

IMPACT SILVER CORP.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

March 31, 2023 and 2022

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, 2023	December 31, 2022
Current		
Cash	\$ 14,314,157	\$ 15,251,161
Trade and other receivables (Note 3)	2,183,711	1,746,367
Inventories (Note 4)	1,089,437	1,137,682
Investments	111,600	240,000
	17,698,905	18,375,210
Value added taxes	490,937	493,077
Right-of-use assets (Note 5)	147,335	168,468
Property, plant and equipment (Note 7)	24,919,489	23,184,736
Exploration and evaluation assets (Note 8)	28,702,270	26,574,023
	\$ 71,958,936	\$ 68,795,514
LIABILITIES		
Current		
Trade payables and accrued liabilities	\$ 1,968,948	\$ 1,874,865
Lease liabilities (Note 6)	79,437	80,549
	2,048,385	1,955,414
Lease liabilities (Note 6)	45,308	67,294
Reclamation provision	809,199	732,067
Deferred income tax liabilities	4,622,008	4,207,903
	7,524,900	6,962,678
SHAREHOLDERS' EQUITY		
Share capital	82,241,813	82,241,813
Warrants (Note 11(c))	467,913	467,913
Contributed surplus	10,838,330	10,838,330
Accumulated other comprehensive loss	(1,009,303)	(3,940,454)
Accumulated deficit	(28,104,717)	(27,774,766)
	64,434,036	61,832,836
	\$ 71,958,936	\$ 68,795,514

Nature of operations (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

	2023	2022
Revenue	\$ 5,113,954	\$ 4,628,620
Cost of sales		
Operating expenses (Note 10)	4,479,009	3,569,195
Amortization and depletion	374,475	305,148
	<u>4,853,484</u>	<u>3,874,343</u>
Mine operating income	<u>260,470</u>	<u>754,277</u>
General and administrative expenses		
Accounting, audit and legal	76,872	40,409
Amortization	3,946	7,611
Investor relations, promotion and travel	97,940	16,023
Management fees and consulting	177,748	105,077
Office, rent, insurance and sundry	100,715	102,737
Office salaries and services	262,512	283,399
	<u>719,733</u>	<u>555,256</u>
Operating (loss) income	<u>(459,263)</u>	<u>199,021</u>
Other income (expenses)		
Finance cost	(20,833)	(17,413)
Finance income	140,310	18,693
Foreign exchange gain (loss)	109,498	(90,356)
Other expense	(6,253)	(3,960)
	<u>222,722</u>	<u>(93,036)</u>
(Loss) income before taxes	<u>(236,541)</u>	<u>105,895</u>
Current income tax expense	-	2,040
Deferred income tax expense	93,410	164,149
	<u>93,410</u>	<u>164,149</u>
Net loss	<u>\$ (329,951)</u>	<u>\$ (60,204)</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>148,187,710</u>	<u>145,515,860</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

	2023	2022
Net loss	\$ (329,951)	\$ (60,204)
Other comprehensive loss		
Items that may be subsequently reclassified to profit or loss		
Cumulative translation adjustment	3,047,131	389,606
Items that will not be subsequently reclassified to profit or loss		
Loss on investments	(115,980)	(20,000)
Comprehensive income	\$ 2,601,200	\$ 309,402

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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, 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
Balance at January 1, 2023	148,187,710	82,241,813	467,913	10,838,330	(3,940,454)	(27,774,766)	61,832,836
Net loss for the period	-	-	-	-	-	(329,951)	(329,951)
Cumulative translation adjustments	-	-	-	-	3,047,131	-	3,047,131
Loss on investments	-	-	-	-	(115,980)	-	(115,980)
Balance at March 31, 2023	148,187,710	82,241,813	467,913	10,838,330	(1,009,303)	(28,104,717)	64,434,036

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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)	2023	2022
Operating activities		
Net loss	\$ (329,951)	\$ (60,204)
Items not affecting cash		
Amortization and depletion	378,421	312,759
Loss on disposal of assets	1,209	-
Deferred income tax expense	93,410	164,149
Accretion expense	18,028	12,704
Unrealized loss on foreign exchange	(168,473)	(2,652)
Changes in non-cash working capital		
Trade and other receivables	(254,050)	(891,608)
Income taxes receivable	(3,568)	(3,836)
Inventories	136,492	91,702
Trade payables	(487,711)	(493,049)
Income taxes payable	(3,141)	(18,472)
	(619,334)	(888,507)
Investing activities		
Proceeds on the sale of investments	12,420	-
Proceeds on the sale of long-lived assets	-	100,000
Additions of long-lived assets	(775,126)	(1,257,057)
	(762,706)	(1,157,057)
Financing activities		
Repayment of lease liability	(23,384)	(25,067)
Share subscriptions received in advance	468,420	-
Proceeds from the exercise of warrants	-	121,521
	445,036	96,454
Net change in cash	(937,004)	(1,949,110)
Cash - Beginning of period	15,251,161	21,081,575
Cash - End of period	\$ 14,314,157	\$ 19,132,465

-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, 2023

(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.

