INDEPENDENCE GOLD CORP.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Unaudited - prepared by management

June 30, 2012

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

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim condensed consolidated financial statements of Independence Gold Corp. (the "Company") have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

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

	June 30 2012	December 31 2011
ASSETS		
Current		
Cash and cash equivalents	$ 13,362,246	$ 14,394,017
Short-term investments (Note 4)	1,085,362	963,050
Marketable Securities (Note 8)	18,000	-
Receivables (Note 5)	452,032	742,796
Prepaid expenses	28,650	-
	14,946,290	16,099,863
Exploration deposits (Note 6)	67,000	-
Exploration advances	100,000	50,000
Mineral properties (Note 7)	15,156,623	14,781,794
	$ 30,269,913	$ 30,931,657
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	$ 524,246	$ -
Loan Payable (Note 8)	1,000,000	1,000,000
	1,524,246	1,000,000
Shareholders' equity		
Share capital (Note 13)	33,038,647	32,998,647
Reserves	91,639	-
Deficit	(4,384,619)	(3,066,990)
	28,745,667	29,931,657
	$ 30,269,913	$ 30,931,657

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

Approved and authorized by the Board on August 1, 2012

"Randy C. Turner"
Randy C. Turner, Director

"Michael McPhie"
Michael McPhie, Director

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

INDEPENDENCE GOLD CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE LOSS (unaudited)
(Expressed in Canadian Dollars)

	Three Month Period Ended June 30 2012	Six Month Period Ended June 30 2012
EXPENSES		
Business development	$ 8,152	$ 44,821
Insurance	-	22,673
Legal, audit and accounting	43,485	57,975
Management fees and corporate services	83,249	178,999
Office and miscellaneous	8,937	37,757
Regulatory and transfer agent fees	5,071	19,924
Rent	50,919	75,433
Share-based compensation (Note 13)	-	91,639
Travel	27,918	50,778
Wages and benefits	91,879	176,602
Loss before other items	(319,610)	(756,601)
OTHER ITEMS		
Interest income	44,988	90,215
Unrealized (Loss)/Gain on marketable securities	(19,000)	(24,000)
Write-off of mineral properties (Note 7)	(609,878)	(627,243)
	(583,890)	(561,028)
Loss and comprehensive loss for the period	$ (903,500)	$ (1,317,629)
Basic and diluted loss per common share	$ (0.02)	$ (0.03)
Weighted average number of common shares outstanding	43,217,408	43,215,210

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

INDEPENDENCE GOLD CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS (unaudited)
(Expressed in Canadian Dollars)

	Three Month Period Ended June 30 2012	Six Month Period Ended June 30 2012
Cash flows from operating activities		
Income (loss) for the period	$ (903,500)	$ (1,317,629)
Items not affecting cash:		
Write-off of mineral properties	245,333	262,697
Share-based compensation	-	91,639
Unrealized (gain)/loss on marketable securities	19,000	24,000
Changes in non-cash working capital items:		
(Increase) decrease in receivables	(70,404)	290,764
(Increase) decrease in prepaid expenses	-	(28,650)
Increase (decrease) in accounts payable and accrued liabilities	(26,702)	123,233
Net cash used in operating activities	(736,273)	(553,946)
Cash flows from investing activities		
(Acquisition) of mineral properties	(40,000)	(40,000)
Disposition of mineral properites	414,546	414,546
(Increase) decrease in short-term investments	(6,490)	(122,312)
Exploration deposits	-	(67,000)
Exploration advances	(50,000)	(50,000)
Mineral property expenditures	(460,971)	(613,059)
Net cash provided by (used in) investing activities	(142,915)	(477,825)
Change in cash and cash equivalents during the period	(879,188)	(1,031,771)
Cash and cash equivalents, beginning of the period	14,241,434	14,394,017
Cash and cash equivalents, end of the period	$ 13,362,246	$ 13,362,246

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

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

	Share Capital				
	Number	**Amount**	**Reserves**	**Deficit**	**Total**
Balance, December 31, 2011	43,213,012	$ 32,998,647	$ -	(3,066,990)	$ 29,931,657
Issued for mineral properites	200,000	40,000		-	40,000
Share-based compensation	-	-	91,639	-	91,639
Loss for the period	-	-	-	(1,317,629)	(1,317,629)
Balance, June 30, 2012	43,413,012	$ 33,038,647	$ 91,639	$ (4,384,619)	$ 28,745,667

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 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.

