adopt the new leasing standard for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. For calendar year-end public companies, this means an adoption date of January 1, 2019. Early adoption is permitted. The Company is currently in the process of evaluating the impact on its consolidated financial statements and disclosures.

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 December 31, 2018	
Level 1	
Financial assets:	
Marketable securities	\$ -
Total	\$ -

During the year ended December 31, 2018, the Company sold:

- i) 65,000 shares of Millrock Resources Inc. for gross proceeds of \$7,802 resulting in a realized loss of \$26,670.
- ii) 40,000 shares of Dunnedin Ventures Inc. for gross proceeds of \$4,699 resulting in a realized gain of \$4,699.
- iii) 13,333 shares of Solstice Gold Corp. for gross proceeds of \$2,018 resulting in a realized gain of \$2,018.

The total realized loss of \$19,953 was recorded as other income in the statement of operations and comprehensive loss.

	Fair value as at December 31, 2017
	Level 1
Financial assets:	
Marketable securities	\$ 15,543
Total	\$ 15,543

4. CAPITALIZED ACQUISITION COSTS

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

Capitalized acquisition costs	Amount
Balance, December 31, 2016	\$ 55,204,041
Additions	-
Balance, December 31, 2017	\$ 55,204,041
Additions	69,391
Balance, December 31, 2018	\$ 55,273,432

The following table presents costs incurred for exploration and evaluation activities for the years ended December 31, 2018 and 2017:

	Year ended December 31, 2018	Year ended December 31, 2017
Exploration costs:		
Aircraft services	\$ 4,200	\$ 6,220
Assay	-	435,879
Environmental	232,648	240,882
Equipment rental	35,039	48,262
Field costs	91,677	112,086
Geological/geophysical	632,653	1,030,543
Land maintenance & tenure	506,934	500,929
Legal	67,929	59,483
Transportation and travel	5,171	12,650
Total expenditures for the year	\$ 1,576,251	\$ 2,446,934

Properties acquired from AngloGold, Alaska

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

As further consideration for the transfer of the Sale Properties, the Company granted to AngloGold a 90-day right of first offer with respect to the Sale Properties and any additional mineral properties in Alaska in which the Company acquires an interest and which interest the Company proposes to farm out or otherwise dispose of. Upon AngloGold’s equity interest in the Company being reduced to less than 10%, this right of first offer would then terminate.

On December 11, 2014, the Company closed a private placement financing in which AngloGold elected not to participate. As a result of the shares issued in this private placement, AngloGold's ownership in the Company was reduced to less than 10% and thus both AngloGold's right to maintain its ownership percentage interest and its right of first offer on the Company's Alaskan properties terminated upon the closing of the December 2014 private placement.

Details of the Livengood Property (being the only Sale Property still held by the Company) are as follows:

Livengood Property:

The Livengood property is located in the Tintina gold belt approximately 113 kilometers (70 miles) north of Fairbanks, Alaska. The property consists of land leased from the Alaska Mental Health Trust, a number of smaller private mineral leases, Alaska state mining claims purchased or located by the Company and patented ground held by the Company.

Details of the leases are as follows:

- a) a lease of the Alaska Mental Health Trust mineral rights having 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 as a result of the purchase of Livengood Placers, Inc. in December 2011. As of December 31, 2018, the Company has paid \$2,962,821 from the inception of this lease.
- b) a lease of federal unpatented lode mining claims having an initial term of ten years commencing on April 21, 2003 and continuing for so long thereafter as advance minimum royalties are paid and mining related activities, including exploration, continue on the property or on adjacent properties controlled by the Company. The lease requires an advance minimum royalty of \$50,000 on or before each anniversary date (all of which minimum royalties are recoverable from production royalties). An NSR production royalty of between 2% and 3% (depending on the price of gold) is payable to the lessors. The Company may purchase 1% of the royalty for \$1,000,000. As of December 31, 2018, the Company has paid \$730,000 from the inception of this lease.
- c) a lease of patented lode claims having an initial term of ten years commencing January 18, 2007, and continuing for so long thereafter as advance minimum royalties are paid. The lease requires an advance minimum royalty of \$20,000 on or before each anniversary date through January 18, 2017 and \$25,000 on or before each subsequent anniversary (all of which minimum royalties are recoverable from production royalties). An NSR production royalty of 3% is payable to the lessors. The Company may purchase all interests of the lessors in the leased property (including the production royalty) for \$1,000,000 (less all minimum and production royalties paid to the date of purchase), of which \$500,000 is payable in cash over four years following the closing of the purchase and the balance of \$500,000 is payable by way of the 3% NSR production royalty. As of December 31, 2018, the Company has paid \$210,000 from the inception of this lease.
- d) a lease of unpatented federal lode mining and federal unpatented placer claims having an initial term of ten years commencing on March 28, 2007, and continuing for so long thereafter as advance minimum royalties are paid and mining related activities, including exploration, continue on the property or on adjacent properties controlled by the Company. The lease requires an advance minimum royalty of \$15,000 on or before each anniversary date (all of which minimum royalties are recoverable from production royalties). The Company is required to pay the lessor the sum of \$250,000 upon making a positive production decision, payable \$125,000 within 120 days of the decision and \$125,000 within a year of the decision (all of which are recoverable from production royalties). An NSR production royalty of 2% is payable to the lessor. The Company may purchase all of the interest of the lessor in the leased property (including the production royalty) for \$1,000,000. As of December 31, 2018, the Company has paid \$143,000 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. ACCRUED LIABILITIES

The following table presents the accrued liabilities balances at December 31, 2018 and 2017.

	December 31, 2018	December 31, 2017
Accrued liabilities	\$ 172,147	\$ 201,673
Accrued salaries and benefits	332,331	144,896
Total accrued liabilities	\$ 504,478	\$ 346,569

Accrued liabilities at December 31, 2018 include accruals for general corporate costs and project costs of \$35,176 and \$136,971, respectively. Accrued liabilities at December 31, 2017 include accruals for general corporate costs and project costs of \$34,941 and \$166,732, respectively.

6. 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 payment based on the five-year average daily gold price ("Average Gold Price") from the date of the acquisition ("Additional Payment"). The Additional Payment equaled \$23,148 for every dollar that the Average Gold Price exceeded \$720 per troy ounce. If the Average Gold Price were less than \$720, there would not have been any additional consideration due.

At initial recognition on December 13, 2011, the derivative liability was valued at \$23,100,000. As at December 12, 2016, the five-year average daily gold price was \$1,354.79 resulting in a derivative liability of \$14,694,169. The obligation to make the contingent payment was secured by a Deed of Trust over the rights of the Company in the purchased claims in favor of the vendors. On January 12, 2017, the Company paid \$14,694,169 for the timely and full satisfaction of the final derivative payment.

7. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows for the years ended December 31, 2018 and 2017:

	December 31, 2018	December 31, 2017
Loss before income taxes	\$ (4,192,038)	\$ (6,432,057)
Statutory Canadian corporate tax rate	27.00%	26.00%
Expected income tax (recovery)	\$ (1,131,850)	\$ (1,672,335)
Share-based payments	163,031	115,324
Difference in tax rates in other jurisdictions	(119,329)	(805,662)
Effect of change in tax rate	-	26,455,632
Derecognition of derivative liability	-	(1,824,065)
Share issue cost	(26,284)	(14,540)
Adjustment to prior years provision versus statutory tax returns	7,076	(1,509,364)
Expiry of donations	-	64,554
Expiry of losses	-	20,280
Change in unrecognized deductible temporary differences	1,107,356	(20,829,824)
Total income tax expense (recovery)	\$ -	\$ -

