INDEPENDENCE GOLD CORP.

Consolidated Financial Statements

For the Year Ended

December 31, 2012

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Independence Gold Corp.

We have audited the accompanying consolidated financial statements of Independence Gold Corp., which comprise the consolidated statements of financial position as at December 31, 2012 and December 31, 2011 and the consolidated statements of comprehensive loss, cash flows and changes in shareholders' equity for the year ended December 31, 2012 and the period from incorporation on November 1, 2011 to December 31, 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Independence Gold Corp. as at December 31, 2012 and December 31, 2011 and its financial performance and its cash flows for the year ended December 31, 2012 and the period from incorporation on November 1, 2011 to December 31, 2011 in accordance with International Financial Reporting Standards.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada — Chartered Accountants

March 20, 2013

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INDEPENDENCE GOLD CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

	December 31 2012	December 31 2011
ASSETS		
Current		
Cash and cash equivalents	$ 5,093,683	$ 14,394,017
Short-term investments (Note 5)	7,134,899	963,050
Marketable securities (Note 9)	11,000	-
Receivables (Note 6)	208,709	742,796
Prepaid expenses	31,636	-
	12,479,927	16,099,863
Exploration deposits (Note 8)	67,000	-
Exploration advances	50,000	50,000
Mineral properties (Note 7)	14,019,644	14,781,794
	$ 26,616,571	$ 30,931,657
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (Note 11)	$ 475,792	$ -
Loan payable (Note 10)	1,000,000	-
	1,475,792	-
Loan payable (Note 10)	-	1,000,000
	1,475,792	1,000,000
Shareholders' equity		
Share capital (Note 14)	33,068,647	32,998,647
Reserves	569,972	-
Deficit	(8,497,840)	(3,066,990)
	25,140,779	29,931,657
	$ 26,616,571	$ 30,931,657

Nature and continuance of operations (Note 1)
Commitments (Note 12)

Approved and authorized by the Board on March 20, 2013

"Randy C. Turner"	*"Michael McPhie"*
Randy C. Turner, Director	Michael McPhie, Director

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

INDEPENDENCE GOLD CORP.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(Expressed in Canadian Dollars)

	Year ended December 31 2012	Period from Incorporation on Nov. 1 to Dec. 31 2011
EXPENSES		
Business development	$ 56,631	$ -
Insurance	43,096	-
Legal, audit and accounting	101,377	-
Management fees and corporate services	343,279	-
Office and miscellaneous	76,104	-
Regulatory and transfer agent fees	33,813	-
Rent	176,538	-
Travel	68,369	-
Wages and benefits	297,601	-
Exploration expenditures (Note 7)	3,005,207	-
Share-based compensation (Note 14)	583,651	-
	(4,785,666)	-
Interest income	192,287	-
Contingency costs (Note 15)	-	-
Unrealized (loss)/gain on marketable securities (Note 9)	(31,000)	-
Gain on sale of mineral property (Note 5)	-	-
Write-off of mineral properties (Note 7)	(820,150)	(3,066,990)
	(658,863)	(3,066,990)
Loss before income tax	(5,444,529)	(3,066,990)
Loss and comprehensive loss for the period	$ (5,444,529)	$ (3,066,990)
Basic and diluted loss per common share	$ (0.13)	$ (0.53)
Weighted average number of common shares outstanding	43,405,362	5,761,736

INDEPENDENCE GOLD CORP.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in Canadian Dollars)

	Year ended December 31 2012	Period from Incorporation on Nov. 1 to Dec. 31 2011
Cash flows from operating activities		
Income (loss) for the period	$ (5,444,529)	$ (3,066,990)
Items not affecting cash:		
Share-based compensation	583,651	-
Interest on short-term investments	(48,574)	-
Write-off of mineral properties	820,150	3,066,990
Unrealized (gain)/loss on marketable securities	31,000	-
Changes in non-cash working capital items:		
(Increase) decrease in prepaid expenses	(31,636)	-
(Increase) decrease in receivables	534,087	-
Increase (decrease) in accounts payable and accrued liabilities	475,792	-
Net cash used in operating activities	(3,080,059)	#REF!
Cash flows from financing activities		
Issuance of common shares for cash	-	3,500,001
Loan proceeds received	-	1,000,000
Cash received on Plan of Arrangement	-	10,857,066
Net cash provided by (used in) financing activities	-	15,357,067
Cash flows from investing activities		
(Acquisition) of mineral properties	(80,000)	-
Disposition of mineral properites	50,000	-
(Increase)/decrease in short-term investments	(6,123,275)	(963,050)
Exploration deposits	(67,000)	-
Net cash provided by (used in) investing activities	(6,220,275)	(963,050)
Change in cash and cash equivalents during the period	(9,300,334)	#REF!
Cash and cash equivalents, beginning of the period	14,394,017	-
Cash and cash equivalents, end of the period	$ 5,093,683	$ #REF!
Cash and cash equivalents consist of:		
Cash	$ 1,455,697	$ 13,788,215
Cash equivalents	3,637,986	605,802
	$ 5,093,683	$ 14,394,017

