

IMPACT SILVER CORP.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

June 30, 2015 and 2014

Unaudited

NOTICE OF NO REVIEW BY AUDITOR

In accordance with National Instrument 51 – 102 *Continuous Disclosure Obligations* of the Canadian Securities Administrators **WE HEREBY GIVE NOTICE THAT** the condensed consolidated interim financial statements which follow this notice have not been reviewed by an auditor.

IMPACT Silver Corp.

Condensed Consolidated Interim Statements of Financial Position

(Canadian dollars)

Unaudited

ASSETS	June 30, 2015	December 31, 2014
Current		
Cash	\$ 742,069	\$ 575,344
Trade and other receivables (Note 3)	3,627,441	5,118,682
Inventories (Note 4)	906,617	906,844
Investments	10,000	17,500
	5,286,127	6,618,370
Value added and other taxes receivable	3,045,261	2,915,870
Property, plant and equipment (Note 5)	26,205,931	26,788,116
Exploration and evaluation assets (Note 6)	22,763,549	21,738,706
Deferred income tax assets	270,074	-
	\$ 57,570,942	\$ 58,061,062
LIABILITIES		
Current		
Trade payables and accrued liabilities	\$ 1,393,596	\$ 1,466,280
Due to related party (Note 7)	1,485,620	1,363,389
	2,879,216	2,829,669
Reclamation provision	450,295	431,538
Deferred income tax liabilities	5,111,515	5,055,202
	8,441,026	8,316,409
SHAREHOLDERS' EQUITY		
Share capital	53,495,947	53,495,947
Contributed surplus	4,776,173	4,776,173
Accumulated other comprehensive income	542,628	(168,798)
Retained deficit	(9,684,832)	(8,358,669)
	49,129,916	49,744,653
	\$ 57,570,942	\$ 58,061,062

ON BEHALF OF THE BOARD:

"F.W. Davidson" _____, Director

"P. Tredger" _____, Director

-The accompanying notes form an integral part of these consolidated financial statements-

IMPACT Silver Corp.

Condensed Consolidated Interim Statements of Loss For the Three and Six Months Ended June 30

Canadian dollars
Unaudited

	Three months ended		Six months ended	
	June 30		June 30	
	2015	2014	2015	2014
Revenues	\$ 2,735,120	\$ 2,551,710	\$ 6,646,742	\$ 5,513,977
Expenses				
Operating expenses (Note 9)	2,962,303	2,924,909	6,143,407	6,029,710
Amortization and depletion	531,181	709,649	1,057,184	1,418,922
	3,493,484	3,634,558	7,200,591	7,448,632
Mine operating loss	(758,364)	(1,082,848)	(553,849)	(1,934,655)
General and administrative expenses				
Accounting, audit and legal	64,338	65,839	123,897	127,092
Amortization	7,939	10,535	15,969	20,897
Investor relations, promotion and travel	18,168	47,583	30,144	77,356
Management fees and consulting	83,000	56,427	229,581	135,189
Office, rent, insurance and sundry	98,359	99,817	183,987	181,378
Office salaries and services	159,965	120,639	322,585	330,517
Share-based payments	-	47,025	-	123,628
	431,769	447,865	906,163	996,057
Operating loss	(1,190,133)	(1,530,713)	(1,460,012)	(2,930,712)
Other income (expenses)				
Finance cost	(7,196)	(5,996)	(14,641)	(11,954)
Finance income	110	2,394	133,063	6,718
Foreign exchange (loss) gain	(149,128)	(15,867)	(254,994)	5,660
Other income	15,086	6,819	14,930	9,170
Gain on available-for-sale investment	-	213,550	-	213,550
	(141,128)	200,900	(121,642)	223,144
Loss before taxes	(1,331,261)	(1,329,813)	(1,581,654)	(2,707,568)
Current income tax expense	5,623	-	11,652	-
Deferred income tax expense (recovery)	(291,358)	(306,147)	(267,143)	(419,717)
Net loss	(1,045,526)	(1,023,666)	(1,326,163)	(2,287,851)
Loss per share – Basic and Diluted (Note 10(c))	\$ (0.02)	\$ (0.02)	\$ (0.02)	\$ (0.03)
Weighted average number of shares outstanding – Basic and Diluted	68,128,244	68,128,244	68,128,244	68,128,244

-The accompanying notes form an integral part of these consolidated financial statements-

IMPACT Silver Corp.

