

IMPACT SILVER CORP.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

March 31, 2013 and 2012

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)

ASSETS	March 31, 2013		December 31, 2012	
Current				
Cash	\$	13,340,291	\$	16,013,245
Trade and other receivables (Note 3)		3,808,680		4,821,395
Inventories (Note 4)		1,610,968		1,461,994
Investments		522,867		870,815
		<u>19,282,806</u>		<u>23,167,449</u>
Value added taxes receivable (Note 3)		3,655,269		2,025,563
Property, plant and equipment (Note 5)		24,332,515		18,400,875
Mineral properties (Note 6)		<u>22,532,083</u>		<u>22,479,702</u>
	\$	<u>69,802,673</u>	\$	<u>66,073,589</u>
LIABILITIES				
Current				
Trade payables and accrued liabilities	\$	1,261,699	\$	1,191,805
Due to related party (Note 7)		<u>1,211,913</u>		<u>590,829</u>
		2,473,612		1,782,634
Reclamation provision (Note 9)		824,793		771,416
Deferred income tax liabilities		<u>4,868,820</u>		<u>4,577,196</u>
		8,167,225		7,131,246
SHAREHOLDERS' EQUITY				
Share capital		53,495,947		53,495,947
Contributed surplus		3,879,823		3,156,199
Accumulated other comprehensive (loss)		1,267,334		(1,356,896)
Retained earnings		<u>2,992,344</u>		<u>3,647,093</u>
		<u>61,635,448</u>		<u>58,942,343</u>
	\$	<u>69,802,673</u>	\$	<u>66,073,589</u>

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 Income and Retained Earnings

For the Three Months Ended March 31

(Canadian dollars)

	2013	2012
Revenues	\$ 4,172,842	\$ 4,466,645
Expenses		
Operating expenses (Note 10)	2,664,053	2,536,283
Amortization and depletion	415,251	352,312
	3,079,304	2,888,595
Mine operating earnings	1,093,538	1,578,050
General and administrative expenses		
Accounting, audit and legal	58,597	68,908
Amortization	20,644	9,940
Investor relations, promotion and travel	66,885	66,148
Management fees and consulting	78,203	71,476
Office, rent, insurance and sundry	115,049	105,208
Office salaries and services	230,594	176,003
Share-based payments	723,624	216,178
	1,293,596	713,861
Operating (loss) income	(200,058)	864,189
Other income (expenses)		
Foreign exchange loss	(113,281)	(693,784)
Interest income	35,892	61,946
Other income	705	(1,520)
	(76,684)	(633,358)
Loss before taxes	(276,742)	230,831
Current income tax expense	124,418	118,518
Deferred income tax expense	253,589	259,795
Net loss	(654,749)	(147,482)
Retained Earnings - Beginning of period	3,647,093	4,791,939
Retained Earnings - End of period	\$ 2,992,344	\$ 4,644,457
Earnings (loss) per share – Basic (Note 11)	\$ (0.01)	\$ 0.00
– Diluted (Note 11)	\$ (0.01)	\$ 0.00
Weighted average number of shares outstanding - Basic	68,128,244	68,027,566
Weighted average number of shares outstanding - Diluted	68,772,226	69,400,424

-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)

	2013	2012
Net loss	\$ (654,749)	\$ (147,482)
Other comprehensive income		
Unrealized gain (loss) on investments held as available-for-sale	(380,448)	(255,550)
Cumulative translation adjustment	3,004,678	2,059,499
Comprehensive income	\$ 1,969,481	\$ 1,656,467

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)

	Shares Outstanding	Share Capital (\$)	Contributed Surplus (\$)	Accumulated Other Comprehensive Income (\$)	Retained Earnings (\$)	Total Shareholders' Equity (\$)
Balance at January 1, 2012	68,027,210	53,304,772	2,256,643	(2,576,301)	4,791,939	57,777,053
Earnings for the period	-	-	-	-	(147,482)	(147,482)
Stock options exercised	2,500	1,375	-	-	-	1,375
Fair value of stock options exercised	-	615	(615)	-	-	-
Share based payments expense	-	-	216,178	-	-	216,178
Cumulative translation adjustments	-	-	-	2,059,499	-	2,059,499
Unrealized losses on investments	-	-	-	(255,550)	-	(255,550)
Balance at March 31, 2012	68,029,710	53,306,762	2,472,206	(772,352)	4,644,457	59,651,073
Balance at January 1, 2013	68,128,244	53,495,947	3,156,199	(1,356,896)	3,647,093	58,942,343
Earnings for the period	-	-	-	-	(654,749)	(654,749)
Stock options exercised	-	-	-	-	-	-
Fair value of stock options exercised	-	-	-	-	-	-
Share based payments expense	-	-	723,624	-	-	723,624
Cumulative translation adjustments	-	-	-	3,004,678	-	3,004,678
Unrealized losses on investments	-	-	-	(380,448)	-	(380,448)
Balance at March 31, 2013	68,128,244	53,495,947	3,879,823	1,267,334	2,992,344	61,635,448

