



CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Unaudited - prepared by management

June 30, 2016

The accompanying notes are an integral part of these consolidated 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.

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

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

| | <u>June 30</u> <u>2016</u> | <u>December 31</u> <u>2015</u> |
|--|-------------------------------|-----------------------------------|
| ASSETS | | |
| Current | | |
| Cash and cash equivalents | \$ 3,123,909 | \$ 1,565,847 |
| Short-term investments | 3,634,895 | 4,135,568 |
| Marketable securities (Note 3) | 2,625 | 1,000 |
| Receivables | <u>233,153</u> | <u>93,201</u> |
| | <u>6,994,582</u> | <u>5,795,616</u> |
| Long term deposit (Note 4) | 73,137 | 87,434 |
| Land use deposits (Note 5) | 67,000 | 67,000 |
| Mineral properties (Note 6) | 11,801,987 | 11,758,281 |
| Leasehold improvements | <u>132,004</u> | <u>-</u> |
| | <u>\$ 19,068,710</u> | <u>\$ 17,708,331</u> |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | \$ <u>277,416</u> | \$ <u>103,066</u> |
| | <u>277,416</u> | <u>103,066</u> |
| Shareholders' equity | | |
| Share capital (Note 8) | 35,052,129 | 33,096,647 |
| Reserves | 581,275 | 555,238 |
| Deficit | <u>(16,842,110)</u> | <u>(16,046,620)</u> |
| | <u>18,791,294</u> | <u>17,605,265</u> |
| | <u>\$ 19,068,710</u> | <u>\$ 17,708,331</u> |
| Nature and continuance of operations (Note 1) | | |
| Subsequent events (Note 6a, 8c) | | |

Approved and authorized by the Board on August 30, 2016

"Randy C. Turner"

Randy C. Turner, Director

"John McDonald"

John McDonald, Director

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

INDEPENDENCE GOLD CORP.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF LOSS AND COMPREHENSIVE LOSS (unaudited)

(Expressed in Canadian Dollars)

| | Three Month Period Ended June 30 <u>2016</u> | Three Month Period Ended June 30 <u>2015</u> | Six Month Period Ended June 30 <u>2016</u> | Six Month Period Ended June 30 <u>2015</u> |
|---|---|---|---|---|
| EXPENSES | | | | |
| Exploration expenditures (Note 6) | \$ 343,344 | \$ 538,893 | \$ 365,119 | \$ 566,033 |
| Property investigation | 11,026 | 43,306 | 65,997 | 88,448 |
| Amortization | 6,629 | - | 6,629 | - |
| Insurance | - | - | 1,720 | 5,197 |
| Legal, audit, accounting & other professional | 23,161 | 8,023 | 25,660 | 8,618 |
| Management and director fees | 58,237 | 59,687 | 115,725 | 112,375 |
| Office and miscellaneous | 10,871 | 6,594 | 59,515 | 16,086 |
| Regulatory and transfer agent fees | 5,787 | 865 | 12,336 | 9,558 |
| Rent | 6,328 | 61,035 | 38,931 | 121,892 |
| Share-based compensation (Note 8) | 56,441 | 22,179 | 56,441 | 22,179 |
| Shareholder communications | 7,208 | 6,356 | 11,970 | 9,022 |
| Travel | 851 | 3,631 | 12,291 | 5,483 |
| Wages and benefits | <u>35,910</u> | <u>70,473</u> | <u>90,807</u> | <u>140,596</u> |
| | <u>(565,793)</u> | <u>(821,042)</u> | <u>(863,141)</u> | <u>(1,105,487)</u> |
| Interest income | 16,888 | 29,188 | 35,622 | 61,738 |
| Unrealized (loss)/gain on marketable securities | <u>1,375</u> | <u>(1,250)</u> | <u>1,625</u> | <u>(250)</u> |
| | <u>18,263</u> | <u>27,938</u> | <u>37,247</u> | <u>61,488</u> |
| Loss and comprehensive loss for the period | \$ <u>(547,530)</u> | \$ <u>(793,104)</u> | \$ <u>(825,894)</u> | \$ <u>(1,043,999)</u> |
| Basic and diluted loss per common share | \$ <u>(0.01)</u> | \$ <u>(0.02)</u> | \$ <u>(0.02)</u> | \$ <u>(0.02)</u> |
| Weighted average number of common shares outstanding | 44,915,454 | 43,813,012 | 44,411,082 | 43,813,012 |