Condensed Consolidated Interim Statements of Comprehensive Loss For the Three and Six Months Ended June 30

(Canadian dollars)

Unaudited

	Three months ended June 30		Six months ended June 30	
	2015	2014	2015	2014
Net loss	\$ (1,045,526)	\$ (1,023,666)	\$ (1,326,163)	\$ (2,287,851)
Other comprehensive loss				
Items that may be subsequently reclassified to profit or loss				
Unrealized (loss) gain on investments held as available-for-sale	(5,000)	2,830	(7,500)	495,870
Reclassification on sale of available-for-sale investment	-	(432,000)	-	(432,000)
Cumulative translation adjustment	(1,958,875)	(1,340,645)	718,926	567,996
Comprehensive loss	\$ (3,009,401)	\$ (2,793,481)	\$ (614,737)	\$ (1,655,985)

The accompanying notes form an integral part of these consolidated financial statements-

IMPACT Silver Corp.

Condensed Consolidated Interim Statements of Changes in Equity

For the Six Months Ended June 30

(Canadian dollars)

Unaudited

	Shares Outstanding	Share Capital (\$)	Contributed Surplus (\$)	Accumulated Other Comprehensive Income (\$)	Retained Deficit (\$)	Total Shareholders' Equity (\$)
Balance at January 1, 2014	68,128,244	53,495,947	4,630,492	867,142	(4,871,915)	54,121,666
Loss for the period	-	-	-	-	(2,287,851)	(2,287,851)
Share-based payments expense	-	-	123,628	-	-	123,628
Cumulative translation adjustments	-	-	-	567,996	-	567,996
Unrealized gains on available-for-sale investments	-	-	-	63,870	-	63,870
Balance at June 30, 2014	68,128,244	53,495,947	4,754,120	1,499,008	(7,159,766)	52,589,309
Balance at January 1, 2015	68,128,244	53,495,947	4,776,173	(168,798)	(8,358,669)	49,744,653
Loss for the period	-	-	-	-	(1,326,163)	(1,326,163)
Cumulative translation adjustments	-	-	-	718,926	-	718,926
Unrealized loss on investments	-	-	-	(7,500)	-	(7,500)
Balance at June 30, 2015	68,128,244	53,495,947	4,776,173	542,628	(9,684,832)	49,129,916

- The accompanying notes form an integral part of these consolidated financial statements –

IMPACT Silver Corp.

Condensed Consolidated Interim Statement of Cash Flows For the Three and Six Months Ended June 30

(Canadian dollars)

Unaudited

Cash resources provided by (used in)	For the three months ended June 30		For the six months ended June 30	
	2015	2014	2015	2014
Operating activities				
Net loss	\$ (1,045,526)	\$ (1,023,666)	\$ (1,326,163)	\$ (2,287,851)
Items not affecting cash				
Amortization and depletion	539,120	720,184	1,073,153	1,439,819
Share-based payments expense	-	47,025	-	123,628
Deferred income taxes	(291,358)	(306,147)	(267,143)	(419,717)
Loss on disposal of assets	-	-	679	-
Accretion expense	7,196	5,996	14,641	11,954
Gain on available-for-sale investment	-	(213,550)	-	(213,550)
Write-down of inventory	91,823	13,271	159,971	58,238
Changes in non-cash working capital				
Trade and other receivables	1,591,240	124,926	1,424,950	861,010
Income taxes receivable	124,103	100,114	2,070	(109,160)
Inventories	(190,013)	(148,679)	(88,527)	(110,016)
Trade payables	(268,687)	150,946	(86,235)	(2,780)
Income taxes payable	26,010	-	30,098	-
Due to related party	35,302	234,076	112,412	342,115
	619,210	(295,504)	1,049,906	(306,310)
Investing activities				
Acquisition of property, plant and equipment	(4,360)	(139,168)	(13,058)	(153,673)
Proceeds on sale of available-for-sale investment	-	321,550	-	321,550
Proceeds on sale of assets	-	-	325	-
Proceeds from the sale of concentrate from commission phase	-	-	-	120,580
Exploration and evaluation asset expenditures	(444,936)	(702,407)	(1,113,758)	(1,742,319)
	(449,296)	(520,025)	(1,126,491)	(1,453,862)
Effect of exchange rate changes on cash	105,364	(42,678)	243,310	(45,038)
Net change in cash	275,278	(858,207)	166,725	(1,805,210)
Cash - Beginning of period	466,791	2,538,177	575,344	3,485,180
Cash - End of period	\$ 742,069	\$ 1,679,970	\$ 742,069	\$ 1,679,970

-The accompanying notes form an integral part of these consolidated financial statements-

IMPACT Silver Corp.

