

IMPACT SILVER CORP.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

March 31, 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	March 31, 2015	December 31, 2014
Current		
Cash	\$ 466,791	\$ 575,344
Trade and other receivables (Note 3)	5,785,826	5,118,682
Inventories (Note 4)	825,404	906,844
Investments	15,000	17,500
	7,093,021	6,618,370
Value added and other taxes receivable	2,997,435	2,915,870
Property, plant and equipment (Note 5)	27,696,549	26,788,116
Exploration and evaluation assets (Note 6)	23,394,585	21,738,706
Deferred income tax assets	183,284	-
	\$ 61,364,874	\$ 58,061,062
LIABILITIES		
Current		
Trade payables and accrued liabilities	\$ 1,720,003	\$ 1,466,280
Due to related party (Note 7)	1,492,722	1,363,389
	3,212,725	2,829,669
Reclamation provision	463,911	431,538
Deferred income tax liabilities	5,548,921	5,055,202
	9,225,557	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	2,506,503	(168,798)
Retained deficit	(8,639,306)	(8,358,669)
	52,139,317	49,744,653
	\$ 61,364,874	\$ 58,061,062

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

	2015	2014
Revenues	\$ 3,911,622	\$ 2,962,267
Expenses		
Operating expenses (Note 9)	3,181,104	3,104,801
Amortization and depletion	526,003	709,273
	3,707,107	3,814,074
Mine operating earnings (loss)	204,515	(851,807)
General and administrative expenses		
Accounting, audit and legal	59,559	61,253
Amortization	8,030	10,362
Investor relations, promotion and travel	11,976	29,773
Management fees and consulting	146,581	78,762
Office, rent, insurance and sundry	85,628	81,561
Office salaries and services	162,620	209,878
Share-based payments	-	76,603
	474,394	548,192
Operating loss	(269,879)	(1,399,999)
Other income (expenses)		
Finance cost	(7,445)	(5,958)
Finance income	132,953	4,324
Foreign exchange (loss) gain	(105,866)	21,527
Other income	523	2,351
Loss on disposal of assets	(679)	-
	19,486	22,244
Loss before taxes	(250,393)	(1,377,755)
Current income tax expense	6,029	-
Deferred income tax expense (recovery)	24,215	(113,570)
Net loss	\$ (280,637)	\$ (1,264,185)
Loss per share – Basic and Diluted (Note 10(c))	\$ 0.00	\$ (0.02)
Weighted average number of shares outstanding – Basic and Diluted	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 Income

For the Three Months Ended March 31

(Canadian dollars)

Unaudited

	2015	2014
Net loss	\$ (280,637)	\$ (1,264,185)
Other comprehensive income		
Items that may be subsequently reclassified to profit or loss		
Unrealized (loss) gain on investments held as available-for-sale	(2,500)	493,040
Cumulative translation adjustment	2,677,801	1,908,641
Comprehensive income	\$ 2,394,664	\$ 1,137,496

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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 (\$)	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	-	-	-	-	(1,264,185)	(1,264,185)
Share based payments expense	-	-	76,603	-	-	76,603
Cumulative translation adjustments	-	-	-	1,908,641	-	1,908,641
Unrealized gain on investments	-	-	-	493,040	-	493,040
Balance at March 31, 2014	68,128,244	53,495,947	4,707,095	3,268,823	(6,136,100)	55,335,765
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	-	-	-	-	(280,637)	(280,637)
Cumulative translation adjustments	-	-	-	2,677,801	-	2,677,801
Unrealized loss on investments	-	-	-	(2,500)	-	(2,500)
Balance at March 31, 2015	68,128,244	53,495,947	4,776,173	2,506,503	(8,639,306)	52,139,317

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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)	2015	2014
Operating activities		
Net loss	\$ (280,637)	\$ (1,264,185)
Items not affecting cash		
Amortization and depletion	534,033	719,635
Share-based payments	-	76,603
Deferred income taxes	24,215	(113,570)
Loss on disposal of assets	679	-
Accretion expense	7,445	5,958
Write-down of inventory	68,148	44,967
Changes in non-cash working capital		
Trade and other receivables	(166,290)	736,085
Income taxes receivable	(122,033)	(209,274)
Inventories	101,486	38,663
Trade payables	182,452	(153,726)
Income taxes payable	4,088	-
Due to related party	77,110	108,038
	430,696	(10,806)
Investing activities		
Acquisition of property, plant and equipment	(8,698)	(14,505)
Proceeds on sale of assets	325	-
Proceeds on sale of concentrate from commission phase	-	120,580
Exploration and evaluation asset expenditures	(668,822)	(1,039,912)
	(677,195)	(933,837)
Effect of exchange rate changes on cash	137,946	(2,360)
Net change in cash	(108,553)	(947,003)
Cash - Beginning of period	575,344	3,485,180
Cash - End of period	\$ 466,791	\$ 2,538,177

-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, 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 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 three months ended March 31, 2015, the Company incurred a net loss of \$0.3 million and cash inflows from operating activities of \$0.4 million. At March 31, 2015, the Company had unrestricted cash and cash equivalents of \$0.5 million, current assets of \$7.1 million and working capital of \$3.9 million. The Company is confident that it will be able to fund its committed capital investment program and working capital requirements throughout 2015. However, internally generated cash flows will not be sufficient to cover the Company's 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

March 31, 2015

(Canadian dollars)

Unaudited

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, 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 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 26, 2015.

