

IMPACT SILVER CORP.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

September 30, 2016 and 2015

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	September 30, 2016	December 31, 2015
Current		
Cash	\$ 8,157,864	\$ 717,369
Trade and other receivables (Note 3)	4,130,153	3,972,634
Inventories (Note 4)	806,165	1,103,970
Available for sale investments	5,750	5,000
	13,099,932	5,798,973
Value added and other taxes receivable	772,491	2,628,652
Property, plant and equipment (Note 5)	22,092,584	26,572,115
Exploration and evaluation assets (Note 6)	20,518,551	22,622,890
Deferred income tax assets	344,255	414,940
	\$ 56,827,813	\$ 58,037,570
LIABILITIES		
Current		
Trade payables and accrued liabilities	\$ 2,021,346	\$ 1,453,148
Due to related party	-	1,452,876
	2,021,346	2,906,024
Reclamation provision	580,875	656,515
Deferred income tax liabilities	4,647,982	5,229,494
	7,250,203	8,792,033
SHAREHOLDERS' EQUITY		
Share capital	59,651,422	53,495,947
Warrants	973,378	-
Contributed surplus	5,313,406	4,776,173
Accumulated other comprehensive loss	(5,437,857)	759,924
Accumulated deficit	(10,922,739)	(9,786,507)
	49,577,610	49,245,537
	\$ 56,827,813	\$ 58,037,570

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 Nine Months Ended September 30

Canadian dollars

Unaudited

	Three months ended September 30		Nine months ended September 30	
	2016	2015	2016	2015
Revenues	\$ 4,727,821	\$ 4,108,006	\$ 12,883,715	\$ 10,754,748
Expenses				
Operating expenses (Note 8)	3,566,515	3,234,475	9,669,790	9,377,882
Amortization and depletion	575,343	583,677	1,624,966	1,640,861
	4,141,858	3,818,152	11,294,756	11,018,743
Mine operating income (loss)	585,963	289,854	1,588,959	(263,995)
General and administrative expenses				
Accounting, audit and legal	48,381	56,056	148,135	179,953
Amortization	8,681	7,981	20,897	23,950
Investor relations, promotion and travel	6,252	2,945	63,279	33,089
Management fees and consulting	110,308	60,542	222,216	290,123
Office, rent, insurance and sundry	64,047	57,892	226,906	241,879
Office salaries and services	324,095	155,455	653,299	478,040
Share based compensation expense	537,233	-	537,233	-
	1,098,997	340,871	1,871,965	1,247,034
Operating loss	(513,034)	(51,017)	(283,006)	(1,511,029)
Other income (expenses)				
Finance cost	(10,733)	(20,653)	(50,985)	(35,294)
Finance income	12,568	67	18,835	133,130
Foreign exchange loss	(24,322)	(270,159)	(697,727)	(525,153)
Other income	(61,768)	362,898	180,716	378,507
Gain on disposal of assets	-	12,324	3,629	11,645
	(84,255)	84,477	(545,532)	(37,165)
(Loss) income before taxes	(597,289)	33,460	(828,538)	(1,548,194)
Current income tax expense	30,782	5,524	66,177	17,176
Deferred income tax expense	50,029	297,823	241,517	30,680
Net loss	(678,100)	(269,887)	(1,136,232)	(1,596,050)
Loss per share – Basic and Diluted (Note 9(d))	\$ (0.01)	\$ (0.00)	\$ (0.01)	\$ (0.02)
Weighted average number of shares outstanding – Basic and Diluted	85,566,840	68,128,244	77,386,514	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 Nine Months Ended September 30

(Canadian dollars)

Unaudited

	Three months ended September 30		Nine months ended September 30	
	2016	2015	2016	2015
Net loss	\$ (678,100)	\$ (269,887)	\$ (1,136,232)	\$ (1,596,050)
Other comprehensive loss				
Items that may be subsequently reclassified to profit or loss				
Unrealized gain (loss) on investments held as available-for-sale	(1,750)	(5,000)	750	(12,500)
Cumulative translation adjustment	(1,289,190)	142,064	(6,198,531)	860,990
Comprehensive loss	\$ (1,969,040)	\$ (132,823)	\$ (7,334,013)	\$ (747,560)

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 Nine Months Ended September 30

(Canadian dollars)