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)

| | Six Month Period Ended June 30 2016 | Six Month Period Ended June 30 2015 |
|--|--|--|
| Cash flows from operating activities | | |
| Income (loss) for the period | \$ (825,894) | \$ (1,043,999) |
| Items not affecting cash: | | |
| Amortization | 6,629 | - |
| Share-based compensation | 56,441 | 22,179 |
| Interest on short-term investments | 2,314 | (1,558) |
| Unrealized (gain)/loss on marketable securities | (1,625) | 250 |
| Changes in non-cash working capital items: | | |
| (Increase) decrease in prepaid expenses | - | 19,524 |
| (Increase) decrease in receivables | (139,952) | 7,735 |
| Increase (decrease) in accounts payable and accrued liabilities | 174,350 | 492,111 |
| Net cash used in operating activities | <u>(727,737)</u> | <u>(503,758)</u> |
| Cash flows from financing activities | | |
| Issuance of common shares for cash | 1,959,278 | - |
| Share issuance costs | (33,796) | - |
| Net cash provided by (used in) financing activities | <u>1,925,482</u> | <u>-</u> |
| Cash flows from investing activities | | |
| (Acquisition) disposition of capital assets | (138,633) | - |
| (Acquisition) disposition of mineral properties | (13,706) | - |
| (Increase) decrease in short-term investments | 498,359 | (9,238) |
| (Increase) decrease in long term deposits | 14,297 | - |
| Net cash provided by (used in) investing activities | <u>360,317</u> | <u>(9,238)</u> |
| Change in cash and cash equivalents during the period | 1,558,062 | (512,996) |
| Cash and cash equivalents, beginning of the period | 1,565,847 | 2,183,790 |
| Cash and cash equivalents, end of the period | <u>\$ 3,123,909</u> | <u>\$ 1,670,794</u> |

Supplemental disclosure with respect to cash flows (Note 10)

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

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

| | <u>Share Capital</u> | | | | |
|---|----------------------|----------------------|-------------------|------------------------|----------------------|
| | <u>Number</u> | <u>Amount</u> | <u>Reserves</u> | <u>Deficit</u> | <u>Total</u> |
| Balance, December 31, 2015 | 43,813,012 | \$ 33,096,647 | \$ 555,238 | \$ (16,046,620) | \$ 17,605,265 |
| Issued for mineral properties (Note 10) | 100,000 | 30,000 | - | - | 30,000 |
| Issued for cash (Note 8b) | 10,884,880 | 1,959,278 | - | - | 1,959,278 |
| Share issuance costs | - | (33,796) | - | - | (33,796) |
| Share-based compensation (Note 8d) | - | - | 56,441 | - | 56,441 |
| Reserves transferred on expired/cancelled options (Note 8d) | - | - | (30,404) | 30,404 | - |
| Loss for the period | - | - | - | (825,894) | (825,894) |
| Balance, June 30, 2016 | <u>54,797,892</u> | <u>\$ 35,052,129</u> | <u>\$ 581,275</u> | <u>\$ (16,842,110)</u> | <u>\$ 18,791,294</u> |
| Balance, December 31, 2014 | 43,813,012 | \$ 33,096,647 | \$ 613,438 | \$ (12,977,524) | \$ 20,732,561 |
| Share-based compensation | - | - | 22,179 | - | 22,179 |
| Loss for the period | - | - | - | (1,043,999) | (1,043,999) |
| Balance, June 30, 2015 | <u>43,813,012</u> | <u>\$ 33,096,647</u> | <u>\$ 635,617</u> | <u>\$ (14,021,523)</u> | <u>\$ 19,710,741</u> |

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

INDEPENDENCE GOLD CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2016 (Expressed in Canadian Dollars)

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 1020 - 625 Howe Street, Vancouver, British Columbia, Canada, V6C 2T6. 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 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 that the Company has sufficient working capital to maintain its operations for the upcoming fiscal year.

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

Statement of Compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standards (“IAS”) 34, “Interim Financial Reporting” on a basis consistent with the accounting policies disclosed in the audited consolidated financial statements for the fiscal year ended December 31, 2015.

These condensed consolidated interim financial statements should be read in conjunction with the most recently issued audited consolidated financial statements, which include information necessary or useful to understanding the Company’s business and financial statement presentation. In particular, the Company’s significant accounting policies which were presented in Note 3 to the Consolidated Financial Statements for the fiscal year ended December 31, 2015 and have been consistently applied in the preparation of the Company’s consolidated interim financial statements.