Supplemental disclosure with respect to cash flows (Note 16)

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

INDEPENDENCE GOLD CORP.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Expressed in Canadian Dollars)

	Share Capital				
	Number	**Amount**	**Reserves**	**Deficit**	**Total**
Issued on incorporation	1	$ 1	$ -	$ -	$ 1
Issued on Plan of Arrangement	38,934,896	29,498,646	-	-	29,498,646
Issued for cash - private placement	4,278,115	3,500,000	-	-	3,500,000
Loss for the period	-	-	-	(3,066,990)	(3,066,990)
Balance, December 31, 2011	43,213,012	32,998,647	-	(3,066,990)	29,931,657
Issued for mineral properites	400,000	70,000	-	-	70,000
Share-based compensation	-	-	583,651	-	583,651
Reserves transferred on expired options	-	-	(13,679)	13,679	-
Loss for the year	-	-	-	(5,444,529)	(5,444,529)
Balance, December 31, 2012	43,613,012	$ 33,068,647	$ 569,972	$ (8,497,840)	$ 25,140,779

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Independence Gold Corp. ("Independence" or the "Company") was initially incorporated under the Business Corporation Act (British Columbia) on November 1, 2011, as a wholly-owned subsidiary of Silver Quest Resources Ltd. ("Silver Quest") and is considered to be in the exploration stage with respect to its mineral properties. Based on the information available to date, the Company has not yet determined whether its properties contain economically recoverable mineral reserves.

Silver Quest completed an arrangement described in Note 4 resulting in Independence holdings title to various exploration properties located in British Columbia and the Yukon.

The Company's head office and principal address is 1410 - 650 West Georgia Street, Vancouver, British Columbia, Canada, V6B 4N8. The Company's registered and records office is 2300 - 550 Burrard Street, Vancouver, British Columbia, Canada, V6C 2B5.

The recovery of the amounts comprised in mineral properties is dependent upon the confirmation of economically recoverable reserves, the ability of the Company to obtain necessary financing to successfully complete their exploration and development, and upon future profitable production.

These consolidated financial statements have been prepared by management on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company has incurred ongoing losses and has no source of recurring revenue. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future and repay its liabilities arising from normal business operations as they become due. Management believes the Company has sufficient working capital to maintain its operations for the upcoming fiscal year.

The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

	2012	**2011**
Deficit	$ (8,497,840)	$ (3,066,990)
Working capital	$ 11,003,955	$ 15,099,863

2. BASIS OF PREPARATION

These consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

Basis of consolidation and Presentation

These consolidated financial statements have been prepared on a historical cost basis except for certain financial assets measured at fair value. All dollar amounts presented are in Canadian dollars unless otherwise specified.

These consolidated financial statements incorporate the financials statements of the Company and its controlled subsidiaries. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The consolidated financial statements include the accounts of the Company and its direct wholly-owned subsidiaries (Note 11). All significant intercompany transactions and balances have been eliminated upon consolidation.

2. BASIS OF PREPARATION *(continued)*

Use of Estimates

The preparation of financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported revenues and expenses during the period.

Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

The most significant accounts that require estimates as the basis for determining the stated amounts include the recoverability of mineral properties, valuation of share-based payments, and recognition of deferred tax amounts.

Critical judgments exercised in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are as follows:

<u>Economic recoverability and probability of future economic benefits of exploration and evaluation costs</u>

Management has determined that exploration, evaluation, and related costs incurred which were capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including geologic and metallurgic information, history of conversion of mineral deposits to proven and probable reserves, scoping and feasibility studies, accessible facilities, existing permits and life of mine plans.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustments are as follows:

<u>Valuation of share-based payments</u>

The Company uses the Black-Scholes Option Pricing Model for valuation of share-based payments. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate, and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity reserves.

