

IMPACT SILVER CORP.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

March 31, 2014 and 2013

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, 2014	December 31, 2013
Current		
Cash	\$ 2,538,177	\$ 3,485,180
Trade and other receivables (Note 3)	4,199,846	4,485,903
Inventories (Note 4)	1,078,497	1,112,667
Investments	632,550	139,510
	8,449,070	9,223,260
Value added taxes receivable	4,588,843	4,465,447
Property, plant and equipment (Note 5)	27,837,785	27,438,447
Mineral properties (Note 6)	23,659,918	21,991,493
	\$ 64,535,616	\$ 63,118,647
LIABILITIES		
Current		
Trade payables and accrued liabilities	\$ 1,219,472	\$ 1,330,123
Due to related party (Note 7)	1,088,823	946,828
	2,308,295	2,276,951
Reclamation provision (Note 9)	326,578	307,427
Deferred income tax liabilities	6,564,978	6,412,603
	9,199,851	8,996,981
SHAREHOLDERS' EQUITY		
Share capital	53,495,947	53,495,947
Contributed surplus	4,707,095	4,630,492
Accumulated other comprehensive income	3,268,823	867,142
Deficit	(6,136,100)	(4,871,915)
	55,335,765	54,121,666
	\$ 64,535,616	\$ 63,118,647

ON BEHALF OF THE BOARD:

"F.W. Davidson" _____, Director

"P.N. Tredger" _____, Director

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

IMPACT Silver Corp.

Condensed Consolidated Interim Statements of Income (Loss)

For the Three Months Ended March 31

(Canadian dollars)

Unaudited

	2014	2013
Revenues	\$ 2,962,267	\$ 4,172,842
Expenses		
Operating expenses (Note 10)	3,059,834	2,664,053
Amortization and depletion	709,273	415,251
	3,769,107	3,079,304
Mine operating earnings	(806,840)	1,093,538
General and administrative expenses		
Accounting, audit and legal	61,253	58,597
Amortization	10,362	20,644
Investor relations, promotion and travel	29,773	66,885
Management fees and consulting	78,762	78,203
Office, rent, insurance and sundry	81,561	105,114
Office salaries and services	209,878	230,594
Share-based payments	76,603	723,624
Write-down of inventory (Note 4)	44,967	-
	593,159	1,283,661
Operating loss	(1,399,999)	(190,123)
Other income (expenses)		
Finance cost	(5,958)	(9,935)
Finance income	4,324	35,892
Foreign exchange gain (loss)	21,527	(113,281)
Other income	2,351	705
	22,244	(86,619)
Loss before taxes	(1,377,755)	(276,742)
Current income tax expense	-	124,418
Deferred income tax expense (recovery)	(113,570)	253,589
Net loss	\$ (1,264,185)	\$ (654,749)
Loss per share – Basic (Note 11(c))	\$ (0.02)	\$ (0.01)
– Diluted (Note 11(c))	\$ (0.02)	\$ (0.01)
Weighted average number of shares outstanding - Basic	68,128,244	68,128,244
Weighted average number of shares outstanding - Diluted	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 Income

For the Three Months Ended March 31

(Canadian dollars)

Unaudited

	2014	2013
Net loss	\$ (1,264,185)	\$ (654,749)
Other comprehensive (loss) income		
Items that may be subsequently reclassified to profit or loss		
Unrealized gain (loss) on investments held as available-for-sale	493,040	(380,448)
Cumulative translation adjustment	1,908,641	3,004,678
Comprehensive income	\$ 1,137,496	\$ 1,969,481

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 (\$)	Contributed Surplus (\$)	Accumulated Other Comprehensive Income (\$)	Retained Earnings (Deficit) (\$)	Total Shareholders' Equity (\$)
Balance at January 1, 2013	68,128,244	53,495,947	3,156,199	(1,356,896)	3,647,093	58,942,343
Loss for the period	-	-	-	-	(654,749)	(654,749)
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
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	-	-	-	-	(1,264,185)	(1,264,185)
Share based payments expense	-	-	76,603	-	-	76,603
Cumulative translation adjustments	-	-	-	1,908,641	-	1,908,641
Unrealized gains on investments	-	-	-	493,040	-	493,040
Balance at March 31, 2014	68,128,244	53,495,947	4,707,095	3,268,823	(6,136,100)	55,335,765

