

IMPACT SILVER CORP.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

September 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	September 30, 2015	December 31, 2014
Current		
Cash	\$ 802,847	\$ 575,344
Trade and other receivables (Note 3)	2,876,873	5,118,682
Inventories (Note 4)	1,011,856	906,844
Investments	5,000	17,500
	4,696,576	6,618,370
Value added and other taxes receivable	4,153,047	2,915,870
Property, plant and equipment (Note 5)	25,500,912	26,788,116
Exploration and evaluation assets (Note 6)	23,353,718	21,738,706
Deferred income tax assets	129,642	-
	\$ 57,833,895	\$ 58,061,062
LIABILITIES		
Current		
Trade payables and accrued liabilities	\$ 1,646,476	\$ 1,466,280
Due to related party (Note 7)	1,479,852	1,363,389
	3,126,328	2,829,669
Reclamation provision	456,158	431,538
Deferred income tax liabilities	5,254,316	5,055,202
	8,836,802	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	679,692	(168,798)
Retained deficit	(9,954,719)	(8,358,669)
	48,997,093	49,744,653
	\$ 57,833,895	\$ 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 Nine Months Ended September 30

Canadian dollars

Unaudited

	Three months ended September 30		Nine months ended September 30	
	2015	2014	2015	2014
Revenues	\$ 4,108,006	\$ 3,362,661	\$ 10,754,748	\$ 8,876,638
Expenses				
Operating expenses (Note 9)	3,234,475	2,826,178	9,377,882	8,855,888
Amortization and depletion	583,677	621,783	1,640,861	2,040,705
	3,818,152	3,447,961	11,018,743	10,896,593
Mine operating income (loss)	289,854	(85,300)	(263,995)	(2,019,955)
General and administrative expenses				
Accounting, audit and legal	56,056	120,881	179,953	247,973
Amortization	7,981	10,348	23,950	31,245
Investor relations, promotion and travel	2,945	4,602	33,089	81,958
Management fees and consulting	60,542	52,698	290,123	187,887
Office, rent, insurance and sundry	57,892	85,751	241,879	267,129
Office salaries and services	155,455	158,759	478,040	489,276
Share-based payments	-	22,053	-	145,681
	340,871	455,092	1,247,034	1,451,149
Operating loss	(51,017)	(540,392)	(1,511,029)	(3,471,104)
Other income (expenses)				
Finance cost	(20,653)	(5,931)	(35,294)	(17,885)
Finance income	67	1,008	133,130	7,726
Foreign exchange (loss) gain	(270,159)	(101,539)	(525,153)	(95,879)
Other income	362,898	(1,002)	378,507	8,168
Gain on available-for-sale investment	-	-	-	213,550
Gain on disposal of assets	12,324	-	11,645	-
	84,477	(107,464)	(37,165)	115,680
Income (loss) before taxes	33,460	(647,856)	(1,548,194)	(3,355,424)
Current income tax expense	5,524	-	17,176	-
Deferred income tax expense (recovery)	297,823	(47,359)	30,680	(467,076)
Net loss	(269,887)	(600,497)	(1,596,050)	(2,888,348)
Loss per share – Basic and Diluted (Note 10(c))	\$ 0.00	\$ (0.01)	\$ (0.02)	\$ (0.04)
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) Gain For the Three and Nine Months Ended September 30

(Canadian dollars)

Unaudited

	Three months ended September 30		Nine months ended September 30	
	2015	2014	2015	2014
Net loss	\$ (269,887)	\$ (600,497)	\$ (1,596,050)	\$ (2,888,348)
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)	(19,340)	(12,500)	476,530
Reclassification on sale of available-for-sale investment	-	-	-	(432,000)
Cumulative translation adjustment	142,064	768,208	860,990	1,336,204
Comprehensive (loss) gain	\$ (132,823)	\$ 148,371	\$ (747,560)	\$ (1,507,614)