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 condensed consolidated interim 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.

These condensed consolidated interim 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 condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with International Accounts Standards ("IAS") 34, "Interim Financial Reporting" using accounting policies consistent 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

These condensed consolidated interim 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 condensed consolidated interim 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 condensed consolidated interim 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 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:

<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.

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.

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)*

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 June 30, 2012, were based on the loss attributable to common shareholders of $1,317,629 and the weighted average number of common shares outstanding of 43,215,210. The diluted loss per share did not include the effect of share purchase options or warrants as they are anti-dilutive. As at June 30, 2012, the total number of potentially dilutive shares excluded from the calculation of loss per share was 4,895,766.

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.

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 June 30, 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.

- Amendments IAS 12, Income Taxes (effective for annual periods beginning on or after January 1, 2012) introduce an exception to the general measurement requirements in respect of investment properties measured at fair value.

- 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 on the condensed consolidated financial statements.

FOR THE SIX MONTHS ENDED JUNE 30, 2012 (Expressed in Canadian Dollars)

4. SHORT-TERM INVESTMENTS

Short-term investments consist of certain corporate bonds and fixed income securities.

5. RECEIVABLES

The Company's receivables are as follows:

		June 30, 2012		December 31, 2011
HST Receivable	$	104,793	$	-
Advances Receivable		29,443		-
Due from New Gold Inc.		317,796		742,796
Total	$	452,032	$	742,796

6. EXPLORATION DEPOSITS

The Company has provided deposits as security against potential future reclamation work relating to its mineral properties. As at June 30, 2012 a total of $67,000 (2011 - $Nil) had been lodged with the British Columbia Ministry of Energy, Mines & Petroleum Resources.

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.

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.

3T'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 property, Yukon
The Company optioned up to a 70% interest in the property. To acquire an initial 60% interest the Optionee must make cash payments of $100,000 ($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.

FOR THE SIX MONTHS ENDED JUNE 30, 2012 (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. At December 31, 2011 the Company decided not to continue the option earn-in and accordingly wrote-off all costs associated with this property.

Grizzly property, Yukon
The Company optioned up to a 70% interest in the property. To acquire an initial 60% interest the Optionee must make cash payments of $100,000 ($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.

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.

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
A 100% interest, subject to a 2.0% NSR. The Company has the option, until June 29, 2015, 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.

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 ($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 period, the Company wrote off all acquisition and deferred exploration costs associated with this property.

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

During the period, the Company wrote off all acquisition and deferred exploration costs associated with the Timber, Mickey, and Ogo properties

FOR THE SIX MONTHS ENDED JUNE 30, 2012 (Expressed in Canadian Dollars)

8. MARKETABLE SECURITIES

		2012
Lucky Strike Resources Ltd.	$	18,000

As at June 30, 2012, the Company holds 200,000 (2011 – Nil) common shares of Lucky Strike Resources Ltd., a public company listed in the TSX Exchange, that were issued pursuant to its mineral property option agreements with the Company (Note 7).

9. 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.

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are as follows:

		June 30, 2012		**December 31, 2011**
Trade Payables		524,246		-
Total	$	524,246	$	-

11. 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 entered into the following transactions with related parties and key management personnel during the period ended June 30, 2012:

a) Paid or accrued management fees of $110,500 (2011 - $Nil) to Rand Explorations Ltd., a company controlled by Randy Turner, an officer of the Company.

b) Paid or accrued geological consulting fees included in mineral properties of $19,500 (2011 - $Nil) to Rand Explorations Ltd., a company controlled by Randy Turner, an officer of the Company.

c) Paid or accrued consulting fees included in management fees of $29,500 (2011 - $Nil) to Adera Company Management Inc., a company controlled by J. Christopher Mitchell, an officer of the Company.