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

	December 31, 2018	December 31, 2017
Deferred income tax assets (liabilities):		
Mineral properties	\$ 21,801,955	\$ 23,391,666
Property and equipment	7,362	6,448
Share issue costs	48,434	36,483
Marketable securities	-	54,073
Allowable capital losses	54,212	-
Net operating losses available for future periods	49,962,349	47,278,286
	71,874,312	70,766,956
Valuation allowance	(71,874,312)	(70,766,956)
Net deferred tax asset	\$ -	\$ -

At December 31, 2018, the Company has available net operating losses for Canadian income tax purposes of approximately \$20,779,000 and net operating losses for US income tax purposes of approximately \$145,894,000 available for carry-forward to reduce future years' taxable income, if not utilized, expiring as follows:

	Canada	United States
2038	\$ 125,000	\$ 8,741,000
2037	1,394,000	8,800,000
2036	1,383,000	8,798,000
2035	406,000	10,703,000
2034	1,694,000	12,587,000
2033	1,827,000	14,208,000
2032	2,629,000	16,798,000
2031	4,180,000	10,386,000
2030	2,829,000	30,439,000
2029	2,074,000	18,765,000
2028	1,253,000	2,973,000
2027	907,000	1,412,000
2026	78,000	1,284,000
	\$ 20,779,000	\$ 145,894,000

The Company also has available mineral resource expenses that are related to the Company's exploration activities in the United States of approximately \$126,990,000 which may be deductible for U.S. tax purposes. Future tax benefits, which may arise as a result of applying these deductions to taxable income, have not been recognized in these accounts due to the uncertainty of future taxable income.

8. SHARE CAPITAL

Authorized

500,000,000 common shares without par value. At December 31, 2017 and 2018, there were 162,392,996 and 186,990,683 shares issued and outstanding, respectively.

Share issuances

On March 13, 2018, the Company completed a non-brokered private placement pursuant to which it issued 24,000,000 common shares at \$0.50 per share for gross proceeds of \$12,000,000. Share issuance costs included \$111,379 related to the private placement. Following the resignation of director Mark Hamilton on November 6, 2017, the Company recognized an obligation to issue 129,687 common shares, with a value of \$63,593. On March 27, 2018, the Company issued the 129,687 common shares in full satisfaction of the obligation. The Company also issued 468,000 common shares pursuant to the exercise of stock options for total proceeds of \$181,026 and transferred related contributed surplus of \$102,790 to share capital during the year ended December 31, 2018.

Stock options

The Company adopted an incentive stock option plan in 2006, as amended September 19, 2012 and re-approved by the Company's shareholders on May 28, 2015 and May 30, 2018 (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 issued 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 shall be fixed in compliance with the applicable provisions of the TSX Company Manual in force at the time of grant and, in any event, shall not be less than the closing price of the Company's common shares on the TSX on the trading day immediately preceding the day on which the option is granted, or such other price as may be agreed to by the Company and accepted by the TSX. Options granted under the 2006 Plan vest immediately, unless otherwise determined by the directors at the date of grant.

During the year ended December 31, 2018, the Company granted incentive stock options to certain officers, employees and consultants of the Company to purchase a total of 420,085 common shares of the Company. The options vested 100% on the grant date with an expiry date of March 21, 2024. The exercise price of these options is C\$0.61 per common share.

During the year ended December 31, 2017, the Company granted incentive stock options to Mr. Karl Hanneman in connection with his appointment as the new CEO of the Company. Mr. Hanneman is entitled to purchase a total of 250,000 common shares in the capital stock of the Company at an issue price of C\$1.35 per share. The options vested as to one-third on the grant date, one-third on February 1, 2018, and one-third on February 1, 2019. Expiry date is February 1, 2025.