The Company’s condensed consolidated interim financial statements are unaudited. Financial information in this report reflects any adjustments (consisting of normal recurring adjustments) that are, in the opinion of management, necessary to a fair presentation of results for the interim periods in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board.

INDEPENDENCE GOLD CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2016 (Expressed in Canadian Dollars)

3. MARKETABLE SECURITIES

| | June 30, 2016 | December 31, 2015 |
|---------------------|---------------|-------------------|
| Rojo Resources Ltd. | \$ 2,625 | \$ 1,000 |

As at June 30, 2016, the Company holds 25,000 (December 31, 2015 – 25,000) common shares of Rojo Resources Ltd. (formerly known as Lucky Strike Resources Ltd.), a public company listed on the TSX Venture Exchange.

4. COMMITMENTS

- a) The Company entered into an operating lease agreement for its premises expiring in 2021. The minimum annual commitment under this lease is as follows:

| | |
|------|-----------|
| 2016 | \$ 73,692 |
| 2017 | \$ 88,431 |
| 2018 | \$ 88,782 |
| 2019 | \$ 92,642 |
| 2020 | \$ 92,942 |
| 2021 | \$ 23,162 |

As at June 30, 2016, the Company has paid \$73,137 (December 31, 2015 - \$87,434) as long term security deposits towards its office and storage facility lease agreements.

- b) During the prior year, the Company also entered into an operating lease agreement for its storage facility expiring in 2017. The minimum annual lease commitment under this lease is as follows:

| | |
|------|-----------|
| 2016 | \$ 20,800 |
| 2017 | \$ 3,480 |

- c) During the prior year, 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 provides between 24 and 36 months remuneration should the contract be terminated or certain specified transactions occur. Effective September 1, 2014 this fee was reduced to \$16,250 per month.
- d) On June 24, 2016, the Company completed a Private Placement in which Goldcorp Inc. (“Goldcorp”) acquired approximately 19.9% of the issued and outstanding common shares of the Company and entered into an Investors’ Rights Agreement (the “Agreement”). Pursuant to the Agreement, Goldcorp has been granted the right to maintain its pro rata ownership percentage during future financings and the right (but not the obligation) to participate in any future equity financing to the extent required to allow Goldcorp to maintain its equity ownership in the Company to a maximum of 19.9% of the issued and outstanding shares, provided that Goldcorp holds not less than 7.5% of the Company. Goldcorp also has the right to match non-equity financing and tolling arrangements related to future exploration on the Company’s current and future Yukon properties and a 30 day right of first refusal over any sale, in full or part, of the Company’s interest in the Boulevard Project.

5. LAND USE DEPOSITS

The Company has provided deposits as security for land use and potential future reclamation work relating to its mineral properties. As at June 30, 2016 a total of \$67,000 (December 31, 2015 - \$67,000) had been lodged with the British Columbia Ministry of Energy, Mines & Petroleum Resources.

INDEPENDENCE GOLD CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2016 (Expressed in Canadian Dollars)

6. 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.

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

| | June 30, 2016 | December 31, 2015 |
|--|----------------------|----------------------|
| BRITISH COLUMBIA | | |
| <u>3Ts PROJECT</u> | | |
| Taken Property | \$ 345,693 | \$ 345,693 |
| 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. | | |
| Tam Property | 1,750,979 | 1,750,979 |
| A 100% interest, subject to a 1.0% NSR, one-half of which may be purchased back for \$250,000. | | |
| Tsacha Property | 2,121,788 | 2,121,788 |
| A 100% interest in certain claims subject to a 2.0% NSR. | | |
| Tommy Lake Property | 17,518 | 17,518 |
| A 100% interest. | | |
| BOT Property | - | - |
| A 100% interest, subject to a 1.5% NSR, two-thirds of which may be purchased back for \$700,000. | | |
| Blackwater-South Property | - | - |
| A 100% interest. | | |
| YUKON | | |
| <u>BOULEVARD PROJECT</u> | | |
| Boulevard Property | 4,667,528 | 4,637,528 |
| A 100% interest, subject to a 2.0% NSR. 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. | | |
| YCS Property | 425,237 | 425,237 |
| A 100% interest, subject to a 2.0% NSR. The Company can buy-back one-half of the NSR for \$1,000,000. | | |
| Solitude Property | 865,566 | 865,566 |
| A 100% interest by staking. | | |
| Tiger Property | 233,776 | 233,776 |
| A 100% interest, subject to a 2.0% NSR. The Company can buy-back one-half of the NSR for \$2,000,000. | | |
| <u>WHITE GOLD PROPERTIES</u> | | |
| Henderson Property | 1,271,780 | 1,271,780 |
| A 100% interest. | | |
| Moosehorn Property | 88,416 | 88,416 |
| A 100% interest. | | |
| Rosebute Property (Note 6a) | 13,706 | - |
| Up to a 75% interest, subject to a 2% NSR. | | |
| Total Mineral Properties | \$ 11,801,987 | \$ 11,758,281 |