<u>Income taxes</u>

In assessing the probability of realizing income tax assets, management makes estimates related to expectations of future taxable income, applicable tax opportunities, expect timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

2. BASIS OF PREPARATION *(continued)*

Change in Accounting Policy

During the current fiscal year, the Company changed its accounting policy for mineral property exploration costs. Previously, the Company capitalized acquisition costs of mineral properties and deferred exploration and evaluation expenditures directly related to specific mineral properties, net of recoveries received. Under the new policy, property exploration and evaluation costs incurred prior to the determination of the feasibility of mining operations and a decision to proceed with development are charged to operations as incurred. All direct costs related to the acquisition of mineral property interests will continue to be capitalized. Development expenditures incurred subsequent to a development decision are capitalized and will be amortized on the unit of production method based upon estimated proven and probable reserves. Management believes that this treatment provides a more accurate depiction of the asset base of the Company prior to establishing the economic feasibility of its resource base.

As provided by IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, the Company has accounted for this change in accounting policy on a retrospective basis. The impact of this change was $Nil as no exploration expenditures were incurred in the period from incorporation on November 1, 2011 to December 31, 2011. The basic and diluted loss per common share for the period ending December 31, 2011 has not changed.

3. SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, demand deposits, and highly liquid short-term investments with original maturities of three months or less.

Foreign exchange

The functional currency of an entity is the currency of the primary economic environment in which the entity operates. The functional currency of the Company and each of its subsidiaries is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, *The Effects of Changes in Foreign Exchange Rates*.

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the period end exchange rate while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in comprehensive loss.

Financial instruments

Financial assets

The Company classifies its financial assets into one of the following categories as follows:

Fair value through profit or loss - This category comprises derivatives and financial assets acquired principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss. Cash and cash equivalents, short-term investments, and marketable securities are included in this category.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial assets *(continued)*

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost using the effective interest method less any provision for impairment. Receivables and exploration advances and deposits are included in this category.

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method less any provision for impairment.

Available-for-sale - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized in other comprehensive income (loss). Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from accumulated other comprehensive income (loss) and recognized in profit or loss.

All financial assets except those measured at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is objective evidence of impairment as a result of one or more events that have occurred after initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

Financial liabilities

The Company classifies its financial liabilities into one of two categories as follows:

Fair value through profit or loss - This category comprises derivatives and financial liabilities incurred principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss.

Other financial liabilities - This category consists of liabilities carried at amortized cost using the effective interest method. Accounts payable, accrued liabilities and loan payable are included in this category.

Mineral properties

The Company accounts for its mineral properties as exploration and evaluation assets in accordance with IRFS 6. The Company capitalizes mineral property acquisition costs, which include the cash consideration, option payments under an earn-in arrangement, and the fair value of common shares issued for mineral properties. The acquisition costs are deferred until the property is placed into production, sold or abandoned or determined to be impaired. A mineral property is reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

The Company expenses to operations all exploration and evaluation costs incurred prior to the determination of economically recoverable reserves. Exploration and evaluation expenditure relates costs incurred for investigation and evaluation of potential mineral reserves and resources, including trenching, exploratory drilling, sampling, mapping, and other activities in searching for ore bodies under the properties, and evaluate the technical and commercial viability of developing mineral properties identified through exploration. Exploration and evaluation expenditures, net of any recoveries, are recorded on a property by property basis.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Provision for environmental rehabilitation

The Company recognizes liabilities for legal or constructive obligations associated with the retirement of mineral properties and equipment. The net present value of future rehabilitation costs is capitalized to the related asset along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related assets with a corresponding entry to the rehabilitation provision.

The increase in the provision due to the passage of time is recognized as interest expense.

The Company does not have any significant environmental rehabilitation provisions.

Flow through shares

Canadian Income Tax legislation permits an enterprise to issue securities referred to as flow-through shares, whereby the investor can claim the tax deductions arising from the renunciation of the related resource expenditures. The Company accounts for flow through shares whereby the premium paid for the flow through shares in excess of the market value of the shares without flow through features at the time of issue is credited to other liabilities and then recognized into income when the qualifying expenditures are made.

