INDEPENDENCE GOLD CORP.

Consolidated Financial Statements

For the Year Ended

December 31, 2011

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 statement of financial position as at December 31, 2011, and the consolidated statements of comprehensive loss, cash flows and changes in equity for 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 audit. We conducted our audit 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 audit 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, 2011 and its financial performance and its cash flows for 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

April 24, 2012

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

		December 31 2011
ASSETS		
Current		
Cash and cash equivalents	$	14,394,017
Short-term investments (Note 5)		963,050
Receivables (Note 6)		742,796
		16,099,863
Exploration advances		50,000
Mineral properties (Note 7)		14,781,794
	$	30,931,657
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	$	-
Loan Payable (Note 8)		1,000,000
		1,000,000
Shareholders' equity		
Share capital (Note 10)		32,998,647
Deficit		(3,066,990)
		29,931,657
	$	30,931,657

Nature and continuance of operations (Note 1)
Commitments (Note 15)
Subsequent events (Note 16)

Approved and authorized by the Board on April 24, 2012

"Randy C. Turner"	*"John McDonald"*
Randy C. Turner, Director	John McDonald, Director

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

INDEPENDENCE GOLD CORP.
CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS
for the period from incorporation on November 1, 2011 to December 31, 2011
(Expressed in Canadian Dollars)

EXPENSES	
Write-off of mineral properties (Note 7)	$ (3,066,990)
Loss and comprehensive loss for the period	(3,066,990)
Basic and diluted loss per common share	$ (0.53)
Weighted average number of common shares outstanding	5,761,736

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

INDEPENDENCE GOLD CORP.
CONSOLIDATED STATEMENT OF CASH FLOWS
for the period from incorporation on November 1, 2011 to December 31, 2011
(Expressed in Canadian Dollars)

Cash flows from operating activities		
Income (loss) for the period	$	(3,066,990)
Items not affecting cash:		
Write-off of mineral properties		3,066,990
Changes in non-cash working capital items:		
(Increase) decrease in receivables		-
Increase (decrease) in accounts payable and accrued liabilities		-
Net cash used in operating activities		-
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		
Short-term investments		(963,050)
Net cash provided by (used in) investing activities		(963,050)
Change in cash and cash equivalents during the period		14,394,017
Cash and cash equivalents, beginning of the period		-
Cash and cash equivalents, end of the period	$	14,394,017

Cash and cash equivalents consist of:		
Cash	$	13,788,215
Cash equivalents		605,802
	$	14,394,017

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

INDEPENDENCE GOLD CORP.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(Expressed in Canadian Dollars)

	Share Capital			
	Number	**Amount**	**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

1. NATURE AND CONTINUANCE OF OPERATIONS

Independence Gold Corp. ("Independence" or the "Company") was incorporated under the Business Corporation Act (British Columbia) on November 1, 2011 as a wholly-owned subsidiary of Silver Quest Resources Ltd. ("Silver Quest"). 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.

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

The Company 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 mineral properties contain economically recoverable mineral reserves.

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 anticipates incurring 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. The Company expects its current working capital to be adequate to sustain operations over the next 12 months.

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.

2. BASIS OF PREPARATION

These consolidated financial statements 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

The 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 9). 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:

Economic recoverability and probability of future economic benefits of exploration and evaluation costs

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 other technical information, a history of conversion of mineral deposits with similar characteristics to its own properties to proven and probable mineral reserves, the quality and capacity of existing infrastructure facilities, evaluation of permitting and environmental issues and local support for the project.

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

Valuation of share-based payments

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.

Income taxes

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.

3. SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, demand deposits, and money market funds 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.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

Mineral properties

The Company's mineral properties are considered exploration and evaluation assets. Pre-exploration costs are expensed as incurred.

Costs directly related to the exploration and evaluation of mineral properties are capitalized once the legal rights to explore the mineral properties are acquired or obtained. When the technical and commercial viability of a mineral resource have been demonstrated and a development decision has been made, the capitalized costs of the related property are transferred to mining assets and depreciated using the units of production method on commencement of commercial production.

