

# **IMPACT SILVER CORP.**

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**March 31, 2020 and 2019**

**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

<b>ASSETS</b>	<b>March 31, 2020</b>	<b>December 31, 2019</b>
<b>Current</b>		
Cash	\$ 3,887,614	\$ 3,773,062
Trade and other receivables (Note 3)	1,220,988	1,783,571
Inventories (Note 4)	421,634	539,041
Investments	1,250	2,500
	<b>5,531,486</b>	<b>6,098,174</b>
<b>Value added and other taxes receivable</b>	<b>580,982</b>	<b>725,369</b>
<b>Right-of-use assets (Note 5)</b>	<b>128,146</b>	<b>155,856</b>
<b>Property, plant and equipment (Note 7)</b>	<b>18,190,642</b>	<b>20,903,706</b>
<b>Exploration and evaluation assets (Note 8)</b>	<b>20,284,726</b>	<b>22,071,788</b>
	<b>\$ 44,715,982</b>	<b>\$ 49,954,893</b>
<b>LIABILITIES</b>		
<b>Current</b>		
Trade payables and accrued liabilities	\$ 2,069,513	\$ 2,434,623
Lease liabilities (Note 6)	81,712	89,506
	<b>2,151,225</b>	<b>2,524,129</b>
<b>Lease liabilities (Note 6)</b>	<b>49,263</b>	<b>67,098</b>
<b>Reclamation provision</b>	<b>415,175</b>	<b>467,839</b>
<b>Deferred income tax liabilities</b>	<b>3,912,084</b>	<b>4,417,422</b>
	<b>6,527,747</b>	<b>7,476,488</b>
<b>SHAREHOLDERS' EQUITY</b>		
<b>Share capital</b>	<b>63,948,148</b>	<b>63,923,949</b>
<b>Warrants (Note 11(c))</b>	<b>2,188,549</b>	<b>2,193,199</b>
<b>Contributed surplus</b>	<b>7,628,059</b>	<b>7,628,059</b>
<b>Accumulated other comprehensive loss</b>	<b>(9,118,691)</b>	<b>(4,899,146)</b>
<b>Accumulated deficit</b>	<b>(26,457,830)</b>	<b>(26,367,656)</b>
	<b>38,188,235</b>	<b>42,478,405</b>
	<b>\$ 44,715,982</b>	<b>\$ 49,954,893</b>

Nature of operations and going concern (Note 1)

Subsequent events (Note 13)

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

	2020	2019
<b>Revenue</b>	\$ 3,413,708	\$ 2,981,355
<b>Cost of sales</b>		
Operating expenses (Note 10)	3,115,147	2,978,858
Amortization and depletion	415,300	382,570
	<u>3,530,447</u>	<u>3,361,428</u>
<b>Mine operating loss</b>	<u>(116,739)</u>	<u>(380,073)</u>
<b>General and administrative expenses</b>		
Accounting, audit and legal	46,629	39,786
Amortization	3,862	3,572
Investor relations, promotion and travel	77,786	56,710
Management fees and consulting	82,134	61,550
Office, rent, insurance and sundry	52,877	71,531
Office salaries and services	125,053	151,405
	<u>388,341</u>	<u>384,554</u>
<b>Operating loss</b>	<u>(505,080)</u>	<u>(764,627)</u>
<b>Other income (expenses)</b>		
Finance cost	(10,372)	(8,463)
Finance income	13,919	4,531
Foreign exchange gain (loss)	561,026	(71,102)
Other (expense) income	(34)	(13,882)
	<u>564,539</u>	<u>(88,916)</u>
<b>Income (loss) before taxes</b>	<u>59,459</u>	<u>(853,543)</u>
Current income tax expense	122,594	3,339
Deferred income tax expense	27,039	48,641
	<u>150,133</u>	<u>53,980</u>
<b>Net loss</b>	<u>\$ (90,174)</u>	<u>\$ (905,523)</u>
<b>Loss per share – Basic and Diluted</b> (Note 11(d))	<u>\$ -</u>	<u>\$ (0.01)</u>
Weighted average number of shares outstanding – Basic and Diluted	<u>110,284,045</u>	<u>91,184,873</u>