Notes to the Condensed Consolidated Interim Financial Statements

June 30, 2015

(Canadian dollars)

Unaudited

1. Nature of operations and going concern

IMPACT Silver Corp. and its subsidiaries (collectively, "IMPACT" or the "Company") are engaged in silver mining and related activities including exploration, development and mineral processing in Mexico and the Dominican Republic. The Company operates a series of mines near Zacualpan in the State of Mexico and in Guerrero State and produces silver, lead, zinc and gold sold in the form of lead and zinc concentrates. The Company is actively exploring for silver, precious metals and other mineral resources on its properties located in Mexico, and is currently renewing its mineral concessions in the Dominican Republic. The registered address of the Company is 1100 – 543 Granville Street, Vancouver, British Columbia.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that the current exploration and development programs will result in ongoing profitable mining operations. The investment in and expenditures on mineral properties comprise a significant portion of the Company's assets. The recovery of the Company's investment in these mineral properties and the attainment of profitable operations are dependent upon the discovery and development of economic ore on these properties and the ability to arrange sufficient financing to bring the ore estimates into production. The ultimate outcome of these matters cannot presently be determined because they are contingent on future events.

The consolidated financial statements have been prepared 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 as they come due into the foreseeable future.

During the six months ended June 30, 2015, the Company incurred a net loss of \$1.3 million and cash inflows from operating activities of \$1.0 million. At June 30, 2015, the Company had unrestricted cash and cash equivalents of \$0.7 million, current assets of \$5.3 million and working capital of \$2.4 million. The Company is confident that it will be able to fund its committed capital investment program and working capital requirements throughout 2015. However, the Company expects that internally generated cash flows may not be sufficient beyond 2015 to cover its working capital and capital investment needs.

The Company's anticipated growth and development will require the Company to seek additional funds. The Company's management is currently considering and pursuing various alternatives for future financing requirements, within the context of existing market conditions. These alternatives could include, but are not limited to equity financing, debt financing or other means depending on market conditions and other relevant factors at the time. However, there can be no assurance that management will be successful in its efforts to finance the operating activities of the Company, as volatility in debt and equity capital markets and other factors may adversely affect the Company's ability to implement a comprehensive financing plan. Failure to obtain sufficient additional financing would likely have a materially adverse impact on the Company's ability to maintain the current working capital needs, and could jeopardize the Company's ability to meet its contractual commitments to third parties.

As the Company does not presently have a secure source of funding, the resulting shortfall in cash flows indicates the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The Company's consolidated financial statements do not include the adjustments that would result if the Company is unable to continue as a going concern. Such adjustments could be material.

IMPACT Silver Corp.

Notes to the Condensed Consolidated Interim Financial Statements

June 30, 2015

(Canadian dollars)

Unaudited

2. Basis of preparation and statement of compliance

The Company's 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 of the International Financial Reporting Interpretations Committee ("IFRIC"). These unaudited condensed interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting. All material intercompany balances have been eliminated. The accounting policies applied in the preparation of these unaudited financial statements are consistent with those applied and disclosed in the Company's audited consolidated financial statements for the year ended December 31, 2014. As all the disclosures required by IFRS are not included, these interim statements should be read in conjunction with the audited financial statements of IMPACT Silver Corp. ("the Company") for the year ended December 31, 2014.

Except when otherwise stated, all amounts are presented in thousands of Canadian ("CDN") dollars, which is the presentation currency of the Company.

The condensed consolidated interim financial statements were authorised for issue by the Board of Directors on August 20, 2015.

3. Trade and other receivables

The following table details the composition of trade and other receivables at:

	June 30, 2015	December 31, 2014
Value added and other taxes receivable – current portion	\$ 2,764,642	\$ 3,578,113
Trade and other receivables	749,495	1,398,135
Prepays	113,304	142,434
Total trade and other receivables	\$ 3,627,441	\$ 5,118,682

4. Inventories

The following table details the composition of inventories at:

	June 30, 2015	December 31, 2014
Materials and supplies	\$ 630,695	\$ 500,637
Stockpile inventory	2,986	4,237
Concentrate inventory	272,936	401,970
Total inventories	\$ 906,617	\$ 906,844

The amount of inventories recognized as an expense during the period ended June 30, 2015 was \$6,143,407 (June 30, 2014 – \$6,029,710).

