

IMPACT SILVER CORP.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

March 31, 2017 and 2016

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	March 31, 2017	December 31, 2016
Current		
Cash	\$ 7,647,191	\$ 8,124,563
Trade and other receivables (Note 3)	3,000,063	3,787,648
Inventories (Note 4)	1,032,082	1,016,291
Available-for-sale investments	6,250	3,750
	11,685,586	12,932,252
Value added and other taxes receivable	630,750	206,087
Property, plant and equipment (Note 5)	22,686,029	21,220,426
Exploration and evaluation assets (Note 6)	22,316,737	20,149,111
Deferred income tax assets	134,824	153,615
	\$ 57,453,926	\$ 54,661,491
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LIABILITIES		
Current		
Trade payables and accrued liabilities	\$ 1,927,567	\$ 2,413,017
Reclamation provision	470,680	424,900
Deferred income tax liabilities	4,665,867	4,191,075
	7,064,114	7,028,992
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SHAREHOLDERS' EQUITY		
Share capital	59,651,422	59,651,422
Warrants (Note 9(b))	973,378	973,378
Contributed surplus	5,694,033	5,523,617
Accumulated other comprehensive loss	(3,851,012)	(6,790,133)
Accumulated deficit	(12,078,009)	(11,725,785)
	50,389,812	47,632,499
	\$ 57,453,926	\$ 54,661,491

ON BEHALF OF THE BOARD:

"F.W. Davidson" _____, Director

"P.N. 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 Months Ended March 31

(Canadian dollars)

Unaudited

	2017	2016
Revenues	\$ 4,598,984	\$ 3,762,406
Expenses		
Operating expenses (Note 8)	3,537,008	3,002,901
Amortization and depletion	523,056	487,142
	4,060,064	3,490,043
Mine operating earnings	538,920	272,363
General and administrative expenses		
Accounting, audit and legal	39,299	52,645
Amortization	4,745	6,085
Investor relations, promotion and travel	20,833	14,184
Management fees and consulting	30,941	35,636
Office, rent, insurance and sundry	82,862	73,112
Office salaries and services	177,279	163,413
Share-based payments (Note 9(a))	170,416	-
	526,375	345,075
Operating income (loss)	12,545	(72,712)
Other income (expenses)		
Finance cost	(8,287)	(22,466)
Finance income	13,458	114
Foreign exchange loss	(285,634)	(315,010)
Other income	54,180	105,554
Gain on disposal of assets	-	3,629
	(226,283)	(228,179)
Loss before taxes	(213,738)	(300,891)
Current income tax expense	2,285	15,347
Deferred income tax expense (recovery)	136,201	(5,098)
Net loss	\$ (352,224)	\$ (311,140)
Loss per share – Basic and Diluted (Note 9(c))	\$ 0.00	\$ 0.00
Weighted average number of shares outstanding – Basic and Diluted	85,566,840	68,128,244

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

IMPACT Silver Corp.

Condensed Consolidated Interim Statements of Comprehensive Income For the Three Months Ended March 31

(Canadian dollars)

Unaudited

	2017	2016
Net loss	\$ (352,224)	\$ (311,140)
Other comprehensive income		
Items that may be subsequently reclassified to profit or loss		
Unrealized gain on investments held as available-for-sale	2,500	-
Cumulative translation adjustment	2,936,621	(2,568,364)
Comprehensive income	\$ 2,586,897	\$ (2,879,504)

-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 Three Months Ended March 31

(Canadian dollars)

Unaudited

	Shares Outstanding	Share Capital (\$)	Warrants (\$)	Contributed Surplus (\$)	Accumulated Other Comprehensive Income (\$)	Retained Deficit (\$)	Total Shareholders' Equity (\$)
Balance at January 1, 2016	68,128,244	53,495,947	-	4,776,173	759,924	(9,786,507)	49,245,537
Loss for the period	-	-	-	-	-	(311,140)	(311,140)
Cumulative translation adjustments	-	-	-	-	(2,568,364)	-	(2,568,364)
Balance at March 31, 2016	68,128,244	53,495,947	-	4,776,173	(1,808,440)	(10,097,647)	46,366,033
Balance at January 1, 2017	85,566,840	59,651,422	973,378	5,523,617	(6,790,133)	(11,725,785)	47,632,499
Loss for the period	-	-	-	-	-	(352,224)	(352,224)
Share based compensation expense	-	-	-	170,416	-	-	170,416
Cumulative translation adjustments	-	-	-	-	2,936,621	-	2,936,621
Unrealized gain on investments	-	-	-	-	2,500	-	2,500
Balance at March 31, 2016	85,566,840	59,651,422	973,378	5,694,033	(3,851,012)	(12,078,009)	50,389,812

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IMPACT Silver Corp.