-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

	<b>2020</b>	2019
<b>Net loss</b>	<b>\$ (90,174)</b>	\$ (905,523)
<b>Other comprehensive income</b>		
<b>Items that may be subsequently reclassified to profit or loss</b>		
Cumulative translation adjustment	<b>(4,218,295)</b>	(204,291)
<b>Items that will not be subsequently reclassified to profit or loss</b>		
(Loss) gain on investments	<b>(1,250)</b>	(1,000)
<b>Comprehensive income</b>	<b>\$ (4,309,719)</b>	\$ (1,110,814)

-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, 2019	87,598,340	60,082,587	1,061,916	6,240,620	(4,626,026)	(21,424,414)	41,334,683
Net loss for the period	-	-	-	-	-	(905,523)	(905,523)
Impact of adopting IFRS 16	-	-	-	-	-	(3,820)	(3,820)
Shares issued in relation to private placement	4,421,753	1,193,873	-	-	-	-	1,193,873
Share issue costs	-	(61,688)	-	-	-	-	(61,688)
Warrants issued in relation to private placement	-	(301,638)	301,638	-	-	-	-
Cumulative translation adjustments	-	-	-	-	(204,291)	-	(204,291)
Loss on investments	-	-	-	-	(1,000)	-	(1,000)
Balance at March 31, 2019	92,020,093	60,913,134	1,363,554	6,240,620	(4,831,317)	(22,333,757)	41,352,234
Balance at January 1, 2020	110,262,345	63,923,949	2,193,199	7,628,059	(4,899,146)	(26,367,656)	42,478,405
Net loss for the period	-	-	-	-	-	(90,174)	(90,174)
Warrants exercised	63,000	24,199	(4,650)	-	-	-	19,549
Cumulative translation adjustments	-	-	-	-	(4,218,295)	-	(4,218,295)
Loss on investments	-	-	-	-	(1,250)	-	(1,250)
Balance at March 31, 2020	110,325,345	63,948,148	2,188,549	7,628,059	(9,118,691)	(26,457,830)	38,188,235

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

# 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)	2020	2019
<b>Operating activities</b>		
Net loss	\$ (90,174)	\$ (905,523)
Items not affecting cash		
Amortization and depletion	419,162	386,142
Deferred income tax expense (recovery)	27,039	48,641
Accretion expense	7,964	7,396
Unrealized loss on foreign exchange	(88,928)	(2,286)
Changes in non-cash working capital		
Trade and other receivables	428,182	(607,055)
Income taxes receivable	(439)	(37)
Inventories	54,544	(75,765)
Trade payables	(218,788)	129,042
Income taxes payable	117,082	3,339
	<u>655,644</u>	<u>(1,016,106)</u>
<b>Investing activities</b>		
Acquisition of long-lived assets	<u>(533,985)</u>	<u>(491,923)</u>
<b>Financing activities</b>		
Repayment of lease liability	(26,657)	(7,322)
Proceeds from private placement, net	-	640,335
Proceeds from the exercise of warrants	19,550	-
	<u>(7,107)</u>	<u>633,013</u>
<b>Net change in cash</b>	<b>114,552</b>	<b>(875,016)</b>
Cash - Beginning of period	<u>3,773,062</u>	<u>1,234,427</u>
<b>Cash - End of period</b>	<b>\$ 3,887,614</b>	<b>\$ 359,411</b>

-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, 2020

(Canadian dollars)

Unaudited

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### 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 registered address of the Company is 705 – 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.

During the three months ended March 31, 2020, the Company incurred a net loss of \$0.09 million and cash flows from operating activities of \$0.7 million. At March 31, 2020, the Company had unrestricted cash of \$3.9 million, current assets of \$5.6 million and working capital of \$3.4 million. As IMPACT is a producing silver mining company, its performance is heavily impacted by the price of silver; therefore, it is possible that internally generated cash flows may not be sufficient in 2020 and may affect the Company’s ability to cover its working capital and capital investments.

The Company’s management continues to consider 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. Although the Company has been successful in closing recent private placements, there can be no assurance that management will continue to be successful in its efforts to finance all the activities of the Company, as there is still volatility in debt and equity capital markets and other factors which may adversely affect the Company’s ability to implement a financing plan.

The risks surrounding the Company’s ability to secure a source of funding together with the uncertainties over variability in commodity prices on operating cash flows 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. These adjustments could be material.

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### 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, 2019.



# IMPACT Silver Corp.

## Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2020

(Canadian dollars)

Unaudited

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### 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, 2019.

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 21, 2020.