Impairment of tangible and intangible assets

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Share-based payments

The Company grants stock options to directors, officers, employees and consultants. The fair value of stock options is measured on the grant date, using the Black-Scholes Option Pricing Model and is recognized over the vesting period of the related options. Consideration paid for the shares on the exercise of stock options is credited to share capital. For vested options that have expired or were cancelled unexercised, the Company reverses the share based payment reserve against the deficit.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing net earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings (loss) per share is computed in a similar manner to basic earnings (loss) per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods.

Income taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity. Current tax expense is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for relating to goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting or taxable loss, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

New standards not yet adopted

The Company has not yet adopted the following revised or new IFRS that have been issued but are not yet effective at December 31, 2012:

- IFRS 9, Financial Instruments (effective January 1, 2015) introduces new requirements for the classification and measurement of financial assets and liabilities.

- IFRS 10, Consolidated Financial Statements, IFRS 11, Joint Arrangements, IFRS 12, Disclosure of Interests in Other Entities (all effective January 1, 2013) provide guidance on the accounting treatment and associated disclosure requirements for joint arrangements and associates, and a revised definition of "control" for identifying entities which are to be consolidated.

- IFRS 13, Fair Value Measurement (effective January 1, 2013) provides new guidance on fair value measurement and disclosure requirements.

- IAS 1, Presentation of Financial Statements (effective for annual periods beginning on or after July 1, 2012) requires that elements of other comprehensive income that may subsequently be recycled through profit and loss be differentiated from those items that will not be recycled.

- IAS 27, Separate Financial Statements and IAS 28, Investments in Associates and Joint Ventures (both effective for annual periods beginning on or after January 1, 2013) were revised and reissued to align with the new consolidation guidance.

The Company is currently assessing the impact that these new accounting standards will have on the consolidated financial statements.

FOR THE YEAR ENDED DECEMBER 31, 2012 (Expressed in Canadian Dollars)

4. PLAN OF ARRANGEMENT

On November 4, 2011, Silver Quest, Independence and New Gold Inc. ("New Gold") entered into an arrangement agreement whereby New Gold would acquire all the outstanding common shares of Silver Quest. The arrangement completed on December 23, 2011. As part of the arrangement and before New Gold acquired all the Silver Quest shares, the net assets of Silver Quest (except the Davidson and Capoose mineral properties) were transferred to Independence in exchange for Independence shares that were then distributed by Silver Quest to its shareholders.

The transfer and spin-out of the Silver Quest net assets to the Company was between entities under common control since it was a transfer of assets previously owned by Silver Quest to Independence, a wholly-owned subsidiary of Silver Quest at that time. Accordingly, the Company recorded the net assets transferred to it at the historical carrying costs of Silver Quest at the date of transfer.

The net assets acquired on the spin-out are as follows:

Cash	$	10,857,066
Receivables		742,796
Exploration advances		50,000
Mineral properties		17,848,784
Net assets acquired	$	29,498,646
Consideration		
Shares		29,498,646
Total consideration	$	29,498,646

In accordance with the arrangement agreement, all outstanding warrants of Silver Quest were exchanged for warrants of New Gold and Independence. The holder of a Silver Quest warrant received one third of an Independence warrant at the following exercise prices:

Silver Quest exercise price	Independence exercise price
$0.75	$0.45
$1.15	$0.69
$1.13	$0.78

The residual value of these warrants is considered to be nominal.

5. SHORT-TERM INVESTMENTS

Short-term investments consist of certain corporate bonds and fixed income securities. Interest is recognized on these investments as it is earned.

6. RECEIVABLES

The Company's receivables are as follows:

		December 31, 2012		December 31, 2011
HST Receivable	$	189,024	$	-
Advances Receivable		19,685		-
Due from New Gold Inc.		-		742,796
Total	$	208,709	$	742,796

FOR THE YEAR ENDED DECEMBER 31, 2012 (Expressed in Canadian Dollars)

7. MINERAL PROPERTIES

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties, and, to the best of its knowledge, title to all of its properties, except as described below, are properly registered and in good standing.

On completion of the Plan of Arrangement, certain properties under option agreements were assumed from Silver Quest. Silver Quest had met all the earlier obligations and requirements under these agreements. Independence has assumed the remaining obligations on these agreements.