A summary of the status of the stock option plan as of December 31, 2018 and 2017 and changes during the fiscal years is presented below:

Year Ended December 31, 2018				Year Ended December 31, 2017		
	Number of Options	Weighted Average Exercise Price (C\$)	Aggregate Intrinsic Value (C\$)	Number of Options	Weighted Average Exercise Price (C\$)	Aggregate Intrinsic Value (C\$)
Balance, beginning of the year	4,477,000	\$ 1.03		6,026,200	\$ 1.61	
Granted	420,085	\$ 0.61		250,000	\$ 1.35	
Exercised	(468,000)	\$ 0.50		-	-	
Expired	(269,000)	\$ 2.18		(1,650,000)	\$ 3.17	
Cancelled	(504,094)	\$ 0.95		(149,200)	\$ 1.24	
Balance, end of the year	3,655,991	\$ 0.98	\$ 67,899	4,477,000	\$ 1.03	\$ 38,220

The weighted average remaining life of options outstanding at December 31, 2018 was 4.0 years.

Stock options outstanding are as follows:

December 31, 2018				December 31, 2017		
Expiry Date	Exercise Price (C\$)	Number of Options	Exercisable	Exercise Price (C\$)	Number of Options	Exercisable
March 14, 2018	-	-	-	\$ 2.18	300,000	300,000
February 25, 2022	\$ 1.11	970,000	970,000	\$ 1.11	1,030,000	1,030,000
February 25, 2022*	\$ 0.73	360,000	360,000	\$ 0.73	540,000	540,000
March 10, 2022	\$ 1.11	370,000	370,000	\$ 1.11	430,000	430,000
March 16, 2023	\$ 1.00	1,140,000	1,140,000	\$ 1.00	1,260,000	1,260,000
March 16, 2023	\$ 0.50	130,000	130,000	\$ 0.50	637,000	637,000
June 9, 2023	\$ 1.00	30,000	30,000	\$ 1.00	30,000	30,000
March 21, 2024**	\$ 0.61	405,991	405,991	-	-	-
February 1, 2025	\$ 1.35	250,000	166,667	\$ 1.35	250,000	83,333
		3,655,991	3,572,658		4,477,000	4,310,333

* 90,000 options exercised subsequently

** 31,174 options exercised subsequently

A summary of the non-vested options as of December 31, 2018 and 2017 and changes during the fiscal years ended December 31, 2018 and 2017 is as follows:

Non-vested options:	Number of options	Weighted average grant-date fair value (C\$)
Outstanding at December 31, 2016	672,735	\$0.25
Granted	250,000	\$0.40
Vested	(756,068)	\$0.27
Outstanding at December 31, 2017	166,667	\$0.40
Granted	420,085	\$0.48
Vested	(503,419)	\$0.47
Outstanding at December 31, 2018	83,333	\$0.40

At December 31, 2018, there was unrecognized compensation expense of C\$2,242 related to non-vested options outstanding. The cost is expected to be recognized over a weighted-average remaining period of approximately 0.08 years.

Deferred Share Unit Incentive Plan

On April 4, 2017, the Company adopted a Deferred Share Unit Plan (the “DSU Plan”). On May 24, 2017, at the Company’s Annual General Meeting of Shareholders, the DSU Plan was approved. As at December 31, 2018, the maximum aggregate number of common shares that could be issued under the DSU Plan and the 2006 Plan was 18,699,068, representing 10% of the number of issued and outstanding common shares on that date (on a non-diluted basis). As at December 31, 2018, the Company had stock options to potentially acquire 3,655,991 common shares outstanding under the 2006 Plan (representing approximately 1.96% of the outstanding common shares), leaving up to 15,043,077 common shares available for future grants under the DSU Plan and under the 2006 Plan (combined) based on the number of outstanding common shares as at that date on a non-diluted basis (representing an aggregate of approximately 8.04% of the outstanding common shares).