Unaudited

	Shares Outstanding	Share Capital (\$)	Warrants (\$)	Contributed Surplus (\$)	Accumulated Other Comprehensive Income (\$)	Accumulated Deficit (\$)	Total Shareholders' Equity (\$)
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	-	-		-	-	(1,596,050)	(1,596,050)
Cumulative translation adjustments	-	-		-	860,990	-	860,990
Unrealized loss on investments	-	-		-	(12,500)	-	(12,500)
Balance at September 30, 2015	68,128,244	53,495,947	-	4,776,173	679,692	(9,954,719)	48,997,093
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	-	-	-	-	-	(1,136,232)	(1,136,232)
Shares issued in relation to private placements	17,438,596	7,620,000	-	-	-	-	7,620,000
Share issue costs	-	(491,147)	-	-	-	-	(491,147)
Warrants issued in relation to private placements	-	(973,378)	973,378	-	-	-	-
Share based compensation expense	-	-	-	537,233	-	-	537,233
Cumulative translation adjustments	-	-	-	-	(6,198,531)	-	(6,198,531)
Unrealized gain on investments	-	-	-	-	750	-	750
Balance at September 30, 2016	85,566,840	59,651,422	973,378	5,313,406	(5,437,857)	(10,922,739)	49,577,610

- 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 Nine Months Ended September 30

(Canadian dollars)

Unaudited

Cash resources provided by (used in)	For the three months ended September 30		For the nine months ended September 30	
	2016	2015	2016	2015
Operating activities				
Net loss	\$ (678,100)	\$ (269,887)	\$ (1,136,232)	\$ (1,596,050)
Items not affecting cash				
Amortization and depletion	584,024	591,658	1,645,863	1,664,811
Share based compensation expense	537,233	-	537,233	-
Deferred income taxes	50,029	297,823	241,517	30,680
Gain on disposal of assets	-	(12,324)	(3,629)	(11,645)
Accretion expense	9,446	7,145	29,465	21,786
Write-down (recovery) of inventory	38,558	(159,971)	38,558	-
Changes in non-cash working capital				
Trade and other receivables	(76,123)	(337,524)	(118,406)	1,087,426
Income taxes receivable	476,098	(41,162)	1,053,167	(39,092)
Inventories	194,237	33,683	120,787	(54,844)
Trade payables	110,487	253,198	743,514	166,963
Income taxes payable	24,980	5,519	(168,855)	35,617
Due to related party	-	(3,374)	(1,352,640)	109,038
	1,270,869	364,784	1,630,342	1,414,690
Investing activities				
Acquisition of property, plant and equipment	(170,626)	(1,401)	(341,777)	(14,459)
Proceeds on sale of assets	-	79,043	6,504	79,368
Exploration and evaluation asset expenditures	(528,262)	(641,956)	(1,586,046)	(1,755,714)
	(698,888)	(564,314)	(1,921,319)	(1,690,805)
Financing activities				
Proceeds from private placements, net	(139,559)	-	7,128,853	-
Effect of exchange rate changes on cash	18,215	260,308	602,619	503,618
Net change in cash	450,637	60,778	7,440,495	227,503
Cash - Beginning of period	7,707,227	742,069	717,369	575,344
Cash - End of period	\$ 8,157,864	\$ 802,847	\$ 8,157,864	\$ 802,847

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

IMPACT Silver Corp.

Notes to the Condensed Consolidated Interim Financial Statements

September 30, 2016

(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 actively 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.

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, 2015. 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, 2015.

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 November 18, 2016.

IMPACT Silver Corp.

Notes to the Condensed Consolidated Interim Financial Statements

September 30, 2016

(Canadian dollars)

Unaudited

3. Trade and other receivables

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

	September 30, 2016	December 31, 2015
Value added and other taxes receivable – current portion	\$ 1,585,775	\$ 2,170,045
Trade and other receivables	2,219,303	1,642,606
Prepays	325,075	159,983
Total trade and other receivables	\$ 4,130,153	\$ 3,972,634

4. Inventories

The following table details the composition of inventories at:

	September 30, 2016	December 31, 2015
Materials and supplies	\$ 583,914	\$ 782,345
Stockpile inventory	2,137	8,932
Concentrate inventory	220,114	312,693
Total inventories	\$ 806,165	\$ 1,103,970

The amount of inventories recognized as an expense during the period ended September 30, 2016 was \$9,669,790 (September 30, 2015 – \$9,377,882).

The amount of write-down of inventories to net realizable value during the period ended September 30, 2016 was \$38,558 (September 30, 2015 - \$nil) relating to concentrate inventory.

IMPACT Silver Corp.