- 6a. On June 30, 2016 the Company entered into an Option and Joint Venture agreement with Taku Gold Corporation ("Taku") to earn up to a 75% interest in the Rosebute Property (the "Property"). Pursuant to the agreement the Company must make staged cash payments totaling \$295,000 (\$60,000 paid subsequent to quarter end), issue 1,000,000 million shares (200,000 issued subsequent to quarter end with an aggregate value of \$66,000) and incur exploration expenditures of \$2,000,000 on or before June 30, 2019. Upon completion of the 75% earn-in, Taku will have the right to elect to participate as a 25% interest joint venture partner, or elect to sell the remaining 25% to the Company for an additional cash payment of \$500,000 and issuance of 1,000,000 common shares of the Company. If Taku elects to sell the remaining 25%, it will retain a 1% net smelter royalty ("NSR") on the Property, with the Company having the right to buyback 0.5% of the NSR for \$500,000. In addition, the Property is subject to a 2% underlying royalty, with the right to purchase 1.0% of the underlying royalty for \$2,000,000.

INDEPENDENCE GOLD CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2016 (Expressed in Canadian Dollars)

6. MINERAL PROPERTIES (continued)

During the period ended June 30, 2016, the Company incurred exploration expenditures as follows:

| | Geology & Geophysics | Field Sampling | Drilling | Land Use & Tenure | Data Evaluation | Safety & Reclamation | Recoveries | Total for the period |
|-------------------------|-------------------------------------|---------------------------|------------------|----------------------------------|----------------------------|-------------------------------------|-------------------|---------------------------------|
| BRITISH COLUMBIA | | | | | | | | |
| 3Ts Project | \$ 3,877 | \$ - | \$ - | \$ 131 | \$ 8,470 | \$ - | \$ - | \$ 12,478 |
| YUKON | | | | | | | | |
| Boulevard Project | 23,939 | 83,829 | 42,177 | 4,438 | 3,755 | 2,762 | - | 160,900 |
| Moosehorn | 17,438 | 75,476 | 25,211 | - | 740 | - | - | 118,865 |
| Flow | 15,982 | - | - | - | - | - | - | 15,982 |
| Ember | 15,881 | - | - | - | - | - | - | 15,881 |
| Wolfcreek | 8,340 | - | - | - | - | - | - | 8,340 |
| Rosebute | 7,127 | - | 23,045 | - | 2,501 | - | - | 32,673 |
| | \$ 92,584 | \$ 159,305 | \$ 90,433 | \$ 4,569 | \$ 15,466 | \$ 2,762 | \$ - | \$ 365,119 |

During the period ended June 30, 2015, the Company incurred exploration expenditures as follows:

| | Geology & Geophysics | Field Sampling | Drilling | Land Use & Tenure | Data Evaluation | Safety & Reclamation | Recoveries | Total for the period |
|-------------------------|-------------------------------------|---------------------------|-------------------|----------------------------------|----------------------------|-------------------------------------|-------------------|---------------------------------|
| BRITISH COLUMBIA | | | | | | | | |
| 3Ts Project | \$ 451 | \$ - | \$ - | \$ 131 | \$ 1,271 | \$ - | \$ - | \$ 1,853 |
| YUKON | | | | | | | | |
| Boulevard Project | 43,812 | - | 486,643 | - | 4,575 | - | - | 535,030 |
| Moosehorn | 314 | 519 | - | - | 456 | - | - | 1,289 |
| Solitude | 32 | - | - | - | 101 | - | - | 133 |
| Solo | 54 | - | - | - | 168 | - | - | 222 |
| Henderson | 709 | - | - | - | 638 | - | - | 1,347 |
| RECONNAISSANCE | 6,365 | 18,828 | - | - | 966 | - | - | 26,159 |
| | \$ 51,737 | \$ 19,347 | \$ 486,643 | \$ 131 | \$ 8,175 | \$ - | \$ - | \$ 566,033 |