During the year ended December 31, 2018, in accordance with the Company’s DSU Plan, on October 17, 2018 the Company granted each of the members of the Board of Directors (other than those directors nominated for election by Paulson & Co., Inc.) 101,220 DSUs with a grant date fair value (defined as the weighted average of the prices at which the common shares traded on the exchange with the most volume for the five trading days immediately preceding the grant) of C\$0.82 per grant, or an aggregate of C\$581,003.

During the year ended December 31, 2017, in accordance with the Company’s DSU Plan, on October 23, 2017 the Company granted each of the members of the Board of Directors (other than those directors nominated for election by Paulson & Co., Inc.) 129,687 DSUs with a grant date fair value (defined as the weighted average of the prices at which the common shares traded on the exchange with the most volume for the five trading days immediately preceding the grant) of C\$0.62 per grant, or an aggregate of C\$482,436.

The DSUs entitle the holders to receive common shares of the Company’s stock without the payment of any consideration. The DSUs vested immediately upon being granted but the common shares of stock underlying the DSUs are not deliverable to the grantee until the grantee is no longer serving on the Company’s Board of Directors.

DSUs outstanding are as follows:

	Year Ended December 31, 2018		Year Ended December 31, 2017	
	Number of Units	Weighted Average Exercise Price (C\$)	Number of Units	Weighted Average Exercise Price (C\$)
Balance, beginning of the year	648,435	\$ 0.62	-	\$ -
Issued	708,540	\$ 0.82	778,122	\$ 0.62
Delivered	-	-	(129,687)	\$ 0.62
Balance, end of the year	1,356,975	\$ 0.72	648,435	\$ 0.62

Obligation to issue shares

Following the resignation of director Mark Hamilton on November 6, 2017, the Company recorded an obligation to issue

129,687 DSUs valued at \$63,593 (C\$80,406). On March 27, 2018, the Company issued the 129,687 common shares in full satisfaction of the obligation.

Share-based payments

During the year ended December 31, 2018, the Company granted 420,085 stock options and 708,540 DSUs for common shares of the Company. Share-based compensation for the year ended December 31, 2018 totaled \$603,818 (\$189,396 related to options and \$414,422 related to DSUs). Of the total expense for the year ended December 31, 2018, \$414,422 is included in consulting fees, \$183,429 in wages and benefits and \$5,967 in investor relations in the statement of operations and comprehensive loss.

During the year ended December 31, 2017, the Company granted 250,000 stock options and 778,122 DSUs for common shares of the Company. Share-based compensation for the year ended December 31, 2017 totaled \$443,556 (\$61,998 related to options and \$381,558 related to DSUs). Of the total expense for the year ended December 31, 2017, \$384,516 is included in consulting fees, \$58,192 in wages and benefits and \$848 in investor relations in the statement of operations and comprehensive loss.

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

	Year ended December 31, 2018	Year ended December 31, 2017
Expected life of options	6 years	6 years
Risk-free interest rate	2.12%	1.75%
Expected volatility	93.67%	93.02%
Dividend rate	0.00%	0.00%
Exercise price (C\$)	\$0.61	\$1.35

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

9. SEGMENT AND GEOGRAPHIC INFORMATION

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

	Canada	United States	Total
December 31, 2018			
Capitalized acquisition costs	\$ -	\$ 55,273,432	\$ 55,273,432
Property and equipment	8,191	9,559	17,750
Current assets	9,928,115	504,817	10,432,932
Total assets	\$ 9,936,306	\$ 55,787,808	\$ 65,724,114

December 31, 2017			
Capitalized acquisition costs	\$ -	\$ 55,204,041	\$ 55,204,041
Property and equipment	8,501	12,293	20,794
Current assets	1,794,494	627,702	2,422,196
Total assets	\$ 1,802,995	\$ 55,844,036	\$ 57,647,031

	Year ended December 31, 2018	Year ended December 31, 2017
Net loss for the year - Canada	\$ (682,348)	\$ (1,801,817)
Net loss for the year - United States	(3,509,690)	(4,630,240)
Net loss for the year	\$ (4,192,038)	\$ (6,432,057)