Notes to the Condensed Consolidated Interim Financial Statements

September 30, 2016

(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, 2015	10,625,863	480,030	226,954	1,314,416	26,773,027	39,420,290
Additions	119,656	-	4,183	-	-	123,839
Transfers	-	-	-	-	1,130,201	1,130,201
Disposals	(106,862)	-	(1,710)	-	-	(108,572)
Change in reclamation estimate	-	-	-	-	186,057	186,057
Foreign exchange movement	245,676	11,169	2,888	30,583	557,427	847,743
Balance at December 31, 2015	10,884,333	491,199	232,315	1,344,999	28,646,712	41,599,558
Additions	292,497	9,354	4,082	-	20,356	326,289
Transfers	-	-	-	-	771,165	771,165
Disposals	-	(7,682)	-	-	-	(7,682)
Foreign exchange movement	(1,701,605)	(77,269)	(19,978)	(211,577)	(4,060,501)	(6,070,930)
Balance at September 30, 2016	9,475,225	415,602	216,419	1,133,422	25,377,732	36,618,400
Accumulated amortization						
Balance at January 1, 2015	3,675,735	326,276	145,761	-	8,484,402	12,632,174
Amortization for the period	1,058,740	49,568	21,688	-	1,055,042	2,185,038
Disposals	(39,439)	-	(706)	-	-	(40,145)
Foreign exchange movement	83,091	7,497	1,619	-	158,169	250,376
Balance at December 31, 2015	4,778,127	383,341	168,362	-	9,697,613	15,027,443
Amortization for the period	665,657	28,410	11,784	-	980,677	1,686,528
Disposals	-	(5,122)	-	-	-	(5,122)
Foreign exchange movement	(789,851)	(61,499)	(14,146)	-	(1,317,537)	(2,183,033)
Balance at September 30, 2016	4,653,933	345,130	166,000	-	9,360,753	14,525,816
Net book value						
December 31, 2015	6,106,206	107,858	63,953	1,344,999	18,949,099	26,572,115
September 30, 2016	4,821,292	70,472	50,419	1,133,422	16,016,979	22,092,584

IMPACT Silver Corp.

Notes to the Condensed Consolidated Interim Financial Statements

September 30, 2016

(Canadian dollars)

Unaudited

6. Exploration and evaluation assets

	Mexico (\$)	Dominican Republic (\$)	Total (\$)
Balance at January 1, 2015	21,523,503	215,203	21,738,706
Additions	2,174,116	-	2,174,116
Transfers to mining assets	(1,130,201)	-	(1,130,201)
Write down	(340,686)	(215,203)	(555,889)
Foreign exchange	396,158	-	396,158
Balance at December 31, 2015	22,622,890	-	22,622,890
Additions	1,548,960	-	1,548,960
Transfers to mining assets	(771,165)	-	(771,165)
Foreign exchange	(2,882,134)	-	(2,882,134)
Balance at September 30, 2016	20,518,551	-	20,518,551

7. Related party transactions

a) 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 nine months ended September 30 is as follows:

	2016	2015
Salaries and fees	\$ 448,838	\$ 267,125
Share based compensation	317,718	-
	\$ 766,556	\$ 267,125
Amounts payable to related parties	\$ 34,625	\$ 79,375

b) Transactions with other related parties

Related party transactions are made on terms equivalent to those that prevail in arm's length transactions which is the amount of consideration paid or received as agreed by the parties. Related party transactions not disclosed elsewhere are as follows:

Prior to May 27, 2016, Energold Drilling Corp. ("Energold") owned 7,980,001 common shares, representing 10.39% of the issued and outstanding common shares in the capital of the Company and was considered a related party due to mutual management at the executive level and its shareholding and directorships in IMPACT. Subsequent to May 27, 2016, IMPACT completed a \$5.0 million private placement which diluted Energold's ownership position below 10%. As a result, Energold is no longer considered a related party.

For the five months of 2016 that Energold was considered a related party, fees in the amount of \$125,458 (2015 - \$132,510) were incurred for administrative services. On April 19, 2016, Energold acquired 1,000,000 of the Company's shares at a price of \$0.31 per share in a private placement.

IMPACT Silver Corp.

Notes to the Condensed Consolidated Interim Financial Statements

September 30, 2016

(Canadian dollars)

Unaudited

8. Expenses by nature

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

	Three months ended September 30		Nine months ended September 30	
	2016	2015	2016	2015
Production costs	\$ 1,934,338	\$ 1,629,831	\$ 5,020,690	\$ 4,818,402
Administration	169,591	169,290	473,108	579,818
Transportation	136,763	120,063	371,503	364,952
Wages and salaries	1,325,823	1,315,291	3,804,489	3,614,710
Total operating expenses	\$ 3,566,515	\$ 3,234,475	\$ 9,669,790	\$ 9,377,882

9. Equity

a) Share capital

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

On April 12, 2016, the Company completed a \$2,000,000 private placement. A total of 6,666,666 common shares were issued to an accredited investor at a price of \$0.30 per share for aggregate gross proceeds of \$2,000,000. The securities issued under the offering are subject to a four month hold period.