There are many external factors that can adversely affect general workforces, economies and financial markets globally. Examples include, but are not limited to, the COVID-19 global pandemic, political conflict in other regions, and supply chain disruptions. It is not possible for the Company to predict the duration or magnitude of adverse results of such external factors and its effect on the Company’s business or ability to raise funds.

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, 2022.

IMPACT Silver Corp.

Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2023

(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, 2022.

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 19, 2022.

3. Trade and other receivables

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

	March 31, 2023	December 31, 2022
Value added taxes receivable – current portion	\$ 569,530	\$ 432,004
Trade and other receivables	1,359,598	1,003,621
Prepays	254,583	310,742
	\$ 2,183,711	\$ 1,746,367

4. Inventories

The following table details the composition of inventories at:

	March 31, 2023	December 31, 2022
Materials and supplies	\$ 902,000	\$ 746,997
Stockpile inventory	42,151	102,207
Concentrate inventory	145,286	288,478
	\$ 1,089,437	\$ 1,137,682

IMPACT Silver Corp.

Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2023

(Canadian dollars)

Unaudited

5. Right-of-use assets

Details are as follows:

	<u>Land</u>
Balance at January 1, 2022	\$ 266,738
Amortization	(102,574)
Foreign exchange movement	4,304
Balance at December 31, 2022	<u>168,468</u>
Amortization	(23,695)
Foreign exchange movement	2,562
Balance at March 31, 2023	<u>\$ 147,335</u>

6. Lease Liabilities

Details are as follows:

Balance at January 1, 2022	\$ 243,825
Interest	15,920
Repayments	(113,213)
Foreign exchange movement	1,311
Balance at December 31, 2022	<u>147,843</u>
Interest	2,807
Repayments	(26,191)
Foreign exchange movement	286
Balance at March 31, 2023	<u>124,745</u>
Less: current portion	<u>79,437</u>
Non-current lease liabilities	<u>\$ 45,308</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 for leases was 8.0%.

IMPACT Silver Corp.

Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2023

(Canadian dollars)

Unaudited

6. Lease Liabilities - continued

The expected timing of undiscounted lease payments is as follows:

	March 31, 2023	December 31, 2022
Less than one year	\$ 93,670	\$ 101,467
One to five years	38,643	56,745
	\$ 132,313	\$ 158,212

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, 2022	9,471,563	569,664	280,440	1,020,097	29,111,022	40,452,786
Additions	415,636	102,318	20,826	-	1,895,274	2,434,054
Transfer from exploration and evaluation assets	-	-	-	-	163,637	163,637
Change in reclamation estimate	-	-	-	-	(73,891)	(73,891)
Foreign exchange movement	1,137,934	67,894	14,947	121,576	2,935,927	4,278,278
Balance at December 31, 2022	11,025,133	739,876	316,213	1,141,673	34,031,969	47,254,864
Additions	4,943	-	-	-	320,658	325,601
Disposals	-	-	(844)	-	-	(844)
Foreign exchange movement	887,899	59,092	12,006	91,183	2,360,484	3,410,664
Balance at March 31, 2023	11,917,975	798,968	327,375	1,232,856	36,713,111	50,990,285
Accumulated amortization						
Balance at January 1, 2022	7,029,553	420,543	201,664	-	12,980,626	20,632,386
Amortization for the period	405,324	54,188	27,450	-	907,956	1,394,918
Foreign exchange movement	849,482	50,120	12,657	-	1,130,565	2,042,824
Balance at December 31, 2022	8,284,359	524,851	241,771	-	15,019,147	24,070,128
Amortization for the period	107,202	15,365	5,671	-	239,301	367,539
Disposals	-	1,248	(841)	-	-	407
Foreign exchange movement	665,087	41,918	10,225	-	915,492	1,632,722
Balance at March 31, 2022	9,056,648	583,382	256,826	-	16,173,940	26,070,796
Net book value						
At December 31, 2022	2,740,774	215,025	74,442	1,141,673	19,012,822	23,184,736
At March 31, 2023	2,861,327	215,586	70,549	1,232,856	20,539,171	24,919,489

IMPACT Silver Corp.

Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2023

(Canadian dollars)

Unaudited

8. Exploration and evaluation assets

Balance at January 1, 2022	\$	22,481,941
Additions		3,182,804
Recoveries		(340,000)
Transfer to mining assets		(163,637)
Write-down		(222,182)
Foreign exchange		1,635,097
Balance at December 31, 2022		26,574,023
Additions		473,119
Foreign exchange		1,655,128
Balance at March 31, 2023	\$	28,702,270

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:

	2023		2022	
Salaries and fees	\$	156,350	\$	154,850
Amounts payable	\$	57,133	\$	35,000

10. Expenses by nature

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

	2023		2022	
Production costs	\$	2,545,748	\$	1,894,735
Administration		244,142		220,628
Transportation		167,606		110,441
Wages and salaries		1,521,513		1,343,391
	\$	4,479,009	\$	3,569,195

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, 2023

(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.

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.

A summary of the Company's stock options as at March 31, 2023 and the changes for the periods ended on these dates is as follows:

	Number	Weighted Average Exercise Price (\$)
At January 1, 2022	7,220,000	0.55
Exercised	(100,000)	0.35
Expired	(1,060,000)	0.35
Forfeited	(50,000)	0.48
At March 31, 2023 and December 31, 2022	6,010,000	0.59

The following table summarizes information about the stock options outstanding at March 31, 2023:

Exercise Price Per Share	Number of Options Outstanding	Weighted Average Remaining Life (Years)	Number of Options Exercisable	Expiry Date
\$0.36	1,750,000	1.57	1,750,000	October 24, 2024
\$0.90	2,010,000	2.81	2,010,000	January 18, 2026
\$0.48	2,250,000	3.53	2,250,000	October 8, 2026
	6,010,000	2.72	6,010,000	

IMPACT Silver Corp.

Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2023

(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, 2022	18,561,513	0.63
Exercised	(2,706,225)	0.31
Expired	(10,976,954)	0.82
At March 31, 2023 and December 31, 2022	4,878,334	0.39

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:

	2023	2022
Revenue by geographic area		
Mexico	\$ 5,113,954	\$ 4,628,620
Net loss by geographic area		
Mexico	\$ 95,257	\$ 400,568
Canada	(425,208)	(460,772)
	\$ (329,951)	\$ (60,204)
	March 31,	December 31,
	2023	2022
Assets by geographical area		
Mexico	\$ 58,327,681	\$ 54,194,954
Canada	13,631,255	14,600,560
	\$ 71,958,936	\$ 68,795,514
Property, plant and equipment by geographical area		
Mexico	\$ 24,870,886	\$ 23,132,579
Canada	48,603	52,157
	\$ 24,919,489	\$ 23,184,736

IMPACT Silver Corp.

Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2023

(Canadian dollars)

Unaudited

13. Subsequent Events

- a) On April 3, 2023, the Company completed a share purchase and sale agreement to acquire Minera Latin America Zinc, S.A.P. I. de CV, which holds 100% interest in the Plomosas zinc-lead-silver mine in the state of Chihuahua, northern Mexico.

The total purchase price of US\$6 million consists of US\$3 million in cash, with the balance in the form of 11,441,647 shares of the Company. Post closing adjustments based on changes in working capital will be made, as agreed to by both parties. Contractual restrictions have been applied to 75% of the shares which will be released in three equal tranches, every six months, over 18 months from closing.

There is a 12% net profit interest royalty on production from the Plomosas project to the vendor.

- b) Subsequent to the end of the quarter, the Company closed a non-brokered private placement financing which was completed in 2 tranches:
- On April 20, 2023, a total of 30,903,012 units were issued for aggregate gross proceeds of \$8,343,813. The securities issued are subject to a hold period until August 20, 2023. The Company paid certain registered dealers a cash commission of \$183,295 and granted 678,871 broker warrants. Each broker warrant entitles the holder to purchase one common share at a price of \$0.35 until April 19, 2025.
 - On May 3, 2023, a total of 2,454,092 units were issued for aggregate gross proceeds of \$662,605. The securities issued are subject to a hold period until September 4, 2025. The Company paid certain registered dealers a cash commission of \$24,016 and granted 88,950 broker warrants. Each broker warrant entitles the holder to purchase one common share at a price of \$0.35 until May 3, 2025.

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 warrant share for a period of 24 months from the date of issuance.