10. COMMITMENTS

The following table discloses, as of December 31, 2018, the Company's contractual obligations including anticipated mineral property payments and work commitments. 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 does not exercise any lease purchase or royalty buyout options:

	Payments Due by Year						Total
	2019	2020	2021	2022	2023	2024 and beyond	
Mineral Property Leases ⁽¹⁾	\$425,389	\$430,420	\$435,526	\$440,709	\$445,970	\$451,310	\$2,629,324
Mining Claim Government Fees	114,825	114,825	114,825	114,825	114,825	114,825	688,950
Total	\$540,214	\$ 545,245	\$ 550,351	\$ 555,534	\$ 560,795	\$ 566,135	\$3,318,274

1. 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.

11. RELATED PARTY TRANSACTIONS

In December 2011, in accordance with a Stock and Asset Purchase Agreement (the "Agreement") between the Company, Alaska/Nevada Gold Mines, Ltd. ("AN Gold Mines") and the Heflinger Group, the Company acquired certain mining claims and related rights in the vicinity of the Livengood Gold Project located near Fairbanks, Alaska. The Company's derivative liability, as described in Note 6 above, represented the remaining consideration for the purchase of these claims and related rights and was paid in January 2017. Under the Agreement, the payment was made 70% to AN Gold Mines and 30% to the Heflinger Group.

Mr. Hanneman was appointed Chief Operating Officer of the Company on March 26, 2015 and subsequently appointed Chief Executive Officer of the Company effective January 31, 2017. Mr. Hanneman was a partner of the general partner, as well as a limited partner, of AN Gold Mines and held an 11.9% net interest in AN Gold Mines.

On May 24, 2017, the shareholders approved the proposed issuance of common shares to Thomas Irwin as a one-time payment associated with his transition from CEO to senior advisor. Subsequent to the shareholder approval, the Company recognized an obligation to issue 206,024 shares with a value of \$99,492 based on the USD-CAD exchange rate (USD 1.00 = CAD 1.3460) and the closing price of the common shares on the TSX (CAD 0.650), both as at May 24, 2017. On July 13, 2017, a certificate for 206,024 common shares was issued to Mr. Irwin.

In March 2018, the Company closed a non-brokered private placement financing through the issuance of 4,105,472 shares to Paulson & Co., Inc. ("Paulson") and 19,894,528 shares to Electrum Strategic Opportunities Fund II, L.P. ("Electrum") at a price of \$0.50 per share. As at December 31, 2018, Paulson, Tocqueville Asset Management, and Electrum beneficially own approximately 31.9%, 16.1%, and 14.2% respectively of the Company's 186,990,683 common shares.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

As of December 31, 2018, an evaluation was carried out under the supervision of and with the participation of the Company's management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act). Based on the evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that, as of December 31, 2018, 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 judgment in designing, implementing and evaluating controls and procedures and the assumptions used in identifying the likelihood of future events.

Management's Annual Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Exchange Act Rule 13a-15(f). Management evaluated, with the participation of our Chief Executive Officer and Chief Financial Officer, the effectiveness of internal control over financial reporting as of December 31, 2018. In conducting this evaluation, management used the framework established by the Committee of Sponsoring Organizations of the Treadway Commission as set forth in Internal Control – Integrated Framework (2013). Based on this evaluation under the framework in Internal Control – Integrated Framework (2013), management concluded that internal control over financial reporting was effective as of December 31, 2018.

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

This Annual Report on Form 10-K does not include an attestation report of the Company's independent public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's independent public accounting firm pursuant to rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this Annual Report on Form 10-K.

Changes in Internal Control over Financial Reporting

There were no changes in internal controls over financial reporting during the fourth quarter ended December 31, 2018 that have materially, or are reasonably likely to materially affect, the Company's internal control over financial reporting.