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### 3. Trade and other receivables

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

	<b>March 31, 2020</b>	December 31, 2019
Value added taxes receivable – current portion	\$ 227,222	\$ 316,753
Trade and other receivables	763,714	1,131,119
Prepays	230,052	335,699
	<b>\$ 1,220,988</b>	<b>\$ 1,783,571</b>

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### 4. Inventories

The following table details the composition of inventories at:

	<b>March 31, 2020</b>	December 31, 2019
Materials and supplies	\$ 265,644	\$ 297,934
Stockpile inventory	27,075	7,507
Concentrate inventory	128,915	233,600
	<b>\$ 421,634</b>	<b>\$ 539,041</b>

The amount of inventories recognized as an expense during the period ended March 31, 2020 was \$3,115,147 (March 31, 2019 - \$2,978,858).

The amount of write-down of inventories to net realizable value during the three months ended March 31, 2020 was \$nil (March 31, 2019 - \$83,813) relating to concentrate inventory.

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# IMPACT Silver Corp.

## Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2020

(Canadian dollars)

Unaudited

### 5. Right-of-use assets

Details are as follows:

	<u>Land</u>
<b>Balance at January 1, 2019</b>	\$ -
Initial adoption of IFRS 16	63,600
Additions	161,008
Remeasurements	(10,428)
Amortization	(58,131)
Foreign exchange movement	(193)
<b>Balance at December 31, 2019</b>	<u>155,856</u>
Additions	8,065
Amortization	(28,940)
Foreign exchange movement	(6,835)
<b>Balance at March 31, 2020</b>	<u>\$ 128,146</u>

### 6. Lease Liabilities

Details are as follows:

<b>Balance at January 1, 2019</b>	\$ -
Initial adoption of IFRS 16	
Future aggregate minimum lease payments of operating leases	70,012
Discounted using the incremental borrowing rate	(8,292)
Lease liabilities on initial application of IFRS 16	<u>61,720</u>
Interest	5,895
Repayments	(61,256)
Additions	161,008
Remeasurements	(10,428)
Foreign exchange movement	(335)
Balance at December 31, 2019	<u>156,604</u>
Interest	2,407
Repayments	(29,064)
Additions	8,065
Foreign exchange movement	(7,037)
<b>Balance at March 31, 2020</b>	<u>130,975</u>
Less: current portion	<u>81,712</u>
Non-current lease liabilities	<u>\$ 49,263</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%. Operating lease expenses relating to short-term and low-value leases not included in the measurement of lease obligations for the three months ended March 31, 2020 was \$22,291.

# IMPACT Silver Corp.

## Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2020

(Canadian dollars)

Unaudited

### 6. Lease Liabilities - continued

The expected timing of undiscounted lease payments at March 31 is as follows:

	2020	2019
Less than one year	\$ 92,259	\$ 26,149
One to five years	45,982	28,091
	\$ 138,241	\$ 54,240

### 7. Property, plant and equipment

Details are as follows:

	Plant and mine equipment (\$)	Vehicles (\$)	Office furniture and equipment (\$)	Surface rights (\$)	Mining Assets (\$)	Total (\$)
<b>Cost</b>						
Balance at January 1, 2019	9,884,164	492,481	228,999	1,140,522	30,016,247	41,762,413
Additions	-	-	37,118	-	661,205	698,323
Transfers	-	-	-	-	315,996	315,996
Disposals	-	-	(57,315)	-	(1,826,883)	(1,884,198)
Change in reclamation estimate	-	-	-	-	101,675	101,675
Foreign exchange movement	(84,849)	(4,256)	(1,053)	(9858)	(233,412)	(333,428)
Balance at December 31, 2019	9,799,315	488,225	207,749	1,130,664	29,034,828	40,660,781
Additions	-	-	-	-	150,004	150,004
Foreign exchange movement	(1,243,034)	(62,358)	(15,560)	(144,414)	(3,320,787)	(4,786,153)
<b>Balance at March 31, 2020</b>	<b>8,556,281</b>	<b>425,867</b>	<b>192,189</b>	<b>986,250</b>	<b>25,864,045</b>	<b>36,024,632</b>
<b>Accumulated amortization</b>						
Balance at January 1, 2019	6,461,924	409,465	193,948	-	12,709,820	19,775,157
Amortization for the period	566,258	17,718	14,225	-	895,953	1,494,154
Disposals	-	-	(52,797)	-	(1,298,424)	(1,351,221)
Foreign exchange movement	(56,599)	(3,574)	(873)	-	(99,969)	(161,015)
Balance at December 31, 2019	6,971,583	423,609	154,503	-	12,207,380	19,757,075
Amortization for the period	119,194	4,418	3,795	-	262,817	390,224
Foreign exchange movement	(898,293)	(54,652)	(13,550)	-	(1,346,814)	(2,313,309)
<b>Balance at March 31, 2020</b>	<b>6,192,484</b>	<b>373,375</b>	<b>144,748</b>	<b>-</b>	<b>11,123,383</b>	<b>(17,833,990)</b>
<b>Net book value</b>						
At December 31, 2019	2,827,732	64,616	53,246	1,130,664	16,827,448	20,903,706
<b>At March 31, 2020</b>	<b>2,363,797</b>	<b>52,492</b>	<b>47,441</b>	<b>986,250</b>	<b>14,740,662</b>	<b>18,190,642</b>