3. Trade and other receivables

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

	March 31, 2015	December 31, 2014
Value added and other taxes receivable – current portion	\$ 3,664,676	\$ 3,578,113
Trade and other receivables	1,952,389	1,398,135
Prepays	168,761	142,434
Total trade and other receivables	\$ 5,785,826	\$ 5,118,682

4. Inventories

The following table details the composition of inventories at:

	March 31, 2015	December 31, 2014
Materials and supplies	\$ 610,180	\$ 500,637
Stockpile inventory	16,121	4,237
Concentrate inventory	199,103	401,970
Total inventories	\$ 825,404	\$ 906,844

The amount of inventories recognized as an expense during the period ended March 31, 2015 was \$3,181,104 (March 31, 2014 - \$3,104,801).

The amount of write-down of inventories to net realizable value during the period ended March 31, 2015 was \$68,148 (March 31, 2014 - \$44,967) relating to concentrate inventory.

IMPACT Silver Corp.

Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2015

(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, 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	8,719	-	-	-	-	8,719
Transfers	-	-	-	-	1,426	1,426
Disposals	-	-	(1,710)	-	-	(1,710)
Foreign exchange movement	612,062	27,710	7,161	75,873	1,382,910	2,105,716
Balance at March 31, 2015	11,246,644	507,740	232,405	1,390,289	28,157,363	41,534,441
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	273,665	12,754	5,463	-	278,319	570,201
Disposals	-	-	(706)	-	-	(706)
Foreign exchange movement	214,536	18,867	4,096	-	398,724	636,223
Balance at March 31, 2015	4,163,936	357,897	154,614	-	9,161,445	13,837,892
Net book value						
At December 31, 2014	6,950,128	153,754	81,193	1,314,416	18,288,625	26,788,116
At March 31, 2015	7,082,708	149,843	77,791	1,390,289	18,995,918	27,696,549

IMPACT Silver Corp.

Notes to the Condensed Consolidated Interim Financial Statements

March 31, 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	655,756	14,315	-	670,071
Transfers to mining assets	(1,426)	-	-	(1,426)
Foreign exchange	974,255	12,979	-	987,234
Balance at March 31, 2015	22,924,202	255,180	215,203	23,394,585

7. Related party transactions

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

During the three months ended March 31, 2015, no fees (2014 – \$93,514) 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 March 31, 2015, an amount of \$1,492,722 (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 for the three months ended March 31 is as follows:

	2015		2014	
Salaries and fees	\$	69,675	\$	125,963
Share based compensation		-		49,482
Total compensation	\$	69,675	\$	175,445

IMPACT Silver Corp.

Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2015

(Canadian dollars)

Unaudited

9. Expenses by nature

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

	2015	2014
Production costs	\$ 1,763,873	\$ 1,553,048
Administration	194,252	208,486
Transportation	135,138	121,745
Wages and salaries	1,087,841	1,221,522
Total operating expenses	\$ 3,181,104	\$ 3,104,801

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 March 31, 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
At March 31, 2015	5,928,750	1.24

The following table summarizes information about the stock options outstanding at March 31, 2015:

Exercise Price Per Share	Number of Options Outstanding	Weighted Average Remaining Life (Years)	Number of Options Exercisable	Expiry Date
\$0.55	1,260,000	3.77	1,260,000	January 6, 2019
\$1.10	788,750	0.18	788,750	June 6, 2015
\$1.85	1,760,000	1.49	1,760,000	September 26, 2016
\$1.20	2,120,000	2.82	2,120,000	January 22, 2018
	5,928,750	2.28	5,928,750	

IMPACT Silver Corp.

Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2015

(Canadian dollars)

Unaudited

10. Equity – continued

c) Loss per share

Details of the calculation of loss per share are set out below:

	2015	2014
Net loss attributable to shareholders	<u>\$ (280,637)</u>	<u>\$ (1,264,185)</u>
Weighted average number of shares outstanding – Basic and diluted	<u>68,128,244</u>	<u>68,128,244</u>
Loss per share – Basic and diluted	<u>0.00</u>	<u>(0.02)</u>

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 for the three months ended March 31 are as follows:

	2015	2014
Revenues by geographic area		
Mexico	<u>\$ 3,911,622</u>	<u>\$ 2,962,267</u>
Net (loss) earnings by geographic area		
Mexico	<u>\$ 1,461</u>	<u>\$ (775,837)</u>
Canada	<u>(282,098)</u>	<u>(488,348)</u>
	<u>\$ (280,637)</u>	<u>\$ (1,264,185)</u>
Assets by geographical area	March 31, 2015	December 31, 2014
Mexico	<u>\$ 60,986,157</u>	<u>\$ 57,628,336</u>
Canada	<u>163,514</u>	<u>217,523</u>
Caribbean	<u>215,203</u>	<u>215,203</u>
	<u>\$ 61,364,874</u>	<u>\$ 58,061,062</u>
Property, plant and equipment by geographical area		
Mexico	<u>\$ 27,671,263</u>	<u>26,760,176</u>
Canada	<u>25,286</u>	<u>27,940</u>
	<u>\$ 27,696,549</u>	<u>26,788,116</u>