- 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)

Cash resources provided by (used in)	2013	2012
Operating activities		
Net loss	\$ (654,749)	\$ (147,482)
Items not affecting cash		
Amortization and depletion	435,895	362,252
Stock-based compensation expense	723,624	216,178
Deferred income taxes	253,589	259,795
Changes in non-cash working capital		
Trade and other receivables	701,837	(1,830,233)
Inventories	(33,926)	(63,442)
Value added taxes receivable	(938,530)	-
Trade payables	(11,781)	574,404
Income taxes payable	114,815	(214,031)
Due to related party	585,726	466,604
	1,176,500	(375,955)
Investing activities		
Acquisition of property, plant and equipment	(2,342,516)	(102,799)
Mineral property expenditure	(1,600,661)	(2,679,643)
	(3,943,177)	(2,782,442)
Financing activities		
Share capital issued, net	-	1,375
Effect of exchange rate changes on cash	93,723	447,126
Net change in cash	(2,672,954)	(2,709,896)
Cash - Beginning of period	16,013,245	30,775,250
Cash- End of period	\$ 13,340,291	\$ 28,065,354

-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, 2013

(Canadian dollars)

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 and the Dominican Republic. The Company operates a series of underground mines near Zacualpan in the State of Mexico along with developing the Capire Mine 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.

2. Basis of Preparation

a) 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. 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, 2012.

Except when otherwise stated, all amounts are presented in thousands of 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 22, 2013.

IMPACT Silver Corp.

Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2013

(Canadian dollars)

3. Trade and other receivables

The following table details the composition of trade and other receivables at March 31:

	<u>2013</u>	<u>2012</u>
Value added taxes receivable – current portion	\$ 1,900,735	\$ 2,591,911
Trade and other receivables	1,678,685	2,079,740
Prepays	229,260	149,744
Total trade and other receivables	\$ 3,808,680	\$ 4,821,395

As at March 31, 2013, the long term portion of value added taxes receivable was \$3,655,269 (December 31, 2012 – 2,025,563).

4. Inventories

The following table details the composition of inventories at March 31:

	<u>2013</u>	<u>2012</u>
Materials and supplies	\$ 835,521	\$ 719,717
Stockpile inventory	11,494	14,809
Concentrate inventory	763,953	727,468
Total inventories	\$ 1,610,968	\$ 1,461,994

The amount of inventories recognized as an expense during the year ended March 31, 2013 was \$2,515,079 (March 31, 2012 – \$2,363,291).

IMPACT Silver Corp.

Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2013

(Canadian dollars)