The amount of write-down of inventories to net realizable value during the period ended June 30, 2015 was \$159,971 (June 30, 2014 - \$58,238) relating to concentrate inventory.

IMPACT Silver Corp.

Notes to the Condensed Consolidated Interim Financial Statements

June 30, 2015

(Canadian dollars)

Unaudited

5. Property, plant and equipment

	Plant and mine equipment (S)	Vehicles (S)	Office furniture and equipment (S)	Surface rights (S)	Mining Assets (S)	Total (S)
Cost						
Balance at January 1, 2014	10,833,204	495,533	227,788	1,356,865	24,964,390	37,877,780
Additions	129,390	-	3,174	-	57,892	190,456
Transfers	-	-	-	-	2,339,083	2,339,083
Change in reclamation estimate	-	-	-	-	111,244	111,244
Foreign exchange movement	(336,731)	(15,503)	(4,008)	(42,449)	(699,582)	(1,098,273)
Balance at December 31, 2014	10,625,863	480,030	226,954	1,314,416	26,773,027	39,420,290
Additions	9,893	-	2,782	-	-	12,675
Transfers	-	-	-	-	242,568	242,568
Disposals	-	-	(1,710)	-	-	(1,710)
Foreign exchange movement	110,084	5,005	1,294	13,704	249,776	379,863
Balance at June 30, 2015	10,745,840	485,035	229,320	1,328,120	27,265,371	40,053,686
Accumulated amortization						
Balance at January 1, 2014	2,645,307	281,633	119,009	-	7,393,384	10,439,333
Amortization for the period	1,173,817	56,435	29,505	-	1,344,193	2,603,950
Foreign exchange movement	(143,389)	(11,792)	(2,753)	-	(253,175)	(411,109)
Balance at December 31, 2014	3,675,735	326,276	145,761	-	8,484,402	12,632,174
Amortization for the period	538,283	24,930	10,736	-	556,309	1,130,258
Disposals	-	-	(706)	-	-	(706)
Foreign exchange movement	23,929	2,898	718	-	58,484	86,029
Balance at June 30, 2015	4,237,947	354,104	156,509	-	9,099,195	13,847,755
Net book value						
December 31, 2014	6,950,128	153,754	81,193	1,314,416	18,288,625	26,788,116
June 30, 2015	6,507,893	130,931	72,811	1,328,120	18,166,176	26,205,931

IMPACT Silver Corp.

Notes to the Condensed Consolidated Interim Financial Statements

June 30, 2015

(Canadian dollars)

Unaudited

6. Exploration and evaluation assets

	Zacualpan and Mamatla (\$)	Zacatecas (\$)	Dominican Republic (\$)	Total (\$)
Balance at January 1, 2014	21,619,828	171,665	200,000	21,991,493
Additions	2,551,145	61,614	15,203	2,627,962
Transfers to mining assets	(2,339,083)	-	-	(2,339,083)
Foreign exchange	(536,273)	(5,393)	-	(541,666)
Balance at December 31, 2014	21,295,617	227,886	215,203	21,738,706
Additions	1,060,498	28,601	-	1,089,099
Transfers to mining assets	(242,568)	-	-	(242,568)
Foreign exchange	175,968	2,344	-	178,312
Balance at June 30, 2015	22,289,515	258,831	215,203	22,763,549

7. Related party transactions

Related party transactions are recorded at the amount of consideration paid or received as agreed by the parties.

During the six months ended June 30, 2015, no fees (2014 – \$237,646) were incurred to Energold Drilling Corp., a significant shareholder of the Company, for contract drilling services performed in Mexico at the Guadalupe and Capire production centres. At June 30, 2015, an amount of \$1,485,620 (December 31, 2014 - \$1,363,389) was due to Energold Drilling Corp. Monies owed to Energold Drilling Corp. are unsecured, non-interest bearing and without specific repayment terms. Management anticipates that the amount will be repaid within one year and accordingly it has been classified as current.