The Company holds interests in various mineral claims located in Canada, the capitalized acquisition costs of which are as follows:

BRITISH COLUMBIA	2012	2011
3Ts - Taken Property A 100% interest in certain claims. The property is subject to a sliding scale net smelter returns royalty ("NSR") ranging from 2.0% to 4.0%. The Company may reduce the NSR to 1.0% by paying $2,000,000 per percent.	$ 345,693	$ 345,693
3Ts - Tam Property A 100% interest, subject to a 1.0% NSR, one-half of which may be purchased back for $250,000.	1,750,979	1,750,979
3Ts - Tsacha Property A 100% interest in certain claims subject to a 2.0% NSR.	2,121,788	2,121,788
3Ts - Tommy Lake Property A 100% interest.	17,518	17,518
3Ts - BOT Property A 100% interest, subject to a 1.5% NSR, two-thirds of which may be purchased back for $700,000.	-	-
Total British Columbia Properties:	$ 4,235,978	$ 4,235,978

YUKON	2012	2011
Aspen Property The Company holds a 100% interest and has optioned out up to a 70% interest in the property. To acquire an initial 60% interest the Optionee must make cash payments of $95,000 ($20,000 received to date), issue 300,000 common shares (100,000 received to date at an aggregate value of $21,000), and incur $1,500,000 in exploration expenditures on the property. To acquire an additional 10% interest, the Optionee must make additional cash payments of $125,000, issue an additional 250,000 shares, and incur an additional $1,250,000 in exploration expenditures. During fiscal 2012, the optionor decided not to continue the option earn-in.	$ 139,518	$ 180,518
Grizzly Property The Company holds a 100% interest and has optioned out up to a 70% interest in the property. To acquire an initial 60% interest the Optionee must make cash payments of $105,000 ($30,000 received to date), issue 300,000 common shares (100,000 received to date, at an aggregate value of $21,000), and incur $1,500,000 in exploration expenditures on the property. To acquire an additional 10% interest, the Optionee must make additional cash payments of $125,000, issue an additional 250,000 shares, and incur an additional $1,250,000 in exploration expenditures. During fiscal 2012, the optionor decided not to continue the option earn-in.	173,873	224,873
Boulevard Property An option to purchase a 100% interest, subject to a 2.0% NSR. To acquire its interest, the Company must make cash payments of $80,000 ($40,000 paid to date), issue 400,000 common shares (200,000 issued to date at an aggregate value of $30,000) and incur $3,000,000 in exploration expenditures (incurred). The Company has the option, for three years after the exercise of the option, to buy-back one-quarter of the NSR for $750,000. If the Company acquires additional claims through staking in certain areas during the option period, the claims will also be subject to a 2.0% NSR and up to an additional 300,000 common shares are to be issued. The Company can buy-back one-quarter of the NSR on the additional claims areas for $1,000,000. Upon completion of a 43-101 report with specific resource estimates, the Company will be obligated to issue a further 1,000,000 common shares.	4,569,528	4,499,528

FOR THE YEAR ENDED DECEMBER 31, 2012 (Expressed in Canadian Dollars)