If it is determined that capitalized acquisition, exploration and evaluation costs are not recoverable, or the property is abandoned or management has determined an impairment in value, the property is written down to its recoverable amount. Mineral properties are reviewed for impairment when facts and circumstances suggest that the carrying amount may exceed its recoverable amount.

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.

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.

The calculation of basic and diluted loss per common share for the period ended December 31, 2011, were based on the loss attributable to common shareholders of $3,066,990 and the weighted average number of common shares outstanding of 5,761,736. The diluted loss per share did not include the effect of share purchase options or warrants as they are anti-dilutive. As at December 31, 2011, the total number of potentially dilutive shares excluded from the calculation of loss per share was 1,695,766.

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.

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 included in income at the same time the qualifying expenditures are made.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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, 2011:

- 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 19, Employee Benefits (effective January 1, 2013) introduces changes to the accounting for defined benefit plans and other employee benefits that include modification of the accounting for termination benefits and classification of other employee benefits.

- 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 in the consolidated financial statements.

(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. These investments were purchased near the fiscal period end and accordingly no interest income has been recognized.

(Expressed in Canadian Dollars)

6. RECEIVABLES

The Company's receivables are as follows:

		December 31, 2011
Due from New Gold Inc.	$	742,796

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 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. Going forward, Independence will assume the remaining obligations and requirements on these agreements.

3T's - Taken property, British Columbia
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.

3T's - Tam property, British Columbia
A 100% interest, subject to a 1.0% NSR, one-half of which may be purchased back for $250,000.

3*T's - Tsacha property, British Columbia*
A 100% interest in certain claims subject to a 2.0% NSR.

3T's - Tommy Lake property, British Columbia
A 100% interest.

3T's - BOT property, British Columbia
A 100% interest, subject to a 1.5% NSR, two-thirds of which may be purchased back for $700,000.

Aspen & Grizzly properties, Yukon
A 100% interest.

Boulevard property, Yukon
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, issue 400,000 common shares 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, 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.

(Expressed in Canadian Dollars)

7. MINERAL PROPERTIES *(continued)*

Prospector Mountain property, Yukon
An option to earn up to a 70% interest subject to a 2.0% NSR. To acquire an initial 60% interest in the property, the Company must make cash payments of $200,000, issue 600,000 common shares and incur $4,000,000 in exploration expenditures. An additional 10% interest may be acquired by funding a feasibility study, which, if bankable, will obligate the Company to issue an additional 500,000 common shares. Subsequent to December 31, 2011, the Company decided not to continue the earn-in and accordingly wrote-off all costs associated with this property.

Poker property, Yukon
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.

CCR (Sizzler) property, Yukon
An option to purchase a 100% interest, subject to a 2.0% NSR. To acquire its interest, the Company must make cash payments of $15,000 and issue 200,000 common shares on or before June 29, 2012. The Company has the option, for three years after the exercise of the option, to buy-back 1.0% 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.

Other - Tiger property, Yukon
A 100% interest, subject to a 2.0% NSR. The Company can buy-back one-half of the NSR for $2,000,000.

Other - WIT property, Yukon
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 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.

Other – YCS property, Yukon
A 100% interest, subject to a 2.0% NSR. The Company can buy-back one-half of the NSR for $1,000,000.

Dawson Range Properties, Yukon
The Company holds a 100% interest in the following properties:

Battle	Moosehorn	Birdman	Ember	Ladue
Sessenta	Flow	Solitude	Gemini	Solo
Matson	Wolfcreek	Mickey	Henderson	

(Expressed in Canadian Dollars)

7. MINERAL PROPERTIES *(continued)*

The following costs relate to the mineral properties held by Silver Quest that were transferred to the Company on completion of the arrangement (Note 4)