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 (\$)	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	-	-	-	-	(2,888,348)	(2,888,348)
Share-based payments expense	-	-	145,681	-	-	145,681
Cumulative translation adjustments	-	-	-	1,336,204	-	1,336,204
Unrealized gains on available-for-sale investments	-	-	-	44,530	-	44,530
Balance at September 30, 2014	68,128,244	53,495,947	4,776,173	2,247,876	(7,760,263)	52,759,733
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

- 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	
	2015	2014	2015	2014
Operating activities				
Net loss	\$ (269,887)	\$ (600,497)	\$ (1,596,050)	\$ (2,888,348)
Items not affecting cash				
Amortization and depletion	591,658	632,131	1,664,811	2,071,950
Share-based payments expense	-	22,053	-	145,681
Deferred income taxes	297,823	(47,359)	30,680	(467,076)
Gain on disposal of assets	(12,324)	-	(11,645)	-
Accretion expense	7,145	5,931	21,786	17,885
Gain on available-for-sale investment	-	-	-	(213,550)
(Reversal) write-down of inventory	(159,971)	15,865	-	74,103
Changes in non-cash working capital				
Trade and other receivables	(337,524)	(264,000)	1,087,426	597,010
Income taxes receivable	(41,162)	93,117	(39,092)	(16,043)
Inventories	33,683	(38,308)	(54,844)	(148,325)
Trade payables	253,198	(177,844)	166,963	(180,624)
Income taxes payable	5,519	-	35,617	-
Due to related party	(3,374)	53,998	109,038	396,112
	364,784	(304,913)	1,414,690	(611,225)
Investing activities				
Acquisition of property, plant and equipment	(1,401)	-	(14,459)	(153,673)
Proceeds on sale of available-for-sale investment	-	-	-	321,550
Proceeds on sale of assets	79,043	-	79,368	-
Proceeds from the sale of concentrate from commission phase	-	-	-	120,580
Exploration and evaluation asset expenditures	(641,956)	(528,331)	(1,755,714)	(2,270,651)
	(564,314)	(528,331)	(1,690,805)	(1,982,194)
Effect of exchange rate changes on cash	260,308	121,871	503,618	76,835
Net change in cash	60,778	(711,373)	227,503	(2,516,584)
Cash - Beginning of period	742,069	1,679,969	575,344	3,485,180
Cash - End of period	\$ 802,847	\$ 968,596	\$ 802,847	\$ 968,596

-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, 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. 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 nine months ended September 30, 2015, the Company incurred a net loss of \$1.6 million and cash inflows from operating activities of \$1.4 million. At September 30, 2015, the Company had unrestricted cash and cash equivalents of \$0.8 million, current assets of \$4.7 million and working capital of \$1.6 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, it 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

September 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 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 23, 2015.

3. Trade and other receivables

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

	September 30, 2015	December 31, 2014
Value added and other taxes receivable – current portion	\$ 1,029,753	\$ 3,578,113
Trade and other receivables	1,672,359	1,398,135
Prepays	174,761	142,434
Total trade and other receivables	<u>\$ 2,876,873</u>	<u>\$ 5,118,682</u>

4. Inventories

The following table details the composition of inventories at:

	September 30, 2015	December 31, 2014
Materials and supplies	\$ 714,551	\$ 500,637
Stockpile inventory	-	4,237
Concentrate inventory	297,305	401,970
Total inventories	<u>\$ 1,011,856</u>	<u>\$ 906,844</u>

The amount of inventories recognized as an expense during the period ended September 30, 2015 was \$9,377,882 (September 30, 2014 – \$8,855,888).

The amount of write-down of inventories to net realizable value during the period ended September 30, 2015 was \$nil (September 30, 2014 - \$74,103) relating to concentrate inventory. Previous write-downs totalling \$159,971 were reversed during the quarter.

IMPACT Silver Corp.