7. MINERAL PROPERTIES *(continued)*

YUKON *(continued)*	**2012**	**2011**
Prospector Mountain Property An option to earn up to a 70% interest subject to a 2.0% NSR. During the 2011 fiscal period, the Company decided not to continue the option earn-in and wrote-off costs of $3,066,990 associated with this property.	$ -	$ -
Poker Property An option to purchase a 100% interest, subject to a 2.0% NSR. To acquire its interest, the Company must make aggregate cash payments of $150,000 and issue a total of 249,000 common shares. The Company can buy-back one-half of the NSR for $1,000,000 for a period of three years following the completion of the option. During the 2012 fiscal year, the Company decided not to continue the option earn-in and wrote-off costs of $214,627 associated with this property.	-	214,627
Henderson Property A 100% interest by staking.	1,271,780	1,271,780
CCR (Sizzler) Property An option to purchase a 100% interest, subject to a 2.0% NSR. To acquire its interest, the Company made cash payments of $15,000 (paid) and issued 200,000 common shares (at an aggregate value of $40,000). The Company has the option, for three years after the exercise of the option, to buy-back one-half of the NSR for $1,000,000. Upon completion of a 43-101 report with specific resource estimates, the Company will be obligated to pay an additional $100,000 and issue a further 75,000 common shares.	533,060	478,060
OTHER PROPERTIES		
Tiger Property A 100% interest, subject to a 2.0% NSR. The Company can buy-back one-half of the NSR for $2,000,000.	233,776	233,776
WIT Property An option to purchase a 100% interest, subject to a 2.0% NSR. To acquire its interest, the Company must make cash payments of $125,000 ($25,000 paid to date) and issue 400,000 common shares on or before July 15, 2015. At any time following the completion of the option, the Company can buy-back one-half of the NSR for $1,000,000. During the 2012 fiscal year, the Company decided not to continue the option earn-in and wrote-off costs of $370,701 associated with this property.	-	345,701
YCS Property A 100% interest, subject to a 2.0% NSR. The Company can buy-back one-half of the NSR for $1,000,000.	425,237	425,237
Keno Property A 100% interest.	27,011	27,011
DAWSON RANGE PROPERTIES The Company holds a 100% interest in the following properties. During fiscal 2012, the Company wrote-off costs of $234,822 associated with Timber, Mickey, and Ogo.		
Battle Property	70,647	70,647
Birdman Property	30,206	30,206
Ember Property	71,686	71,686
Flow Property	354,253	354,253
Gemini Property	44,967	44,967
Ladue Property	327,355	327,355
Matson Property	55,283	55,283
Moosehorn Property	88,415	88,415
Sessenta Property	118,348	118,348
Solo Property	358,396	358,396
Solitude Property	865,566	865,566
Wolfcreek Property	24,761	24,761
Timber Property	-	26,900
Mickey Property	-	129,477
Ogo Property	-	78,445
Total Yukon Properties:	$ 9,783,666	$ 10,545,816
Total Mineral Properties	**$ 14,019,644**	**$ 14,781,794**

FOR THE YEAR ENDED DECEMBER 31, 2012 (Expressed in Canadian Dollars)

7. MINERAL PROPERTIES *(continued)*

During the period ended December 31, 2011, the Company had not incurred any exploration expenditures.

During the year ended December 31, 2012, the Company incurred exploration expenditures as follows:

	Geology & Geophysics	Field Sampling	Drilling	Land Use & Tenure	Data Evaluation	Reclamation & Safety	Recoveries	Total for the year
BRITISH COLUMBIA								
3Ts	166,645	-	771,376	256,931	7,150	18,964	-	1,221,066
YUKON								
Aspen & Grizzly	4,914	48,480	-	14,180	6,243	-	-	73,817
Boulevard	38,281	395,152	24,723	6,649	5,978	5,197	-	475,980
Prospector Mtn	11,441	3,624	-	883	1,416	-	-	17,364
Poker	121	1,325	-	(24)	411	-	-	1,833
Henderson	92,883	10,493	1,195	15,887	6,792	-	-	127,250
Sizzler	547	994	-	150	89	-	-	1,780
Other	24,701	259,811	-	2,287	1,351	850	-	289,000
Dawson Range	52,847	708,336	-	19,645	13,577	2,712	-	797,117
	392,380	**1,428,215**	**797,294**	**316,588**	**43,007**	**27,723**	**-**	**3,005,207**

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8. EXPLORATION DEPOSITS

The Company has provided deposits as security against potential future reclamation work relating to its mineral properties. As at December 31, 2012 a total of $67,000 (2011 - $Nil) had been lodged with the British Columbia Ministry of Energy, Mines & Petroleum Resources.

9. MARKETABLE SECURITIES

	December 31, 2012
Lucky Strike Resources Ltd.	$ 11,000

As at December 31, 2012, the Company holds 200,000 (2011 – Nil) common shares of Lucky Strike Resources Ltd., a public company listed on the TSX Venture Exchange, that were issued pursuant to its mineral property option agreements with the Company (Note 7). These shares had an original cost of $42,000.

10. LOAN PAYABLE

New Gold Inc. advanced to the Company $1,000,000 by way of an unsecured, non-interest bearing loan due on or before July 31, 2013, upon any warrant exercises, or upon the completion of a financing, whichever comes first.