FOR THE SIX MONTHS ENDED JUNE 30, 2012 (Expressed in Canadian Dollars)

11. RELATED PARTY TRANSACTIONS (continued)

d) Paid or accrued $75,000 (2011 - $Nil) for salaries and benefits included in deferred exploration costs to David Pawliuk, an officer of the Company.

e) Paid or accrued $9,000 (2011 - $Nil) for director's fees included in management fees to John McDonald, a non-executive director.

f) Paid or accrued $9,000 (2011 - $Nil) for director's fees included in management fees to Linus Geological Ltd., a company controlled by Robert McLeod, a non-executive director.

g) Paid or accrued $9,000 (2011 - $Nil) for director's fees included in management fees to Falkirk Global Management Consultants Ltd., a company controlled by Michael McPhie, a non-executive director.

h) Paid or accrued $6,000 (2011 - $Nil) for director's fees included in management fees to Patrocinium Services Corp., a company controlled by Louis Montpellier, a non-executive director.

i) Paid or accrued $6,000 (2011 - $Nil) for director's fees included in management fees to Canaust Resource Consultants, a company controlled by Yale Simpson, a non-executive director.

Included in receivables at June 30, 2012 is $29,315 (2011 - $Nil) due from companies with common directors.

Included in accounts payable and accrued liabilities at June 30, 2012 is $57,757 (2011 - $Nil) due to companies controlled by directors and officers.

12. 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	$ 154,380
2013	308,760
2014	308,760
2015	308,760

13. 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

During the period ended June 30, 2012 the Company issued 200,000 common shares with an aggregate value of $40,000 as consideration towards the acquisition of the CCR (Sizzler) property.

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.

FOR THE SIX MONTHS ENDED JUNE 30, 2012 (Expressed in Canadian Dollars)

13. SHARE CAPITAL AND RESERVES *(continued)*

c) Stock options *(continued)*

As at June 30, 2012, the Company had outstanding stock options, enabling the holders to acquire further common shares as follows:

Number of Shares	Exercise Price	Expiry Date
3,200,000	$0.35	March 1, 2017
3,200,000		

Stock option transactions are summarized as follows:

	June 30, 2012		December 31, 2011	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Balance, beginning of period	3,200,000	$ 0.35	-	-
Granted	-	-	-	-
Exercised	-	-	-	-
Expired/cancelled	-	-	-	-
Balance, end of period	3,200,000	$ 0.35	-	-
Options exercisable, end of period	3,200,000	$ 0.35	-	-

c) Options – Share-based compensation

During the period ended June 30, 2012, the Company granted 3,200,000 (2011 - Nil) stock options with a fair value of $1,120,000 (2011 - $Nil) or $0.35 (2011 - $Nil) per option.

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

	2012	2011
Risk-free interest rate	1.45%	-
Expected life of options	5.000	-
Annualized volatility	12.71%	-
Dividend rate	0.02864	-

As at June 30, 2012 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		

FOR THE SIX MONTHS ENDED JUNE 30, 2012 (Expressed in Canadian Dollars)

13. SHARE CAPITAL AND RESERVES *(continued)*

d) Warrants *(continued)*

Share purchase warrant transactions were as follows:

	June 30, 2012		December 31, 2011	
	Number of Warrants	**Weighted Average Exercise Price**	**Number of Warrants**	**Weighted Average Exercise Price**
Balance, beginning of period	1,695,766	$ 0.72	-	$ -
Granted on Plan of Arrangement	-	-	1,695,766	0.72
Exercised	-	-	-	-
Expired/cancelled	-	-	-	-
Balance, end of period	1,695,766	$ 0.72	1,695,766	$ 0.72

14. SEGMENT INFORMATION

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

15. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

The significant non-cash investing and financing transactions during the period ended June 30, 2012 consisted of:

a) Mineral property costs of $401,015 included in accounts payable;
b) 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);
c) 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); and
d) The issuance of 200,000 shares, with a fair value of $40,000 as consideration towards the acquisition of mineral properties (Note 7).

Cash and cash equivalents include money market funds of $606,581 (December 31, 2011 - $605,802)

16. 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.

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(continued)*

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 $317,796 owing from New Gold Inc. 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.

17. 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.

18. SUBSEQUENT EVENTS

Subsequent to June 30, 2012 the Company issued 200,000 common shares and paid $40,000 as consideration towards the Boulevard property (Note 7).