

IMPACT SILVER CORP.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

March 31, 2022 and 2021

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, 2022	December 31, 2021
Current		
Cash	\$ 19,132,465	\$ 21,081,575
Trade and other receivables (Note 3)	2,774,069	1,736,262
Inventories (Note 4)	989,892	1,071,797
Investments	305,000	85,000
	23,201,426	23,974,634
Right-of-use assets (Note 5)	240,220	266,738
Property, plant and equipment (Note 7)	20,589,908	19,820,400
Exploration and evaluation assets (Note 8)	22,749,662	22,481,941
	\$ 66,781,216	\$ 66,543,713
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LIABILITIES		
Current		
Trade payables and accrued liabilities	\$ 1,979,319	\$ 2,365,921
Lease liabilities (Note 6)	87,217	89,228
	2,066,536	2,455,149
Lease liabilities (Note 6)	131,784	154,597
Reclamation provision	689,392	669,043
Deferred income tax liabilities	3,496,651	3,298,993
	6,384,363	6,577,782
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SHAREHOLDERS' EQUITY		
Share capital	81,278,502	81,122,078
Warrants (Note 11(c))	2,631,375	2,666,279
Contributed surplus	8,897,500	8,897,500
Accumulated other comprehensive loss	(7,738,341)	(8,107,947)
Accumulated deficit	(24,672,183)	(24,611,979)
	60,396,853	59,965,931
	\$ 66,781,216	\$ 66,543,713

Nature of operations (Note 1)

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 Months Ended March 31

(Canadian dollars)

Unaudited

	2022	2021
Revenue	\$ 4,628,620	\$ 5,375,860
Cost of sales		
Operating expenses (Note 10)	3,569,195	3,431,094
Amortization and depletion	305,148	278,163
	<u>3,874,343</u>	<u>3,709,257</u>
Mine operating income	<u>754,277</u>	1,666,603
General and administrative expenses		
Accounting, audit and legal	40,409	52,403
Amortization	7,611	10,788
Investor relations, promotion and travel	16,023	15,103
Management fees and consulting	105,077	78,210
Office, rent, insurance and sundry	102,737	121,578
Office salaries and services	283,399	182,437
Share-based payments (Note 11(b))	-	943,511
	<u>555,256</u>	1,404,030
Operating income	<u>199,021</u>	262,573
Other income (expenses)		
Finance cost	(17,413)	(12,019)
Finance income	18,693	33,792
Foreign exchange gain (loss)	(90,356)	82,998
Other expense	(3,960)	(8,126)
	<u>(93,036)</u>	96,646
Income before taxes	105,985	359,219
Current income tax expense	2,040	91,981
Deferred income tax expense	164,149	524,579
Net loss	<u>\$ (60,204)</u>	<u>\$ (257,341)</u>
Loss per share – Basic and Diluted	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>
Weighted average number of shares outstanding – Basic and Diluted	<u>145,515,860</u>	<u>143,308,379</u>

-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 Months Ended March 31

(Canadian dollars)

Unaudited

	2022	2021
Net loss	\$ (60,204)	\$ (257,341)
Other comprehensive loss		
Items that may be subsequently reclassified to profit or loss		
Cumulative translation adjustment	389,606	(1,400,143)
Items that will not be subsequently reclassified to profit or loss		
Loss on investments	(20,000)	(10,000)
Comprehensive income (loss)	\$ 309,402	\$ (1,667,484)

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

IMPACT Silver Corp.

Condensed Consolidated Interim Statements of Changes in Shareholders' 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, 2021	141,410,247	79,325,168	2,954,251	7,523,552	(7,047,278)	(24,066,644)	58,689,049
Net loss for the period	-	-	-	-	-	(257,341)	(257,341)
Share-based compensation expense	-	-	-	943,511	-	-	943,511
Warrants exercised	2,172,272	905,035	(154,265)	-	-	-	750,770
Stock options exercised	230,000	233,127	-	(97,777)	-	-	135,350
Cumulative translation adjustments	-	-	-	-	(1,400,143)	-	(1,400,143)
Loss on investments	-	-	-	-	(10,000)	-	(10,000)
Balance at March 31, 2021	143,812,519	80,463,330	2,799,986	8,369,286	(8,457,421)	(24,323,985)	58,851,196
Balance at January 1, 2022	145,381,485	81,122,078	2,666,279	8,897,500	(8,107,947)	(24,611,979)	59,965,931
Net loss for the period	-	-	-	-	-	(60,204)	(60,204)
Warrants exercised	355,379	156,424	(34,904)	-	-	-	121,520
Cumulative translation adjustments	-	-	-	-	389,606	-	389,606
Loss on investments	-	-	-	-	(20,000)	-	(20,000)
Balance at March 31, 2022	145,736,864	81,278,502	2,631,375	8,897,500	(7,738,341)	(24,672,183)	60,396,853