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are as follows:

	December 31, 2012	December 31, 2011
Trade payables	450,792	-
Accrued liabilities	25,000	-
Total	$ 475,792	$ -

12. COMMITMENTS

The Company entered into an operating lease agreement for its premises expiring in 2015. The minimum annual lease commitment under this lease is as follows:

2013	$ 297,983
2014	297,983
2015	297,983

The Company entered into a management agreement with a company controlled by a director which requires the Company to pay $21,666 per month for geological consulting, management and administrative services. The agreement contains clauses which provide between 24 and 36 months remuneration should the contract be terminated or certain specified transactions occur.

FOR THE YEAR ENDED DECEMBER 31, 2012 (Expressed in Canadian Dollars)

13. RELATED PARTY TRANSACTIONS

The consolidated financial statements include the financial statements of Independence Gold Corp. and its subsidiaries listed in the following table:

Name of Subsidiary	Country of Incorporation	Ownership	Principal Activity
Golden Pavilion Resources Ltd.	British Columbia, Canada	100%	Holding company
Silver Quest Resources (US) Ltd.	Nevada, USA	100%	Inactive

Key Management Personnel
Key management personnel includes those persons having authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has determined that key management personnel consists of executive and non-executive members of the Company's Board of Directors and corporate officers, including the Company's Chief Executive Officer and Chief Financial Officer.

Compensation paid or payable to key management for services rendered are as follows:

	Year ended December 31, 2012	Year ended December 31, 2011
Management fees	$ 265,279	$ -
Geological consulting fees	189,001	-
Directors fees	78,000	-
Share-based compensation*	478,776	-
Total	**$ 1,011,056**	**$ -**

* *Share-based compensation consists of options granted to key management. The value shown above is calculated using the Black-Scholes fair value method and does not represent actual amounts received.*

Included in receivables at December 31, 2012 is $19,542 (2011 - $Nil) due from companies with directors and/or officers in common.

Accounts payable and accrued liabilities at December 31, 2012 is $37,589 (2011 - $Nil) due to directors and companies with directors and/or officers in common.

14. SHARE CAPITAL AND RESERVES

a) Authorized share capital

The authorized share capital of the Company is an unlimited number of common shares without par value. All issued shares are fully paid.

b) Issued share capital

Upon incorporation on November 1, 2011 the Company issued one common share at a price of $1.

On December 23, 2011, the Company issued 38,934,896 common shares as a part of the Plan of Arrangement (Note 4).

On December 23, 2011, the Company issued 4,278,115 common shares to New Gold for total proceeds of $3,500,000.

During the year ended December 31, 2012 the Company issued 400,000 common shares with an aggregate value of $70,000 as consideration towards the acquisition of the CCR (Sizzler) and Boulevard properties.

FOR THE YEAR ENDED DECEMBER 31, 2012 (Expressed in Canadian Dollars)

14. SHARE CAPITAL AND RESERVES *(continued)*

c) Stock options

The Company has an incentive stock option plan in place under which it is authorized to grant options to directors and employees to acquire up to 10% of the Company's issued and outstanding common shares. Under the plan, the exercise price of each option may not be less than the market price of the Company's stock as calculated on the date of grant less the applicable discount. The options can be granted for a maximum term of 10 years and vesting periods are determined by the Board of Directors.

As at December 31, 2012, the Company had outstanding stock options, enabling the holders to acquire further common shares as follows:

Number of Shares	Exercise Price	Expiry Date
3,125,000	$ 0.35	March 1, 2017
3,125,000		

Stock option transactions are summarized as follows:

	December 31, 2012		December 31, 2011	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Balance, beginning of year	-	-	-	-
Granted	3,200,000	$0.35	-	-
Exercised	-	-	-	-
Expired/cancelled	(75,000)	0.35	-	-
Balance, end of year	3,125,000	$ 0.35	-	-
Options exercisable, end of year	3,125,000	$ 0.35	-	-

Share-based compensation

During the year ended December 31, 2012, the Company granted 3,200,000 (2011 - Nil) stock options with a fair value of $583,651 (2011 - $Nil) or $0.18 (2011 - $Nil) per option. All options vest immediately on grant.