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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)	2014	2013
Operating activities		
Net loss	\$ (1,264,185)	\$ (654,749)
Items not affecting cash		
Amortization and depletion	719,635	435,895
Share-based payments	76,603	723,624
Deferred income taxes	(113,570)	253,589
Accretion expense	5,958	9,935
Write-down of inventory	44,967	-
Changes in non-cash working capital		
Trade and other receivables	997,085	691,902
Income taxes receivable	(209,274)	114,815
Inventories	38,663	(33,926)
Value added taxes receivable	(261,000)	(938,530)
Trade payables	(153,726)	(11,781)
Due to related party	108,038	585,726
	(10,806)	1,176,500
Investing activities		
Acquisition of property, plant and equipment	(14,505)	(2,342,516)
Proceeds from the sale of concentrate from commission phase	120,580	-
Mineral property expenditure	(1,039,912)	(1,600,661)
	(933,837)	(3,943,177)
Effect of exchange rate changes on cash	(2,360)	93,723
Net change in cash	(947,003)	(2,672,954)
Cash - Beginning of period	3,485,180	16,013,245
Cash - End of period	\$ 2,538,177	\$ 13,340,291

-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, 2014

(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 and the Dominican Republic. 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 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, 2013.

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 26, 2014.

3. Trade and other receivables

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

	March 31, 2014	December 31, 2013
Value added taxes receivable – current portion	\$ 2,666,333	\$ 2,528,729
Trade and other receivables	1,288,325	1,684,235
Prepays	245,188	272,939
Total trade and other receivables	\$ 4,199,846	\$ 4,485,903

IMPACT Silver Corp.

Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2014

(Canadian dollars)

Unaudited

4. Inventories

The following table details the composition of inventories at:

	March 31, 2014	December 31, 2013
Materials and supplies	\$ 744,009	\$ 763,476
Stockpile inventory	4,899	1,732
Concentrate inventory	329,589	347,459
Total inventories	\$ 1,078,497	\$ 1,112,667

The amount of inventories recognized as an expense during the period ended March 31, 2014 was \$3,059,834 (March 31, 2013 - \$2,664,053).

The amount of write-down of inventories to net realizable value during the period ended March 31, 2014 was \$44,967 (March 31, 2013 - \$nil) relating to concentrate inventory.

5. Property, plant and equipment

	Plant and mine equipment (\$)	Vehicles (\$)	Office furniture and equipment (\$)	Surface rights (\$)	Mining Assets (\$)	Total (\$)
Cost						
Balance at January 1, 2013	5,890,269	413,846	179,725	1,235,182	18,315,642	26,034,664
Additions	3,380,595	57,689	42,814	50,057	72,161	3,603,316
Transfers	-	-	-	-	7,400,473	7,400,473
Reclassification	1,252,970	-	-	-	(1,252,970)	-
Change in reclamation estimate	-	-	-	-	(536,864)	(536,864)
Foreign exchange movement	309,370	23,998	5,249	71,626	965,948	1,376,191
Balance at December 31, 2013	10,833,204	495,533	227,788	1,356,865	24,964,390	37,877,780
Additions	24,416	-	-	-	(10,137)	14,279
Foreign exchange movement	458,696	21,118	5,460	57,824	952,973	1,496,071
Balance at March 31, 2014	11,316,316	516,651	233,248	1,414,689	25,907,226	39,388,130
Accumulated amortization						
Balance at January 1, 2013	1,306,594	157,415	72,056	-	4,186,932	5,722,997
Amortization for the period	510,744	46,988	28,336	-	1,710,739	2,296,807
Foreign exchange movement	234,858	13,069	1,941	-	258,869	508,737
Balance at December 31, 2013	2,645,307	281,633	119,009	-	7,393,384	10,439,333
Amortization for the period	284,648	14,163	7,368	-	416,742	722,921
Foreign exchange movement	113,805	12,222	2,330	-	259,734	388,091
Balance at March 31, 2014	3,043,760	308,018	128,707	-	8,069,860	11,550,345
Net book value						
At December 31, 2013	8,187,897	213,900	108,779	1,356,865	17,571,006	27,438,447
At March 31, 2014	8,272,556	208,633	104,541	1,414,689	17,837,366	27,837,785

IMPACT Silver Corp.

Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2014

(Canadian dollars)

Unaudited

6. Mineral properties

	Zacualpan and Mamatla (\$)	Zacatecas (\$)	Dominican Republic (\$)	Total (\$)
Balance at January 1, 2013	21,056,155	163,100	1,260,447	22,479,702
Additions	8,650,918	350	(75,090)	8,576,178
Recoveries	-	(1,234)	-	(1,234)
Transfers to mining assets	(7,400,473)	-	-	(7,400,473)
Write-off	(1,598,408)	-	(985,357)	(2,583,765)
Foreign exchange	911,636	9,449	-	921,085
Balance at December 31, 2013	21,619,828	171,665	200,000	21,991,493
Additions	917,514	12,659	393	930,566
Foreign exchange	730,513	7,346	-	737,859
Balance at March 31, 2014	23,267,855	191,670	200,393	23,659,918

7. 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, 2014, fees in the amount of \$93,514 (2013 – \$1,244,668) were paid 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 March 31, 2014, an amount of \$1,088,823 (December 31, 2013 - \$946,828) was due to Energold Drilling Corp. 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. 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 March 31 is as follows:

	2014	2013
Salaries and fees	\$ 125,963	\$ 74,056
Share based compensation	49,482	519,860
Total compensation	\$ 175,445	\$ 593,916

IMPACT Silver Corp.

Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2014

(Canadian dollars)

Unaudited

9. Reclamation provision

The Company's reclamation provision is an 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. The total undiscounted amount of the estimated costs required to settle the provision are approximately \$1,007,508 (2013 – \$1,007,508). The estimated net present value of the reclamation provision was calculated using an inflation factor of 3.6% (2013 – 3.6%) and discounted using a Mexican risk-free rate of 7.6% (2013 – 7.6%). Settlement of the liability may extend up to 30 years in the future.

Additions to the reclamation provision were as follows:

	March 31, 2014	December 31, 2013
Reclamation provision, beginning of the year	\$ 307,427	\$ 771,416
Foreign exchange movement	13,193	32,679
Accretion of reclamation provision	5,958	40,196
Revisions to estimated cash flows	-	(536,864)
Total reclamation provision	\$ 326,578	\$ 307,427

10. Expenses by nature

The following table details the nature of expenses within cost of goods sold at March 31:

	2014	2013
Production costs	\$ 1,508,081	\$ 1,538,266
Administration	208,486	391,004
Transportation	121,745	70,771
Wages and salaries	1,221,522	664,012
Total operating expenses	\$ 3,059,834	\$ 2,664,053

IMPACT Silver Corp.

Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2014

(Canadian dollars)

Unaudited

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 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 March 31, 2014 and the changes for the periods ended on these dates is as follows:

	Number	Weighted Average Exercise Price (\$)
At January 1, 2013	4,210,000	1.31
Issued	2,285,000	1.20
Expired	(62,500)	1.46
At December 31, 2013 and March 31, 2014	6,432,500	1.25

The following table summarizes information about the stock options outstanding at March 31, 2014:

Exercise Price Per Share	Number of Options Outstanding	Weighted Average Remaining Life (Years)	Number of Options Exercisable	Expiry Date
\$0.55	1,310,000	4.77	1,310,000	January 6, 2019
\$1.10	867,500	1.18	867,500	June 6, 2015
\$1.85	1,970,000	2.49	1,970,000	September 26, 2016
\$1.20	2,285,000	3.82	1,713,750	January 22, 2018
	6,432,500	3.25	5,861,250	

IMPACT Silver Corp.

Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2014

(Canadian dollars)

Unaudited

11. Equity – continued

b) Stock options – continued

On January 23, 2013, the Company granted stock options under its Stock Option Plan to directors, officers, employees and consultants exercisable for up to 2,285,000 shares of the Company, with an estimated value of \$1,160,182 on the grant date. The options are exercisable on or before January 22, 2018 at a price of \$1.20 per share.

On May 30, 2013, the Company extended the exercise period of the \$0.55 options from January 6, 2014 to January 6, 2019. These options were originally granted on January 6, 2009 and are exercisable for 1,310,000 shares of the Company to various directors, officers, employees and consultants of the Company. The modification to the term of the exercise period of these fully vested options resulted in an additional charge of \$196,742, which was expensed in the second quarter of 2013.

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 23, 2013
Number of options granted	2,285,000
Risk-free interest rate	1.13%
Expected dividend yield	Nil
Expected share price volatility	67%
Expected option life in years	3

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.

c) Earnings per share

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

	2014	2013
Net loss attributable to shareholders	\$ (1,264,185)	\$ (654,749)
Weighted average number of shares outstanding – Basic and diluted	68,128,244	68,128,244
Loss per share – Basic and diluted	(0.02)	(0.01)

IMPACT Silver Corp.

Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2014

(Canadian dollars)

Unaudited

12. 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 at March 31 are as follows:

	2014	2013
Revenues by geographic area		
Mexico	\$ 2,962,267	\$ 4,172,842
Net earnings (loss) by geographic area		
Mexico	\$ (775,837)	\$ 457,718
Canada	(488,348)	(1,112,467)
	\$ (1,264,185)	\$ (654,749)
	March 31,	December 31,
	2014	2013
Assets by geographical area		
Mexico	\$ 62,167,427	\$ 59,950,148
Canada	2,167,796	2,968,499
Caribbean	200,393	200,000
	\$ 64,535,616	\$ 63,118,647
Property, plant and equipment by geographical area		
Mexico	\$ 27,806,466	\$ 27,405,048
Canada	31,319	33,399
	\$ 27,837,785	\$ 27,438,447

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