Notes to the Condensed Consolidated Interim Financial Statements

September 30, 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	9,866	-	4,183	-	-	14,049
Transfers	-	-	-	-	241,872	241,872
Disposals	(105,229)	-	(1,710)	-	-	(106,939)
Foreign exchange movement	80,549	3,662	947	10,027	182,761	277,946
Balance at September 30, 2015	10,611,049	483,692	230,374	1,324,443	27,197,660	39,847,218
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	799,154	37,317	16,356	-	851,143	1,703,970
Disposals	(38,837)	-	(706)	-	-	(39,543)
Foreign exchange movement	11,232	1,709	307	-	36,457	49,705
Balance at September 30, 2015	4,447,284	365,302	161,718	-	9,372,002	14,346,306
Net book value						
December 31, 2014	6,950,128	153,754	81,193	1,314,416	18,288,625	26,788,116
September 30, 2015	6,163,765	118,390	68,656	1,324,443	17,825,658	25,500,912

IMPACT Silver Corp.

Notes to the Condensed Consolidated Interim Financial Statements

September 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	1,682,224	44,188	-	1,726,412
Transfers to mining assets	(241,872)	-	-	(241,872)
Foreign exchange	128,757	1,715	-	130,472
Balance at September 30, 2015	22,864,726	273,789	215,203	23,353,718

7. Related party transactions

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

During the nine months ended September 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 September 30, 2015, an amount of \$1,479,852 (December 31, 2014 - \$1,363,389) was due to Energold Drilling Corp. Monies owed to Energold Drilling Corp. are unsecured, interest bearing and repayable on demand.

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 September 30 is as follows:

	2015	2014
Salaries and fees	\$ 246,425	312,594
Share based compensation	-	80,715
Total compensation	\$ 246,425	393,309

IMPACT Silver Corp.

Notes to the Condensed Consolidated Interim Financial Statements

September 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 September 30		Nine months ended September 30	
	2015	2014	2015	2014
Production costs	\$ 1,629,831	\$ 1,346,181	\$ 4,818,402	\$ 4,056,387
Administration	169,290	190,097	579,818	575,710
Transportation	120,063	121,602	364,952	371,939
Wages and salaries	1,315,291	1,168,298	3,614,710	3,851,852
Total operating expenses	\$ 3,234,475	\$ 2,826,178	\$ 9,377,882	\$ 8,855,888

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 September 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	(297,500)	1.32
Expired	(788,750)	1.10
At September 30, 2015	4,865,000	1.26

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

Exercise Price Per Share	Number of Options Outstanding	Weighted Average Remaining Life (Years)	Number of Options Exercisable	Expiry Date
\$1.85	1,660,000	0.99	1,660,000	September 26, 2016
\$1.20	1,995,000	2.32	1,995,000	January 22, 2018
\$0.55	1,210,000	3.27	1,210,000	January 6, 2019
	4,865,000	2.10	4,865,000	

IMPACT Silver Corp.

Notes to the Condensed Consolidated Interim Financial Statements

September 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 September 30		Nine months ended September 30	
	2015	2014	2015	2014
Net loss attributable to shareholders	\$ (269,887)	\$ (600,497)	\$ (1,596,050)	\$ (2,888,348)
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	0.00	(0.01)	(0.02)	(0.04)

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 September 30		Nine months ended September 30	
	2015	2014	2015	2014
Revenues by geographic area				
Mexico	\$ 4,108,006	\$ 3,362,661	\$ 10,754,748	\$ 8,876,638
Net earnings (loss) by geographic area				
Mexico	\$ (143,107)	\$ (197,916)	\$ (895,373)	\$ (1,809,761)
Canada	(126,780)	(402,581)	(700,677)	(1,078,587)
	\$ (269,887)	\$ (600,497)	\$ (1,596,050)	\$ (2,888,348)
Assets by geographical area				
Mexico	\$ 57,432,520	\$ 57,628,336		
Canada	186,172	217,523		
Caribbean	215,203	215,203		
	\$ 57,833,895	\$ 58,061,062		
Property, plant and equipment by geographical area				
Mexico	\$ 25,475,074	\$ 26,760,176		
Canada	25,838	27,940		
	\$ 25,500,912	\$ 26,788,116		