5. Property, plant and equipment

	Mine equipment (\$)	Mobile equipment (\$)	Office furniture and equipment (\$)	Plant equipment (\$)	Surface rights (\$)	Vehicles (\$)	Mining Assets (\$)	Building Improvement (\$)	Total (\$)
Cost									
Balance at December 31, 2011	2,162,793	408,473	94,080	2,574,397	939,837	305,707	12,402,235	453,139	19,340,661
Additions	567,580	4,695	84,100	207,646	245,568	71,367	5,377,986	22,084	6,851,026
Disposal on option payment*	-	-	-	(803,378)	-	-	-	-	(803,378)
Foreign exchange movement	114,551	21,634	1,545	136,349	49,777	36,772	535,421	20,306	916,355
Balance at December 31, 2012	2,844,924	434,802	179,725	2,115,014	1,235,182	413,846	18,315,642	495,529	26,034,664
Additions	56,810	-	12,723	219,878	-	35,376	4,814,850	-	5,139,637
Foreign exchange movement	205,009	31,333	6,523	152,411	89,009	29,822	1,168,214	30,683	1,713,004
Balance at March 31, 2013	3,106,743	466,135	198,971	2,487,303	1,324,191	479,044	24,298,706	526,212	32,887,305
Accumulated amortization									
Balance at December 31, 2011	597,175	364,773	72,056	330,984	-	157,415	4,183,933	16,661	5,722,997
Amortization for the period	329,130	9,672	15,557	93,984	-	59,684	1,061,316	90,879	1,660,222
Foreign exchange movement	31,629	19,320	1,118	17,371	-	11,767	168,566	799	250,570
Balance at December 31, 2012	957,934	393,765	88,731	442,339	-	228,866	5,413,815	108,339	7,633,789
Amortization for the period	108,257	2,200	6,453	23,396	-	16,631	278,055	25,289	460,281
Foreign exchange movement	69,030	28,375	2,270	31,659	-	16,491	305,627	7,268	460,720
Balance at March 31, 2013	1,135,221	424,340	97,454	497,394	-	261,988	5,997,497	140,896	8,554,790
Net book value									
December 31, 2012	1,886,990	41,037	90,994	1,672,675	1,235,182	184,980	12,901,827	387,190	18,400,875
March 31, 2013	1,971,522	41,795	101,517	1,989,909	1,324,191	217,056	18,301,209	385,316	24,332,515

*See note 6 (b).

IMPACT Silver Corp.

Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2013

(Canadian dollars)

6. Mineral properties

a) Details are as follows:

	<u>2013</u>	<u>2012</u>
Zacualpan mines and concessions - Mexico		
Acquisition costs	\$ 2,252,711	\$ 2,109,888
Exploration	18,864,569	18,996,522
Recoveries	(53,476)	(49,881)
	<u>21,063,804</u>	<u>21,056,529</u>
Zacatecas properties – Mexico		
Acquisition costs	254,939	237,803
Exploration	992,129	943,591
Disposal on option payment	(630,047)	(596,865)
Recoveries	(443,817)	(421,804)
	<u>173,204</u>	<u>162,725</u>
PMSA and MMP concessions – Dominican Republic		
Acquisition	582,000	582,000
Exploration and development	713,075	678,448
	<u>1,295,075</u>	<u>1,260,448</u>
Total mineral properties	<u>\$ 22,532,083</u>	<u>\$ 22,479,702</u>

b) Zacatecas agreement

On September 9, 2011 the Company signed an agreement with Defiance Silver Corp. ("Defiance"), a Canadian public company, to option its Veta Grande Project assets in Zacatecas, Mexico in exchange for a shareholding in Defiance. The Zacatecas Veta Grande Project assets include the 200-tonne-per-day processing plant, surface rights, and thirteen mineral concessions owned 100% by IMPACT. Ten of these concessions are included within the Defiance option agreement. The Company still retains a 28% carried interest in three other Zacatecas concessions through a formal joint venture agreement.

The option agreement consists of two staged payments to the Company. The initial payment of 2,680,500 common shares of Defiance paid to the Company in February 28, 2012 resulted in total consideration of \$1,420,665. The second and final payment of \$1,955,200 in cash is to occur on the final closing defined as on or before the earlier of two years from signing of the option agreement or on achieving commercial production at the Santa Gabriela processing plant. Under the option agreement, Defiance is required to complete a financing for a minimum of \$1,500,000 prior to exercising the option and the Company will have the right to have a representative appointed to the board of Defiance during the term of the option agreement.

It was determined that as at December 31, 2012, there was a prolonged decline in the value of the shares of Defiance held by the Company. To provide for this decline in value, the Company recorded a non-cash write-off of \$750,000. The Company still has legal ownership to these assets as the final payment on the option agreement is not yet due.

IMPACT Silver Corp.

Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2013

(Canadian dollars)

7. Due to related party

At March 31, 2013, an amount of \$1,173,506 (December 31, 2012 - \$590,829) was due to Energold Drilling Corp., a significant shareholder of the Company. 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. 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, 2013, fees in the amount of \$1,244,668 (2012 - \$910,647) were paid to Energold Drilling Corp., a significant shareholder of the Company, for contract drilling services performed in Mexico at the Zacualpan mines and concessions.