Condensed Consolidated Interim Statements of Cash Flows For the Three Months Ended March 31

(Canadian dollars)
Unaudited

Cash resources provided by (used in)	2017	2016
Operating activities		
Net loss	\$ (352,224)	\$ (311,140)
Items not affecting cash		
Amortization and depletion	527,801	493,227
Share-based payments expense	170,416	-
Deferred income taxes	136,201	(5,098)
Gain on disposal of assets	-	(3,629)
Accretion expense	8,287	10,343
Write-down of inventory	-	53,891
Unrealized loss on foreign exchange	76,550	228,339
Changes in non-cash working capital		
Trade and other receivables	472,103	360,051
Income taxes receivable	189,333	458,056
Inventories	111,277	(88,269)
Trade payables	(590,699)	163,377
Income taxes payable	(38,216)	(210,341)
Due to related party	-	(224,052)
	<u>710,829</u>	<u>924,755</u>
Investing activities		
Acquisition of property, plant and equipment	(312,855)	(47,710)
Proceeds on sale of assets	-	6,504
Exploration and evaluation expenditures	(875,346)	(623,584)
	<u>(1,188,201)</u>	<u>(664,790)</u>
Net change in cash	(477,372)	259,965
Cash - Beginning of period	<u>8,124,563</u>	<u>717,369</u>
Cash - End of period	\$ 7,647,191	\$ 977,334

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

IMPACT Silver Corp.

Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2017

(Canadian dollars)

Unaudited

1. Nature of operations

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. 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 exploring for silver, precious metals and other mineral resources on its properties located in Mexico. 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 exploration and evaluation assets comprise a significant portion of the Company’s assets. The recovery of the Company’s investment in these exploration and evaluation assets and the attainment of profitable operations are dependent upon future commodity prices, the ongoing 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.

2. Basis of Preparation

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 condensed financial statements are consistent with those applied and disclosed in the Company’s audited consolidated financial statements for the year ended December 31, 2016. 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, 2016.

Except when otherwise stated, all amounts are presented in 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 May 25, 2017.

IMPACT Silver Corp.

Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2017

(Canadian dollars)

Unaudited

3. Trade and other receivables

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

	March 31, 2017	December 31, 2016
Value added and other taxes receivable		
– current portion	\$ 953,072	\$ 1,619,702
Trade and other receivables	1,876,372	2,022,956
Prepays	170,619	144,990
Total trade and other receivables	\$ 3,000,063	\$ 3,787,648

4. Inventories

The following table details the composition of inventories at:

	March 31, 2017	December 31, 2016
Materials and supplies	\$ 655,632	\$ 636,170
Stockpile inventory	3,960	7,907
Concentrate inventory	372,490	372,214
Total inventories	\$ 1,032,082	\$ 1,016,291

The amount of inventories recognized as an expense during the period ended March 31, 2017 was \$3,537,008 (March 31, 2016 - \$3,002,901).

The amount of write-down of inventories to net realizable value during the period ended March 31, 2017 was \$nil (March 31, 2016 - \$53,891) relating to concentrate inventory.

IMPACT Silver Corp.

Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2017

(Canadian dollars)

Unaudited

5. Property, plant and equipment

	Plant and mine equipment (\$)	Vehicles (\$)	Office furniture and equipment (\$)	Surface rights (\$)	Mining Assets (\$)	Total (\$)
Cost						
Balance at January 1, 2016	10,884,333	491,199	232,315	1,344,999	28,646,712	41,599,558
Additions	548,533	59,927	7,051	-	1,269,040	1,884,551
Disposals	-	(7,374)	(8,639)	(18,417)	-	(34,430)
Change in reclamation estimate	-	-	-	-	(141,521)	(141,521)
Foreign exchange movement	(2,067,195)	(93,870)	(24,271)	(257,034)	(4,932,899)	(7,375,269)
Balance at December 31, 2016	9,365,671	449,882	206,456	1,069,548	24,841,332	35,932,889
Additions	58,370	12,989	2,461	-	257,612	331,432
Transfers	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Foreign exchange movement	805,584	38,977	9,157	92,661	1,905,098	2,851,477
Balance at March 31, 2017	10,229,625	501,848	218,074	1,162,209	27,004,042	39,115,798
Accumulated amortization						
Balance at January 1, 2016	4,778,127	383,341	168,362	-	9,697,613	15,027,443
Amortization for the period	875,649	42,124	17,797	-	1,474,990	2,410,560
Disposals	-	(4,916)	(5,388)	-	-	(10,304)
Foreign exchange movement	(982,711)	(75,822)	(17,445)	-	(1,639,258)	(2,715,236)
Balance at December 31, 2016	4,671,065	344,727	163,326	-	9,533,345	14,712,463
Amortization for the period	187,431	1,128	2,900	-	368,574	560,033
Disposals	-	-	-	-	-	-
Foreign exchange movement	419,558	29,967	7,014	-	700,734	1,157,273
Balance at March 31, 2017	5,278,054	375,822	173,240	-	10,602,653	16,429,769
Net book value						
At December 31, 2016	4,694,606	105,155	43,130	1,069,548	15,307,987	21,220,426
At March 31, 2017	4,951,571	126,026	44,834	1,162,209	16,401,389	22,686,029

IMPACT Silver Corp.

Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2017

(Canadian dollars)

Unaudited

6. Exploration and evaluation assets

	Mexico (\$)
Balance at January 1, 2016	\$ 22,622,890
Additions	1,067,683
Write down	(40,822)
Foreign exchange	(3,500,640)
Balance at December 31, 2016	\$ 20,149,111
Additions	800,498
Foreign exchange	1,367,128
Balance at March 31, 2017	\$ 22,316,737

7. 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 for the three months ended March 31 is as follows:

	2017	2016
Salaries and fees	\$ 93,113	\$ 88,200
Share based compensation	100,784	-
Total compensation	\$ 193,897	\$ 88,200

8. Expenses by nature

The following table details the nature of expenses within cost of goods sold for the three months ended March 31:

	2017	2016
Production costs	\$ 1,990,062	\$ 1,580,997
Administration	214,093	159,022
Transportation	129,449	109,763
Wages and salaries	1,203,404	1,153,119
Total operating expenses	\$ 3,537,008	\$ 3,002,901

9. Equity

a) 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 25% every six months thereafter.

On July 28, 2016, the Company granted stock options under its Stock Option Plan to directors, officers, employees and consultants exercisable for up to 1,860,000 shares of the Company. The options are exercisable on or before July 27, 2021 at a price of \$0.98 per share.

IMPACT Silver Corp.

Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2017

(Canadian dollars)

Unaudited

9. Equity

a) Stock options - continued

The Black Scholes Option Pricing Model was used to estimate the fair value of stock options for calculating stock-based compensation expense. The Company recognized a stock-based compensation expense and an increase to contributed surplus based on a grading vesting schedule using the following assumptions:

Date Granted	July 28, 2016
Number of options granted	1,860,000
Risk-free interest rate	0.57%
Expected dividend yield	Nil
Expected share price volatility	106.62%
Expected option life in years	3

The expected volatility is based on the historical and implied volatility of the Company's common share price on the TSX Venture Exchange. The risk-free interest rate assumption is based on the Bank of Canada marketable bonds with a remaining term equal to the stock options' expected life.

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options.

The total fair value of share-based payment expense on stock options granted to employees and consultants of the Company for the three months ended March 31, 2017 is \$170,416 (March 31, 2016 - \$nil).

A summary of the Company's stock options as at March 31, 2017 and the changes for the periods ended on these dates is as follows:

	Number	Weighted Average Exercise Price (\$)
At January 1, 2016	4,865,000	1.26
Granted	1,860,000	0.98
Forfeited	(20,000)	1.20
Expired	(1,660,000)	1.85
At December 31, 2016	5,045,000	0.96
At March 31, 2017	5,045,000	0.96

The following table summarizes information about the stock options outstanding at March 31, 2017:

Exercise Price Per Share	Number of Options Outstanding	Weighted Average Remaining Life (Years)	Number of Options Exercisable	Expiry Date
\$1.20	1,975,000	0.81	1,975,000	January 22, 2018
\$0.55	1,210,000	1.77	1,210,000	January 6, 2019
\$0.98	1,860,000	4.33	930,000	July 27, 2021
	5,045,000	2.34	4,115,000	

IMPACT Silver Corp.

Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2017

(Canadian dollars)

Unaudited

9. Equity – continued

b) Warrants

A summary of the Company's warrants as at March 31, 2017 and the changes for the periods ended on these dates is as follows:

	Number	Weighted Average Exercise Price (\$)
At January 1, 2016	-	-
Issued	4,385,965	0.90
At December 31, 2016	4,385,965	0.90
At March 31, 2017	4,385,965	0.90

The fair value of each warrant granted is estimated at the time of grant using the Black-Scholes option pricing model with assumptions as follows:

Date Granted	May 27, 2016	June 3, 2016	June 10, 2016	June 17, 2016
Number of warrants granted	2,220,000	697,600	1,250,150	218,215
Risk-free interest rate	0.64%	0.51%	0.50%	0.52%
Expected dividend yield	Nil	Nil	Nil	Nil
Expected share price volatility	116.90%	117.29%	115.48%	113.19%
Expected warrant life in years	1.5	1.5	1.5	1.5

Pricing models require the input of highly subjective assumptions including the expected share price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's warrants.

c) Loss per share

Details of the calculation of loss per share for the three months ended March 31 are set out below:

	2017	2016
Net loss attributable to shareholders	\$ (352,224)	\$ (311,140)
Weighted average number of shares outstanding – Basic and diluted	85,566,840	68,128,244
Loss per share – Basic and diluted	0.00	0.00

IMPACT Silver Corp.

Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2017

(Canadian dollars)

Unaudited

10. 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 for the three months ended March 31 are as follows:

	2017	2016
Revenues by geographic area		
Mexico	\$ 4,598,984	\$ 3,762,406
Net (loss) earnings by geographic area		
Mexico	\$ 103,636	\$ 113,061
Canada	(455,860)	(424,201)
	\$ (352,224)	\$ (311,140)
	March 31,	December 31,
	2017	2016
Assets by geographical area		
Mexico	\$ 51,497,427	\$ 47,917,304
Canada	5,956,499	6,744,187
	\$ 57,453,926	\$ 54,661,491
Property, plant and equipment by geographical area		
Mexico	\$ 22,667,995	\$ 21,203,676
Canada	18,034	16,750
	\$ 22,686,029	\$ 21,220,426