8. Key management personnel compensation

Key management includes the Chief Executive Officer, Chief Financial Officer, Vice-President Exploration and Board of Directors and Audit Committee members. The remuneration of directors and other members of key management personnel at June 30 is as follows:

	2015	2014
Salaries and fees	\$ 189,525	243,294
Share based compensation	-	66,548
Total compensation	\$ 189,525	309,842

IMPACT Silver Corp.

Notes to the Condensed Consolidated Interim Financial Statements

June 30, 2015

(Canadian dollars)

Unaudited

9. Expenses by nature

The following table details the nature of expenses within operating expenses as at:

	Three months ended June 30		Six months ended June 30	
	2015	2014	2015	2014
Production costs	\$ 1,424,697	\$ 1,157,157	\$ 3,188,571	\$ 2,710,205
Administration	216,276	177,127	410,528	385,613
Transportation	109,752	128,593	244,889	250,338
Wages and salaries	1,211,578	1,462,032	2,299,419	2,683,554
Total operating expenses	\$ 2,962,303	\$ 2,924,909	\$ 6,143,407	\$ 6,029,710

10. Equity

a) Share capital

Authorised share capital consists of an unlimited number of common shares without par value.

b) Stock options

The Company has established a stock option plan whereby the board of directors may, from time to time, grant options to directors, officers, employees or consultants. Under the terms of the Company's stock option plan, the maximum number of shares reserved for issuance is 10% of the issued shares of the Company on a rolling basis. Options granted must be exercised no later than five years from date of grant or extension or such lesser period as determined by the Company's board of directors. The exercise price of an option is not less than the closing price on the Exchange on the last trading day preceding the grant. Options vest 25% on the date granted and 12.5% every quarter thereafter.

A summary of the Company's stock options as at June 30, 2015 and the changes for the periods ended on these dates is as follows:

	Number	Weighted Average Exercise Price (\$)
At January 1, 2014	6,432,500	1.25
Forfeited	(481,250)	1.39
At December 31, 2014	5,951,250	1.24
Forfeited	(22,500)	1.39
Expired	(788,750)	1.10
At June 30, 2015	5,140,000	1.26

The following table summarizes information about the stock options outstanding at June 30, 2015:

Exercise Price Per Share	Number of Options Outstanding	Weighted Average Remaining Life (Years)	Number of Options Exercisable	Expiry Date
\$1.85	1,760,000	1.24	1,760,000	September 26, 2016
\$1.20	2,120,000	2.57	2,120,000	January 22, 2018
\$0.55	1,260,000	3.52	1,260,000	January 6, 2019
	5,140,000	2.35	5,140,000	

IMPACT Silver Corp.

Notes to the Condensed Consolidated Interim Financial Statements

June 30, 2015

(Canadian dollars)

Unaudited

10. Equity – continued

c) Loss per share

Details of the calculation of earnings per share are set out below for:

	Three months ended June 30		Six months ended June 30	
	2015	2014	2015	2014
Net loss attributable to shareholders	\$ (1,045,526)	\$ (1,023,666)	\$ (1,326,163)	\$ (2,287,851)
Weighted average number of shares outstanding - Basic and diluted	68,128,244	68,128,244	68,128,244	68,128,244
Loss per share – Basic and diluted	(0.02)	(0.02)	(0.02)	(0.03)

11. Segmented information

The Company has one operating segment and three reportable segments based on geographic area: Mexico, the Caribbean, and Canada (Corporate). The segments are determined based on the reports reviewed by the Chief Executive Officer (who is considered the Chief Operating Decision Maker) to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

Details are as follows:

	Three months ended June 30		Six months ended June 30	
	2015	2014	2015	2014
Revenues by geographic area				
Mexico	\$ 2,735,120	\$ 2,551,710	\$ 6,646,742	\$ 5,513,977
Net earnings (loss) by geographic area				
Mexico	\$ (753,727)	\$ (836,009)	\$ (752,266)	\$ (1,611,846)
Canada	(291,799)	(187,657)	(573,897)	(676,005)
	\$ (1,045,526)	\$ (1,023,666)	\$ (1,326,163)	\$ (2,287,851)
Assets by geographical area			June 30, 2015	December 31, 2014
Mexico			\$ 57,231,202	\$ 57,628,336
Canada			124,537	217,523
Caribbean			215,203	215,203
			\$ 57,570,942	\$ 58,061,062
Property, plant and equipment by geographical area				
Mexico			\$ 26,179,634	\$ 26,760,176
Canada			26,297	27,940
			\$ 26,205,931	\$ 26,788,116