INDEPENDENCE GOLD CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2016 (Expressed in Canadian Dollars)

7. 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:

| | Six month period ended June 30, 2016 | Six month period ended June 30, 2015 |
|----------------------------|---|---|
| Management fees | \$ 98,475 | \$ 95,875 |
| Directors fees | 17,250 | 16,500 |
| Geological consulting fees | 52,825 | 46,915 |
| Property investigation | 25,467 | 32,290 |
| Share-based compensation* | 37,627 | 15,234 |
| Total | \$ 231,644 | \$ 206,814 |

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

Included in receivables at June 30, 2016 is \$115,123 (December 31, 2015 - \$75,822) due from companies with directors and/or officers in common. Included in accounts payable and accrued liabilities at June 30, 2016 is \$46,670 (December 31, 2015 - \$51,328) due to directors and companies with directors and/or officers in common.

The Company provides geological, office and administrative services to public companies with common directors. During the period ended, June 30, 2016 the Company received or accrued \$21,000 (June 30, 2015 - \$30,000) for rent and \$49,102 (June 30, 2015 - \$60,246) for accounting, investor relations, geology & other.

8. 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, 2016, the Company closed a private placement with Goldcorp and issued 10,884,880 flow through shares ("FT Shares") at a price of \$0.18 per FT Share for total gross proceeds of \$1,959,278.

INDEPENDENCE GOLD CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2016 (Expressed in Canadian Dollars)

8. SHARE CAPITAL AND RESERVES (continued)

b) Issued share capital (continued)

During the period ended, June 30, 2016 the Company issued 100,000 common shares with an aggregate value of \$30,000 pursuant to the Boulevard Property Option Agreement.

The Company did not issue any common shares during the period ended, June 30, 2015.

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 June 30, 2016, the Company had outstanding stock options, enabling the holders to acquire further common shares as follows:

| Number of Shares | Exercise Price | Expiry Date |
|---------------------|----------------|------------------|
| 2,387,500 | \$ 0.20 | March 1, 2017 |
| 780,000 | \$ 0.20 | November 7, 2018 |
| 480,000 | \$ 0.15 | June 2, 2020 |
| 630,000 | \$ 0.20 | May 18, 2021 |
| 4,277,500 | | |

Stock option transactions are summarized as follows:

| | June 30, 2016 | | December 31, 2015 | |
|------------------------------------|----------------------|--|----------------------|--|
| | Number of Options | Weighted Average Exercise Price | Number of Options | Weighted Average Exercise Price |
| Balance, beginning of period | 3,832,500 | \$ 0.19 | 3,857,500 | \$ 0.20 |
| Granted | 630,000 | \$ 0.20 | 495,000 | 0.15 |
| Exercised | - | - | - | - |
| Expired/cancelled | (185,000) | \$ 0.20 | (520,000) | \$ 0.20 |
| Balance, end of period | 4,277,500 | \$ 0.19 | 3,832,500 | \$ 0.19 |
| Options exercisable, end of period | 4,277,500 | \$ 0.19 | 3,832,500 | \$ 0.19 |

Subsequent to June 30, 2016, 492,500 incentive stock options were exercised by employees of the Company.

INDEPENDENCE GOLD CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2016 (Expressed in Canadian Dollars)

8. SHARE CAPITAL AND RESERVES *(continued)*

d) Share-based compensation

During the six month period ended, June 30, 2016 the Company granted 630,000 (2015 – 495,000) stock options with a fair value of \$56,441 (2015 - \$22,179) or \$0.09 (2015 - \$0.04) per option. All options vest immediately on grant.

| | 2016 | 2015 |
|---------------------------|-------------|-------------|
| Risk-free interest rate | 0.71% | 1.76% |
| Expected life of options | 5.00 | 5.00 |
| Annualized volatility | 82.42% | 79.97% |
| Dividend rate | - | - |
| Weight average fair value | \$ 0.08959 | \$ 0.04481 |

e) Warrants

As at June 30, 2016 and 2015 the Company had no outstanding share purchase warrants.

9. SEGMENT INFORMATION

The Company operates in one reportable operating segment, being the acquisition, exploration, and evaluation of mineral properties in North America. All of the Company's capital assets are located in Canada.

10. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Significant non-cash investing and financing transactions during the six month period ended June 30, 2016 consisted of the issuance of 100,000 common shares valued at \$30,000 pursuant to the Boulevard Property Option Agreement.

There were no significant non-cash investing and financing transactions during the six month period ended June 30, 2015.