# IMPACT Silver Corp.

## Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2020

(Canadian dollars)

Unaudited

### 8. Exploration and evaluation assets

Balance at January 1, 2019	\$	23,605,588
Additions		1,237,512
Transfers to mining assets		(315,996)
Write-down		(2,321,340)
Foreign exchange		(133,976)
Balance at December 31, 2019		22,071,788
Additions		334,925
Foreign exchange		(2,121,987)
<b>Balance at March 31, 2020</b>	<b>\$</b>	<b>20,284,726</b>

### 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:

	2020		2019	
Salaries and fees	\$	103,770	\$	93,910

### 10. Expenses by nature

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

	2020		2019	
Production costs	\$	1,755,265	\$	1,503,424
Administration		106,019		78,578
Transportation		126,090		117,785
Wages and salaries		1,127,773		1,279,071
	\$	3,115,147	\$	2,978,858

### 11. Equity

#### a) Share capital

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

On August 12, 2019, the Company closed a non-brokered private placement which was completed in four tranches. The private placement raised aggregate gross proceeds of \$4,950,000 by issue of 7,500,000 series 1 units at a price of \$0.26 per unit and 10,344,827 series 2 units at a price of \$0.29 per unit. Each series 1 unit consists of one common share and one warrant. Each series 1 warrant entitles the holder to purchase one common share at a price of \$0.30 per common share for a period of 36 months from the date of issuance. Each series 2 unit consists of one common share and one warrant. Each series 2 warrant entitles the holder to purchase one common share at a price of \$0.385 per common share for a period of 36 months from the date of issuance.

- On July 5, 2019, a total of 4,752,770 series 1 units were issued for aggregate gross proceeds of \$1,235,720.
- On July 24, 2019, a total of 2,747,230 series 1 units were issued for aggregate gross proceeds of \$714,280.

# IMPACT Silver Corp.

## Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2020

(Canadian dollars)

Unaudited

### 11. Equity – continued

#### a) Share capital – continued

- On August 2, 2019, a total of 8,433,759 series 2 units were issued for aggregate gross proceed of \$2,445,790.
- On August 12, 2019, a total of 1,911,068 series 2 units were issues for aggregate gross proceeds of \$554,210.

On January 18, 2019, the Company closed the second tranche of a non-brokered private placement which commenced in 2018. The private placement raised aggregate gross proceeds of \$1,742,378 by issue of 6,453,253 units at a price of \$0.27 per unit. Each unit consists of one common share and one warrant. Each warrant entitles the holder to purchase one common share at a price of \$0.35 per common share for a period of 24 months from the date of issuance.

- On November 30, 2018, a total of 2,031,500 units were issued for aggregate gross proceeds of \$548,505.
- On January 18, 2019, a total of 4,421,753 units were issued for aggregate gross proceeds of \$1,193,873

#### 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.

A summary of the Company's stock options as at March 31, 2020 and the changes for the periods ended on these dates is as follows:

	Number	Weighted Average Exercise Price (\$)
At January 1, 2019	4,710,000	0.64
Granted	2,000,000	0.36
Expired	(1,210,000)	0.55
Forfeited	(315,000)	0.66
<b>At March 31, 2020 and December 31, 2019</b>	<b>5,185,000</b>	<b>0.55</b>

The following table summarizes information about the stock options outstanding at March 31, 2020:

Exercise Price Per Share	Number of Options Outstanding	Weighted Average Remaining Life (Years)	Number of Options Exercisable	Expiry Date
\$0.98	1,625,000	1.32	1,625,000	July 27, 2021
\$0.35	1,560,000	2.47	1,560,000	September 20, 2022
\$0.36	2,000,000	4.57	2,000,000	October 24, 2024
	<b>5,185,000</b>	<b>2.92</b>	<b>5,185,000</b>	

# IMPACT Silver Corp.

## Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2020

(Canadian dollars)

Unaudited

### 11. Equity – continued

#### c) Warrants

A summary of the Company's warrants as at March 31, 2020 and the changes for the periods ended on these dates is as follows:

	Number	Weighted Average Exercise Price (\$)
At January 1, 2019	6,417,465	0.73
Issued	22,266,580	0.35
Exercised	(397,425)	0.35
Expired	(4,385,965)	0.90
At December 31, 2019	23,900,655	0.35
Exercised	(63,000)	0.31
<b>At March 31, 2020</b>	<b>23,837,655</b>	<b>0.35</b>

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	Nov 30, 2018	Jan 18, 2019	July 5, 2019	July 24, 2019	Aug 2, 2019	Aug 12, 2019
Expiry Date	Nov 30, 2020	Jan 18, 2021	July 5, 2022	July 24, 2022	Aug 2, 2022	Aug 12, 2022
Number of warrants granted	2,031,500	4,421,753	4,752,770	2,747,230	8,433,759	1,911,068
Risk-free interest rate	2.14%	1.93%	1.69%	1.51%	1.41%	1.39%
Expected dividend yield	Nil	Nil	Nil	Nil	Nil	Nil
Expected share price volatility	82.37%	82.07%	72.93%	74.32%	75.39%	75.81%
Expected warrant life in years	1.5	1.5	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.

#### d) Loss per share

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

	2020	2019
Net loss attributable to shareholders	\$ (90,174)	\$ (905,523)
Weighted average number of shares outstanding – Basic and diluted	110,284,045	91,184,873
Loss per share – Basic and diluted	\$ -	\$ (0.01)

# IMPACT Silver Corp.

## Notes to the Consolidated Financial Statements

March 31, 2020

(Canadian dollars)

Unaudited

### 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:

	2020	2019
Revenue by geographic area		
Mexico	\$ 3,413,708	\$ 2,981,355
Net loss by geographic area		
Mexico	\$ 178,369	\$ (595,280)
Canada	(268,543)	(310,243)
	\$ (90,174)	\$ (905,523)
	March 31,	December 31,
	2020	2019
Assets by geographical area		
Mexico	\$ 41,538,752	\$ 46,313,779
Canada	3,177,230	3,641,114
	\$ 44,715,982	\$ 49,954,893
Property, plant and equipment by geographical area		
Mexico	\$ 18,156,739	\$ 20,867,360
Canada	33,903	36,346
	\$ 18,190,642	\$ 20,903,706

# IMPACT Silver Corp.

## Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2020

*(Canadian dollars)*

*Unaudited*

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### 13. Subsequent Events

- a) The global impact of the COVID-19 Virus as well as recent declines in spot prices for certain commodities and oil and gas resulted in significant declines in global stock markets and has fostered a great deal of uncertainty as to the health of the global economy over the next 12 to 18 months. As such, companies could be subject to liquidity risks in maintaining their revenues and earnings as well as ongoing and future development and operating expenditure requirements in instances where cash positions are unable to be maintained or appropriate financing is unavailable. The current environment has had an impact on both foreign exchange and commodity prices and the Company is unable to ascertain the ultimate net effect on the Company's operations.

The Company's impairment test for property, plant and equipment is based on a fair value less costs of disposal model. Accordingly, as required by IFRS the Company has not reflected these subsequent conditions in the measurement of property, plant and equipment as at December 31, 2019. Impairment indicators for the Company's property, plant and equipment could exist at May 21, 2020, if current conditions persist. The Company continues to work on revisions to the Company's forecasts and development plans in light of the current conditions and will use these updated assumptions / forecasts in its impairment indicator analysis and for impairment tests, if such tests are required.

- b) On April 16, 2020, the Company completed a non-brokered private placement for 6,666,667 units of the Company at a price of \$0.30 per unit. Each unit consists of one common share and one common share purchase warrant. Each warrant is exercisable into one share at a price of \$0.385 until August 16, 2023.
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