

# **IMPACT SILVER CORP.**

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**September 30, 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

<b>ASSETS</b>	<b>September 30, 2014</b>	December 31, 2013
<b>Current</b>		
Cash	\$ 968,596	\$ 3,485,180
Trade and other receivables (Note 3)	4,269,249	4,485,903
Inventories (Note 4)	1,280,447	1,112,667
Available-for-sale investments	76,040	139,510
	<b>6,594,332</b>	9,223,260
<b>Value added taxes receivable</b>	<b>4,347,169</b>	4,465,447
<b>Property, plant and equipment (Note 5)</b>	<b>28,562,743</b>	27,438,447
<b>Mineral properties (Note 6)</b>	<b>22,253,741</b>	21,991,493
	<b>\$ 61,757,985</b>	\$ 63,118,647
<b>LIABILITIES</b>		
<b>Current</b>		
Trade payables and accrued liabilities	\$ 1,176,928	\$ 1,330,123
Due to related party (Note 7)	1,364,289	946,828
	<b>2,541,217</b>	2,276,951
<b>Reclamation provision (Note 9)</b>	<b>333,957</b>	307,427
<b>Deferred income tax liabilities</b>	<b>6,123,078</b>	6,412,603
	<b>8,998,252</b>	8,996,981
<b>SHAREHOLDERS' EQUITY</b>		
<b>Share capital</b>	<b>53,495,947</b>	53,495,947
<b>Contributed surplus</b>	<b>4,776,173</b>	4,630,492
<b>Accumulated other comprehensive income</b>	<b>2,247,876</b>	867,142
<b>Deficit</b>	<b>(7,760,263)</b>	(4,871,915)
	<b>52,759,733</b>	54,121,666
	<b>\$ 61,757,985</b>	\$ 63,118,647

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 and Nine Months Ended September 30

(Canadian dollars)

Unaudited

	Three months ended September 30		Nine months ended September 30	
	2014	2013	2014	2013
<b>Revenues</b>	\$ 3,362,661	\$ 3,118,995	\$ 8,876,638	\$ 11,071,127
<b>Expenses</b>				
Operating expenses (Note 10)	2,826,178	2,699,917	8,855,888	8,534,062
Amortization and depletion	621,783	794,455	2,040,705	1,693,749
	<b>3,447,961</b>	<b>3,494,372</b>	<b>10,896,593</b>	<b>10,227,811</b>
<b>Mine operating (loss) earnings</b>	<b>(85,300)</b>	<b>(375,377)</b>	<b>(2,019,955)</b>	<b>843,316</b>
<b>General and administrative expenses</b>				
Accounting, audit and legal	120,881	58,029	247,973	228,229
Amortization	10,348	12,321	31,245	33,103
Investor relations, promotion and travel	4,602	38,081	81,958	159,893
Management fees and consulting	52,698	68,791	187,887	246,712
Office, rent, insurance and sundry	85,751	79,563	267,129	274,476
Office salaries and services	158,759	208,559	489,276	656,290
Property investigations	-	118,059	-	164,958
Share-based payments	22,053	485,973	145,681	1,956,993
	<b>455,092</b>	<b>1,069,376</b>	<b>1,451,149</b>	<b>3,720,654</b>
<b>Operating loss</b>	<b>(540,392)</b>	<b>(1,444,753)</b>	<b>(3,471,104)</b>	<b>(2,877,338)</b>
<b>Other income (expenses)</b>				
Finance cost	(5,931)	(10,020)	(17,885)	(30,161)
Finance income	1,008	106,019	7,726	169,601
Foreign exchange (loss) gain	(101,539)	101,499	(95,879)	(63,134)
Other income	(1,002)	(804)	8,168	14,991
Gain (loss) on available-for-sale investment (Note 6(b))	-	-	213,550	(624,263)
	<b>(107,464)</b>	<b>196,694</b>	<b>115,680</b>	<b>(532,966)</b>
<b>Loss before taxes</b>	<b>(647,856)</b>	<b>(1,248,059)</b>	<b>(3,355,424)</b>	<b>(3,410,304)</b>
Current income tax expense	-	101,685	-	346,484
Deferred income tax (recovery) expense	(47,359)	(126,588)	(467,076)	62,994
<b>Net loss</b>	<b>\$ (600,497)</b>	<b>(1,223,156)</b>	<b>\$ (2,888,348)</b>	<b>(3,819,782)</b>
<b>Loss per share –Basic</b> (Note 11(c))	<b>\$ (0.01)</b>	<b>\$ (0.02)</b>	<b>\$ (0.04)</b>	<b>\$ (0.06)</b>
<b>–Diluted</b> (Note 11(c))	<b>\$ (0.01)</b>	<b>\$ (0.02)</b>	<b>\$ (0.04)</b>	<b>\$ (0.06)</b>
Weighted average number of shares outstanding - Basic	68,128,244	68,128,244	68,128,244	68,128,244
Weighted average number of shares outstanding - 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 Income For the Three and Nine Months Ended September 30

(Canadian dollars)