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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)	2022	2021
Operating activities		
Net loss	\$ (60,204)	\$ (257,341)
Items not affecting cash		
Amortization and depletion	312,759	288,951
Share-base payments	-	943,511
Deferred income tax expense	164,149	524,579
Accretion expense	12,704	10,798
Unrealized loss on foreign exchange	(2,652)	(112,242)
Changes in non-cash working capital		
Trade and other receivables	(891,608)	(372,225)
Income taxes receivable	(3,836)	(1,386)
Inventories	91,702	474,938
Trade payables	(493,049)	(223,175)
Income taxes payable	(18,472)	3,380
	(888,507)	1,279,788
Investing activities		
Proceeds on the sale of long-lived assets	100,000	50,000
Additions of long-lived assets	(1,257,057)	(829,934)
	(1,157,057)	(779,934)
Financing activities		
Repayment of lease liability	(25,067)	(22,524)
Proceeds from the exercise of warrants	121,521	750,770
Proceeds from the exercise of stock options	-	135,350
	96,454	863,596
Net change in cash	(1,949,110)	1,363,450
Cash - Beginning of period	21,081,575	20,385,551
Cash - End of period	\$ 19,132,465	\$ 21,749,001

-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, 2022

(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 registered address of the Company is 303 – 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. The Company estimates that it has adequate financial resources for the next twelve months.

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, 2021.

IMPACT Silver Corp.

Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2022

(Canadian dollars)

Unaudited

2. Basis of Preparation – continued

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, 2021.

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, 2022.

3. Trade and other receivables

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

	March 31, 2022	December 31, 2021
Value added taxes receivable	\$ 1,119,733	\$ 935,620
Trade and other receivables	1,416,601	550,843
Prepays	237,735	249,799
	\$ 2,774,069	\$ 1,736,262

4. Inventories

The following table details the composition of inventories at:

	March 31, 2022	December 31, 2021
Materials and supplies	\$ 680,407	\$ 488,951
Stockpile inventory	124,035	89,895
Concentrate inventory	185,450	492,951
	\$ 989,892	\$ 1,071,797

IMPACT Silver Corp.

Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2022

(Canadian dollars)

Unaudited

5. Right-of-use assets

Details are as follows:

	<u>Land</u>
Balance at January 1, 2021	\$ 103,475
Additions	261,775
Amortization	(96,554)
Foreign exchange movement	(1,958)
Balance at December 31, 2021	<u>266,738</u>
Amortization	(27,018)
Foreign exchange movement	500
Balance at March 31, 2022	<u>\$ 240,220</u>

6. Lease Liabilities

Details are as follows:

Balance at January 1, 2021	\$ 78,669
Interest	9,711
Repayments	(102,949)
Additions	261,775
Foreign exchange movement	(3,381)
Balance at December 31, 2021	<u>243,825</u>
Interest	4,715
Repayments	(29,782)
Foreign exchange movement	243
Balance at March 31, 2022	<u>219,001</u>
Less: current portion	<u>87,217</u>
Non-current lease liabilities	<u>\$ 131,784</u>

The Company's leased assets are for office leases and land. The lease liabilities were discounted at the Company's incremental borrowing rate. The weighted average rate applied at January 1, 2019 was 8.0%.

IMPACT Silver Corp.

Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2022

(Canadian dollars)

Unaudited

6. Lease Liabilities - continued

The expected timing of undiscounted lease payments is as follows:

	March 31,	December 31,
	2022	2021
Less than one year	\$ 108,378	\$ 112,244
One to five years	134,045	157,825
	\$ 242,423	\$ 270,069

7. Property, plant and equipment

Details are as follows:

	Plant and Mine equipment (\$)	Vehicles (\$)	Office furniture and equipment (\$)	Surface rights (\$)	Mining Assets (\$)	Total (\$)
Cost						
Balance at January 1, 2021	9,287,104	498,017	232,246	1,052,133	28,116,715	39,186,215
Additions	470,315	86,812	51,844	-	1,826,239	2,435,210
Change in reclamation estimate	-	-	-	-	(112,170)	(112,170)
Foreign exchange movement	(285,856)	(15,165)	(3,650)	(32,036)	(719,762)	(1,056,469)
Balance at December 31, 2021	9,471,563	569,664	280,440	1,020,097	29,111,022	40,452,786
Additions	205,856	29,761	11,308	-	604,358	851,283
Foreign exchange movement	106,105	6,330	1,394	11,336	273,757	398,922
Balance at March 31, 2022	9,783,524	605,755	293,142	1,031,433	29,989,137	41,702,991
Accumulated amortization						
Balance at January 1, 2021	6,887,506	401,125	174,837	-	12,420,151	19,883,619
Amortization for the period	355,524	31,166	29,969	-	834,986	1,251,645
Foreign exchange movement	(213,477)	(11,748)	(3,142)	-	(274,511)	(502,878)
Balance at December 31, 2021	7,029,553	420,543	201,664	-	12,980,626	20,632,386
Amortization for the period	85,036	9,125	4,936	-	191,119	290,216
Foreign exchange movement	79,210	4,673	1,180	-	105,418	190,481
Balance at March 31, 2022	7,193,799	434,341	207,780	-	13,277,163	21,113,083
Net book value						
At December 31, 2021	2,442,010	149,121	78,776	1,020,097	16,130,396	19,820,400
At March 31, 2022	2,589,725	171,414	85,362	1,031,433	16,711,974	20,589,908

IMPACT Silver Corp.

Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2022

(Canadian dollars)

Unaudited

8. Exploration and evaluation assets

Balance at January 1, 2021	\$	21,871,603
Additions		1,269,902
Recoveries		(135,000)
Write-down		(33,451)
Foreign exchange		(491,113)
<u>Balance at December 31, 2021</u>		<u>22,481,941</u>
Additions		424,242
Recoveries		(340,000)
Foreign exchange		183,479
<u>Balance at March 31, 2022</u>	<u>\$</u>	<u>22,749,662</u>

9. 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:

	<u>2022</u>		<u>2021</u>	
Salaries and fees	\$	154,850	\$	118,812
Share-based compensation		-		581,310
	<u>\$</u>	<u>154,850</u>	<u>\$</u>	<u>700,122</u>

10. Expenses by nature

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

	<u>2021</u>		<u>2021</u>	
Production costs	\$	1,894,735	\$	2,017,422
Administration		220,628		163,896
Transportation		110,441		149,845
Wages and salaries		1,343,391		1,099,931
	<u>\$</u>	<u>3,569,195</u>	<u>\$</u>	<u>3,431,094</u>

11. Equity

a) Share capital

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

IMPACT Silver Corp.

Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2022

(Canadian dollars)

Unaudited

11. Equity – continued

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 fixed stock option plan, the maximum number of shares reserved for issuance is 10% of the issued shares of the Company or 12,936,917 shares. 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 TSX Venture Exchange on the last trading day preceding the grant.

On January 18, 2021 the Company granted stock options under its Stock Option Plan to directors, officers, employees and consultants exercisable for 2,110,000 shares of the Company. The options are exercisable on or before January 18, 2026 at a price of \$0.90 per share. Options vested 100% on the date granted.

On October 8 2021, the Company granted stock options under its Stock Option Plan to directors, officers, employees and consultants exercisable for 2,300,000 shares of the Company. The options are exercisable on or before October 8, 2026 at a price of \$0.48 per share. Options vested 100% on the date granted.

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	January 18, 2021	October 8, 2021
Number of options granted	2,110,000	2,300,000
Risk-free interest rate	0.14%	0.60%
Expected dividend yield	Nil	Nil
Expected share price volatility	84.516%	80.312%
Expected option life in years	2.50	2.50

IMPACT Silver Corp.

Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2022

(Canadian dollars)

Unaudited

11. Equity – continued

b) Stock options – continued

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, 2022 is \$nil (March 31, 2021 – \$943,511).

A summary of the Company's stock options as at March 31, 2022 and the changes for the periods ended on these dates is as follows:

	Number	Weighted Average Exercise Price (\$)
At January 1, 2021	4,610,000	0.57
Granted	4,410,000	0.68
Exercised	(230,000)	0.59
Expired	(1,470,000)	0.98
Forfeited	(100,000)	0.90
At March 31, 2022 and December 31, 2021	7,220,000	0.55

The following table summarizes information about the stock options outstanding at March 31, 2022:

Exercise Price Per Share	Number of Options Outstanding	Weighted Average Remaining Life (Years)	Number of Options Exercisable	Expiry Date
\$0.35	1,160,000	0.47	1,160,000	September 20, 2022
\$0.36	1,750,000	2.57	1,750,000	October 24, 2024
\$0.90	2,010,000	3.81	2,010,000	January 18, 2-26
\$0.48	2,300,000	4.53	2,300,000	October 8, 2026
	7,220,000	3.20	7,220,000	

IMPACT Silver Corp.

Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2022

(Canadian dollars)

Unaudited

11. Equity – continued

c) Warrants

A summary of the Company's warrants as at March 31, 2022 and the changes for the periods ended on these dates is as follows:

	Number	Weighted Average Exercise Price (\$)
At January 1, 2021	22,302,751	0.58
Exercised	(3,741,238)	0.34
At December 31, 2021	18,561,513	0.63
Exercised	(355,379)	0.34
At March 31, 2022	18,206,134	0.71

12. Segmented information

The Company has one operating segment and two reportable segments based on geographic area:

- i) Mexico – This part of the business includes the Company's mining operations and exploration properties
- ii) Canada – This part of the business includes head office and group services

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:

	2022	2021
Revenue by geographic area		
Mexico	\$ 4,628,620	\$ 5,375,860
Net loss by geographic area		
Mexico	\$ 400,568	\$ 1,042,231
Canada	(460,772)	(1,299,572)
	\$ (60,204)	\$ (257,341)
	March 31,	December 31,
	2022	2021
Assets by geographical area		
Mexico	\$ 48,876,795	\$ 47,791,460
Canada	17,904,421	18,752,253
	\$ 66,781,216	\$ 66,543,713
Property, plant and equipment by geographical area		
Mexico	\$ 20,528,861	\$ 19,760,847
Canada	61,047	59,553
	\$ 20,589,908	\$ 19,820,400