On April 19, 2016, the Company completed a \$620,000 private placement. A total of 2,000,000 common shares were issued to accredited investors at a price of \$0.31 per share for aggregate gross proceeds of \$620,000. The securities issued under the offering are subject to a four month hold period.

On June 17, 2016, the Company closed a brokered private placement which was completed in four tranches. The private placement raised aggregate gross proceeds of \$5.0 million by issue of 8,771,930 units at a price of \$0.57 per unit. Each unit consists of one common share and one-half warrant. Each whole warrant entitles the holder to purchase one common share at a price of \$0.90 per common share for a period of 36 months from the date of issuance. The securities issued under the offering are subject to a four month hold period from the date of issuance.

- On May 27, 2016, a total of 4,440,000 units were issued for aggregate gross proceeds of \$2,530,800.
- On June 3, 2016, a total of 1,395,200 units were issued for aggregate gross proceeds of \$795,264.
- On June 10, 2016, a total of 2,500,300 units were issued for aggregate gross proceeds of \$1,425,171.
- On June 17, 2016, a total of 436,430 units were issued for aggregate gross proceeds of \$248,765.

In consideration of their services, the Company paid the syndicate of agents a commission of 5% on the value of the units issued through the agents on the private placement.

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.

IMPACT Silver Corp.

Notes to the Condensed Consolidated Interim Financial Statements

September 30, 2016

(Canadian dollars)

Unaudited

9. Equity – continued

b) Stock options - continued

A summary of the Company's stock options as at September 30, 2016 and the changes for the periods ended on these dates is as follows:

	Number	Weighted Average Exercise Price (\$)
At January 1, 2015	5,951,250	1.24
Forfeited	(297,500)	1.32
Expired	(788,750)	1.10
At December 31, 2015	4,865,000	1.26
Granted	1,860,000	0.98
Expired	(1,660,000)	1.85
At September 30, 2016	5,065,000	0.96

The following table summarizes information about the stock options outstanding at September 30, 2016:

Exercise Price Per Share	Number of Options Outstanding	Weighted Average Remaining Life (Years)	Number of Options Exercisable	Expiry Date
\$1.20	1,995,000	1.31	1,995,000	January 22, 2018
\$0.55	1,210,000	2.27	1,210,000	January 6, 2019
\$0.98	1,860,000	4.82	465,000	July 27, 2021
	5,065,000	2.83	3,670,000	

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.

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	106.84%
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.

IMPACT Silver Corp.

Notes to the Condensed Consolidated Interim Financial Statements

September 30, 2016

(Canadian dollars)

Unaudited

9. Equity – continued

c) Warrants

A summary of the Company's warrants as at September 30, 2016 and the changes for the periods ended on these dates is as follows:

	Number	Weighted Average Exercise Price (\$)
At January 1, 2015 and December 31, 2015	-	-
Issued	4,385,965	0.90
At September 30, 2016	4,385,965	0.90

The fair value of the services provided cannot be reliably measured; therefore, 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.

d) Loss per share

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

	Three months ended September 30		Nine months ended September 30	
	2016	2015	2016	2015
Net loss attributable to shareholders	\$ (678,100)	\$ (269,887)	\$ (1,136,232)	\$ (1,596,050)
Weighted average number of shares outstanding - Basic and diluted	85,566,840	68,128,244	77,386,514	68,128,244
Loss per share – Basic and diluted	(0.01)	0.00	(0.01)	(0.02)

IMPACT Silver Corp.

Notes to the Condensed Consolidated Interim Financial Statements

September 30, 2016

(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 are as follows:

	Three months ended September 30		Nine months ended September 30	
	2016	2015	2016	2015
Revenues by geographic area				
Mexico	\$ 4,727,821	\$ 4,108,006	\$ 12,883,715	\$ 10,754,748
Net earnings (loss) by geographic area				
Mexico	\$ 349,604	\$ (143,107)	\$ 557,758	\$ (895,373)
Canada	(1,027,704)	(126,780)	(1,693,990)	(700,677)
	\$ (678,100)	\$ (269,887)	\$ (1,136,232)	\$ (1,596,050)
Assets by geographical area				
			September 30, 2016	December 31, 2015
Mexico			\$ 51,255,749	\$ 57,794,840
Canada			5,572,064	242,730
			\$ 56,827,813	\$ 58,037,570
Property, plant and equipment by geographical area				
Mexico			\$ 22,069,181	\$ 26,548,031
Canada			23,403	24,084
			\$ 22,092,584	\$ 26,572,115