9. Reclamation provision

The Company's reclamation provision is an initial estimate of the net present value of the reclamation costs arising from the Company's increased development of the open pit Capire Mine and mill in 2012. The total undiscounted amount of the estimated costs required to settle the provision are approximately \$941,105 (2011 - \$nil). The estimated net present value of the reclamation provision was calculated using an inflation factor of 4.3% (2011 - nil%) and discounted using a risk-free rate of 5.0% (2011 - \$nil). Settlement of the liability may extend up to 30 years in the future.

Additions to the reclamation provision were as follows:

	<u>2013</u>	<u>2012</u>
Reclamation provision, beginning of the year	\$ 771,416	\$ -
Foreign exchange movement	43,442	-
New liability recognized	9,935	771,416
Total reclamation provision	<u>\$ 824,793</u>	<u>\$ 771,416</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>2013</u>	<u>2012</u>
Production costs	\$ 1,538,266	\$ 1,587,627
Administration	391,004	364,533
Transportation	70,771	56,970
Wages and salaries	664,012	527,153
Total operating expenses	<u>\$ 2,664,053</u>	<u>\$ 2,536,283</u>

IMPACT Silver Corp.

Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2013

(Canadian dollars)

11. 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 stock option plan, 12,352,242 options have been authorized for issuance, of which 6,710,000 have been granted as at March 31, 2013. Options granted must be exercised no later than five years from date of grant 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, 2013 and the changes for the periods ended on these dates is as follows:

	Number	Weighted Average Exercise Price (\$)
At December 31, 2012	4,210,000	1.31
Granted	2,500,000	1.20
At March 31, 2013	6,710,000	1.25

The following table summarizes information about the stock options outstanding March 31, 2013:

Exercise Price Per Share	Number of Options Outstanding	Weighted Average Remaining Life (Years)	Number of Options Exercisable
\$0.55	1,310,000	0.77	1,310,000
\$1.10	900,000	2.18	900,000
\$1.85	2,000,000	3.49	2,000,000
\$1.20	2,500,000	4.82	625,000
	6,710,000	3.15	4,835,000

IMPACT Silver Corp.

Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2013

(Canadian dollars)

11. Equity – continued

On September 27, 2011, the Company granted stock options under its Stock Option Plan to directors, officers, employees and consultants exercisable for up to 2,000,000 shares of the Company, with an estimated value of \$1,812,219 on the grant date. The options are exercisable on or before September 26, 2016 at a price of \$1.85 per share.

On January 23, 2013, the Company granted stock options under its Stock Option Plan to directors, officers, employees and consultants exercisable for up to 2,500,000 shares of the Company, with an estimated value of \$1,926,759 on the grant date. The options are exercisable on or before January 22, 2018 at a price of \$1.20 per share.

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	September 27, 2011	January 23, 2013
Number of options granted	2,000,000	2,500,000
Risk-free interest rate	1.01%	1.01%
Expected dividend yield	NIL	NIL
Expected stock price volatility	75%	67%
Expected option life in years	3	3
Forfeiture rate	2%	2%

The expected volatility is based on the historical and implied volatility of the Company's common share price on the Toronto 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.

c) Earnings per share

Details of the calculation of earnings per share are set out below for March 31:

	2013	2012
Net income attributable to shareholders	\$ (654,749)	\$ (147,482)
Weighted average number of shares - basic	68,128,244	68,027,566
Adjustment for share options	643,982	1,372,858
Weighted average number of shares outstanding - diluted	68,772,226	69,400,424

IMPACT Silver Corp.

Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2013

(Canadian dollars)

12. Segmented information

The Company has three reportable segments based on geographic area: Mexico, the Caribbean, and Canada (Corporate) 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 at March 31 are as follows:

	<u>2013</u>	<u>2012</u>
Revenues by geographic area		
Mexico	\$ 4,172,842	\$ 4,466,645
Net earnings (loss) by geographic area		
Mexico	\$ 457,718	\$ 414,587
Canada	(1,112,467)	(562,069)
	\$ (654,749)	\$ (147,482)
	<u>March 31,</u>	<u>December 31,</u>
	<u>2013</u>	<u>2012</u>
Assets by geographical area		
Mexico	\$ 51,024,522	\$ 49,207,166
Canada	17,398,075	15,520,975
Caribbean	1,380,076	1,345,448
	\$ 69,802,673	\$ 66,073,589
Property, plant and equipment by geographical area		
Mexico	\$ 24,295,190	\$ 18,368,904
Canada	37,325	31,971
	\$ 24,332,515	\$ 18,400,875

All current tax expense within the period is related to operations in Mexico.