		BC	YUKON								Total
Acquisition costs		**3Ts**	**Aspen & Grizzly**	**Boulevard**	**Prospector Mtn**	**Poker**	**Henderson**	**Sizzler**	**Staking**	**Other**	
Balance, March 1, 2010	$	115,628	-	129,000	95,000	-	-	71,000	283,255	154,952	848,835
Additions:		-	-	184,000	215,416	83,150	167,789	101,000	441,749	379,000	1,572,104
Written off		-	-	-	-	-	-	-	-	(353,952)	(353,952)
Recoveries:		-	-	-	-	-	-	-	-	-	-
Balance, February 28, 2011	$	115,628	-	313,000	310,416	83,150	167,789	172,000	725,004	180,000	2,066,987
Additions:		780,000	341,751	290,000	-	85,690	20,615	231,000	147,225	610,000	2,506,281
Written off		-	-	-	-	-	-	-	-	-	-
Recoveries:		-	-	-	-	-	-	-	-	-	-
Balance, December 23, 2011	$	895,628	341,751	603,000	310,416	168,840	188,404	403,000	872,229	790,000	4,573,268
Exploration costs											
Balance, March 1, 2010	$	2,886,689	-	88,310	5,960	-	-	4,861	856	26,935	3,013,611
Geology & Geophysics		992	-	858,438	71,035	165	198,750	943	156,272	802	1,287,397
Field Sampling		-	-	493,028	-	8,264	-	46,538	490,723	37,657	1,076,210
Drilling		2,545	-	459,831	694,715	-	-	-	-	-	1,157,091
Land Tenure		2,207	-	5,417	6,335	76	-	867	23,767	1,860	40,529
Reports & Data Evaluation		1,796	-	26,419	11,451	-	1,427	337	23,481	1,097	66,008
Environmental & Safety		-	-	1,835	181	-	94	31	309	24	2,474
Community Relations		-	-	4,238	5,332	-		-	7,462	-	17,032
		7,540	-	1,849,206	789,049	8,505	200,271	48,716	702,014	41,440	3,646,741
Written off		-	-	-	-	-	-	-	(9,496)	(41,018)	(50,514)
Recoveries		(8,316)	-	-	-	-	-	-	-	-	(8,316)
Balance, February 28, 2011	$	2,885,913	-	1,937,516	795,009	8,505	200,271	53,577	693,374	27,357	6,601,522
Geology & Geophysics		6,559	919	87,891	137,545	32,147	863,895	405	235,968	20,172	1,385,501
Field Sampling		47,347	62,108	595,514	473,270	864	-	16,877	729,807	177,079	2,102,866
Drilling		363,812	-	1,218,012	1,310,883	-	-	-	-	-	2,892,707
Land Tenure		16,906	-	10,878	13,750	2,336	14,245	1,888	82,626	11,120	153,749
Reports & Data Evaluation		4,571	613	5,315	2,409	1,935	4,758	2,313	30,403	8,471	60,788
Environmental & Safety		11,774	-	25,244	14,462	-	207	-	15	101	51,803
Community Relations		3,468	-	16,158	9,246	-	-	-	283	-	29,155
		454,437	63,640	1,959,012	1,961,565	37,282	883,105	21,483	1,079,102	216,943	6,676,569
Written off		-	-	-	-	-	-	-	-	(2,575)	(2,575)
Recoveries		-	-	-	-	-	-	-	-	-	-
Balance, December 23, 2011	$	3,340,350	63,640	3,896,528	2,756,574	45,787	1,083,376	75,060	1,772,476	241,725	13,275,516
Total, December 23, 2011	**$**	**4,235,978**	**405,391**	**4,499,528**	**3,066,990**	**214,627**	**1,271,780**	**478,060**	**2,644,705**	**1,031,725**	**17,848,784**

The following mineral properties consist of the assets acquired from Silver Quest from the arrangement (Note 4).