The following weighted-average assumptions were used for the Black-Scholes valuation of stock options granted during the noted years:

	2012	2011
Risk-free interest rate	1.45%	-
Expected life of options	5 years	-
Annualized volatility	75%	-
Dividend rate	-	-
Weighted average FV	$0.18	-

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14. SHARE CAPITAL AND RESERVES

d) Warrants

As at December 31, 2012 the Company had outstanding share purchase warrants, enabling the holders to acquire further shares as follows:

Number of Warrants	Exercise Price	Expiry Date
383,299	0.78	January 19, 2013 *(Subsequently expired)*
22,999	0.78	January 19, 2013 *(Subsequently expired)*
417,494	0.78	January 20, 2013 *(Subsequently expired)*
415,832	0.78	January 29, 2013 *(Subsequently expired)*
227,698	0.69	January 29, 2013 *(Subsequently expired)*
1,467,322		

Share purchase warrant transactions were as follows:

	December 31, 2012		December 31, 2011	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Balance, beginning of year	1,695,766	$ 0.72	-	-
Granted on Plan of Arrangement	-	-	1,695,766	$ 0.72
Exercised	-	-	-	-
Expired/cancelled	(228,444)	0.45	-	-
Balance, end of year	1,467,322	$ 0.77	1,695,766	$ 0.72

15. SEGMENT INFORMATION

The Company operates in one reportable operating segment, being the acquisition, exploration, and evaluation of mineral properties in Canada.

16. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Significant non-cash investing and financing transactions during the year ended December 31, 2012 consisted of:

a) The receipt of 100,000 common shares, with a value of $21,000, as consideration from an option agreement on the Aspen property in the Yukon (Note 7);
b) The receipt of 100,000 common shares, with a value of $21,000, as consideration from an option agreement on the Grizzly property in the Yukon (Note 7);
c) The issuance of 400,000 shares, with a value of $70,000 as consideration towards the acquisition of mineral properties (Note 7); and
d) Transfer of reserves on expired/cancelled options of $13,679.

Interest received during the year was $143,714.

There were no significant non-cash investing or financing transactions during the period ended December 31, 2011.

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The fair value of cash and cash equivalents, short-term investments, and marketable securities are measured based on level 1 of the fair value hierarchy. The fair values of receivables, exploration advances and deposits, accounts payable and accrued liabilities and loan payable approximate their book values because of the short-term nature of these instruments.

The Company is exposed to a variety of financial risks by virtue of its activities, including credit risk, interest rate risk and liquidity risk. The overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on financial performance. Risk management is carried out by management under the direction and guidance of the Board of Directors. Management is responsible for establishing controls and procedures to ensure that financial risks are mitigated to acceptable levels.

Credit risk - Credit risk is the risk of a financial loss to the Company if a counter-party to a financial instrument fails to meet its contractual obligation. The Company manages credit risk by carrying short-term investments with investment grade ratings. The Company's cash and cash equivalents are invested in interest bearing accounts at major Canadian financial institutions. Because of these circumstances, the Company does not believe it has a material exposure to credit risk.

Interest rate risk - Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Financial assets and liabilities with variable interest rates expose the Company to cash flow interest rate risk. The risk that the Company will realize a loss in cash is limited because the Company's deposits and short-term investments are redeemable on demand.

Liquidity risk - Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company's ability to continue as a going concern is dependent on management's ability to raise required funding through future equity issuances, asset sales or a combination thereof. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments

Price risk - The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of precious and base metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

18. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital that it manages as the components of shareholders equity.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company has historically relied on the equity markets to fund its activities. In addition, the Company is dependent upon external financings to fund activities. In order to carry out planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it believes there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

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19. INCOME TAXES

A reconciliation of income taxes at statutory rates with reported taxes is as follows:

		2012		2011
Income (loss) before income taxes	$	(5,449,529)	$	(3,066,990)
Expected income tax (recovery)	$	(1,362,000)	$	(813,000)
Permanent difference		355,000		813,000
Impact of investment tax credit		(185,000)		-
Changes in unrecognized deductible temporary differences		1,192,000		-
		-		-
Income tax (expense) recovery	$	-	$	-

The Canadian income tax rate declined during the year due to changes in the law that reduced corporate income tax rates in Canada.

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

		2012	expiry dates		2011	expiry dates
Exploration and evaluation assets	$	3,005,000	no expiry	$	-	not applicable
Property and equipment		21,000	no expiry		21,000	no expiry
Investment tax credit		246,000	2032		-	not applicable
Marketable securities		31,000	no expiry		-	not applicable
Non-capital losses available for future period		1,010,000	2032		-	not applicable

Tax attributes are subject to review, and potential adjustment, by tax authorities.