		BC	YUKON								Total
Acquisition costs		**3Ts**	**Aspen & Grizzly**	**Boulevard**	**Prospector Mtn**	**Poker**	**Henderson**	**Sizzler**	**Dawson Range**	**Other**	
Balance, November 1, 2011	$	-	-	-	-	-	-	-	-	-	-
Additions:		895,628	341,751	603,000	310,416	168,840	188,404	403,000	872,229	790,000	4,573,268
Written off		-	-	-	(310,416)	-	-	-	-	-	(310,416)
Recoveries:		-	-	-	-	-	-	-	-	-	-
Balance, December 31, 2011	$	895,628	341,751	603,000	-	168,840	188,404	403,000	872,229	790,000	4,262,852
Exploration costs											
Balance, November 1, 2011	$	-	-	-	-	-	-	-	-	-	-
Additions:		3,340,350	63,640	3,896,528	2,756,574	45,787	1,083,376	75,060	1,772,476	241,725	13,275,516
Written off		-	-	-	(2,756,574)	-	-	-	-	-	(2,756,574)
Recoveries		-	-	-	-	-	-	-	-	-	-
Balance, December 31, 2011	$	3,340,350	63,640	3,896,528	-	45,787	1,083,376	75,060	1,772,476	241,725	10,518,942
Total, December 31, 2011	**$**	**4,235,978**	**405,391**	**4,499,528**	**-**	**214,627**	**1,271,780**	**478,060**	**2,644,705**	**1,031,725**	**14,781,794**

(Expressed in Canadian Dollars)

8. LOAN PAYABLE

As part of the arrangement (Note 4) New Gold 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.

9. 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.

The Company did not enter into any transactions with related parties and key management personnel during the period ended December 31, 2011.

10. 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 part of the Plan of Arrangement (Note 4).

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

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, 2011, the Company had no outstanding stock options.

(Expressed in Canadian Dollars)

10. SHARE CAPITAL AND RESERVES *(continued)*

d) Warrants

As at December 31, 2011 the Company had outstanding share purchase warrants, enabling the holders to acquire further shares as follows:

Number of Warrants	Exercise Price	Expiry Date
228,444	$ 0.45	August 26, 2012
383,299	0.78	January 19, 2013
22,999	0.78	January 19, 2013
417,494	0.78	January 20, 2013
415,832	0.78	January 29, 2013
227,698	0.69	January 29, 2013
1,695,766		

Share purchase warrant transactions were as follows:

	December 31, 2011	
	Number of Warrants	**Weighted Average Exercise Price**
Balance, beginning of period	-	$ -
Granted on Plan of Arrangement	1,695,766	0.72
Exercised	-	-
Expired/cancelled	-	-
Balance, end of period	1,695,766	$ 0.72
Warrants exercisable, end of period	1,695,766	$ 0.72

11. SEGMENT INFORMATION

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

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The fair value of cash and cash equivalents and short-term investments are measured based on level 1 of the fair value hierarchy. The fair values of receivables, exploration advances and accounts payable and accrued liabilities 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 currently does not have a significant concentration of credit risk with any single counter-party other than $742,796 owing from New Gold as a result of the arrangement (Note 4), $425,000 of which was received subsequent to December 31, 2011. 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.

13. INCOME TAXES

A reconciliation of current income and deferred taxes at statutory rates with reported taxes follows:

		2011
Income (loss) before income taxes	$	(3,066,990)
Expected income tax recovery (expense)	$	813,000
Unrecognized deductible temporary differences		(813,000)
Income tax (expense) recovery	$	-

The Company has no deductible temporary differences, unused tax losses or unused tax credits.

14. 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 equity, consisting of common shares, stock options and warrants.

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.

(Expressed in Canadian Dollars)

15. COMMITMENTS

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

2012	$ 279,185
2013	308,760
2014	308,760
2015	308,760

16. SUBSEQUENT EVENTS

On January 2, 2012, 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.

On March 1, 2012 the Company granted 3,200,000 incentive stock options to directors, officers, employees, and consultants of the Company at a price of $0.35 per share until March 1, 2017.

On March 12, 2012 the Company entered into two Letters of Intent ("the LOIs"), with Lucky Strike Resources Ltd. ("Lucky Strike") to explore and advance the Grizzly and Aspen properties located in the White Gold District, Yukon. Under the terms of the LOIs, Lucky Strike may acquire an initial 60% interest in the Grizzly and the Aspen properties by making aggregate cash payments of $200,000, issuing a total of 600,000 shares and incurring an aggregate $3,000,000 in exploration expenditures. After vesting of a 60% interest, Lucky Strike may acquire an additional 10% interest in the two properties by making additional cash payment of $250,000, issuing an additional 500,000 shares and incurring an additional $2,500,000 in exploration expenditures on the properties. Independence will act as the operator for both the Grizzly and the Aspen projects during the first year of the LOIs.