Unaudited

	Three months ended September 30		Nine months ended September 30	
	2014	2013	2014	2013
<b>Net loss</b>	<b>\$ (600,497)</b>	<b>\$ (1,223,156)</b>	<b>\$ (2,888,348)</b>	<b>\$ (3,819,782)</b>
<b>Other comprehensive income (loss)</b>				
Unrealized gain (loss) on investments held as available-for-sale	<b>(19,340)</b>	27,500	<b>476,530</b>	(639,263)
Reclassification on write-down of available-for-sale investment	-	-	-	624,263
Reclassification on sale of available-for-sale investment (Note 6(b))	-	-	<b>(432,000)</b>	-
Cumulative translation adjustment	<b>768,208</b>	(1,788,414)	<b>1,336,204</b>	604,338
<b>Comprehensive (loss) income</b>	<b>\$ 148,371</b>	<b>\$ (2,984,070)</b>	<b>\$ (1,507,614)</b>	<b>\$ (3,230,444)</b>

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# 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 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	-	-	-	-	(3,819,782)	(3,819,782)
Share-based payments expense	-	-	1,956,993	-	-	1,956,993
Cumulative translation adjustments	-	-	-	604,338	-	604,338
Reclassification on write-down of available-for-sale investment	-	-	-	624,263	-	624,263
Unrealized losses on available-for-sale investments	-	-	-	(639,263)	-	(639,263)
<b>Balance at September 30, 2013</b>	<b>68,128,244</b>	<b>53,495,947</b>	<b>5,113,192</b>	<b>(767,558)</b>	<b>(172,689)</b>	<b>57,668,892</b>
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
<b>Balance at September 30, 2014</b>	<b>68,128,244</b>	<b>53,495,947</b>	<b>4,776,173</b>	<b>2,247,876</b>	<b>(7,760,263)</b>	<b>52,759,733</b>

- 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	
	2014	2013	2014	2013
<b>Operating activities</b>				
Net loss	\$ (600,497)	\$ (1,223,156)	\$ (2,888,348)	\$ (3,819,782)
Items not affecting cash				
Amortization and depletion	632,131	806,776	2,071,950	1,726,852
Share-based payments expense	22,053	485,973	145,681	1,956,993
Deferred income tax (recovery) expense	(47,359)	(126,588)	(467,076)	62,994
(Gain) write-down of available-for-sale investment	-	-	(213,550)	624,263
Accretion expense	5,931	10,020	17,885	30,161
Write-down of inventory	15,865	-	74,103	-
Changes in non-cash working capital				
Trade and other receivables	(272,201)	122,609	611,527	270,623
Income taxes receivable	93,117	(75,060)	(16,043)	10,350
Inventories	(38,308)	106,878	(148,325)	320,744
Value added taxes receivable	8,201	(650,824)	(14,517)	(1,472,735)
Trade payables	(177,844)	(127,298)	(180,624)	210,533
Due to related party	53,998	(33,505)	396,112	747,507
	<b>(304,913)</b>	<b>(704,175)</b>	<b>(611,225)</b>	<b>668,503</b>
<b>Investing activities</b>				
Purchase of available-for-sale investment	-	(60,000)	-	(60,000)
Proceeds on sale of available-for sale investment	-	-	321,550	-
Acquisition of property, plant and equipment	-	(2,008,654)	(153,673)	(6,535,577)
Proceeds from the sale of concentrate from commission phase	-	-	120,580	-
Mineral property expenditures	(528,331)	(442,058)	(2,270,651)	(3,471,500)
	<b>(528,331)</b>	<b>(2,510,712)</b>	<b>(1,982,194)</b>	<b>(10,067,077)</b>
Effect of exchange rate changes on cash	121,871	(17,475)	76,835	126,460
<b>Net decrease in cash</b>	<b>(711,373)</b>	<b>(3,232,362)</b>	<b>(2,516,584)</b>	<b>(9,272,114)</b>
Cash - Beginning of period	1,679,969	9,973,493	3,485,180	16,013,245
<b>Cash- End of period</b>	<b>\$ 968,596</b>	<b>\$ 6,741,131</b>	<b>\$ 968,596</b>	<b>\$ 6,741,131</b>

-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, 2014

(Canadian dollars)

Unaudited

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### 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.

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### 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. 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 November 24, 2014.

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### 3. Trade and other receivables

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

	<b>September 30, 2014</b>	December 31, 2013
Value added taxes receivable – current portion	<b>\$ 2,661,524</b>	\$ 2,528,729
Trade and other receivables	<b>1,412,694</b>	1,684,235
Prepays	<b>195,031</b>	272,939
Total trade and other receivables	<b>\$ 4,269,249</b>	\$ 4,485,903



# IMPACT Silver Corp.

## Notes to the Condensed Consolidated Interim Financial Statements

September 30, 2014

(Canadian dollars)

Unaudited

### 4. Inventories

The following table details the composition of inventories at:

	<b>September 30, 2014</b>	December 31, 2013
Materials and supplies	<b>\$ 615,646</b>	\$ 763,476
Stockpile inventory	<b>12,573</b>	1,732
Concentrate inventory	<b>652,228</b>	347,459
<b>Total inventories</b>	<b>\$ 1,280,447</b>	<b>\$ 1,112,667</b>

The amount of inventories recognized as an expense during the period ended September 30, 2014 was \$8,855,888 (September 30, 2013 – \$8,534,062).

The amount of write-down of inventories to net realizable value during the nine months ended September 30, 2014 was \$74,103 (September 30, 2013 - \$nil) relating to concentrate inventory.

### 5. Property, plant and equipment

	Plant and mine equipment (S)	Vehicles (S)	Office furniture and equipment (S)	Surface rights (S)	Mining Assets (S)	<b>Total (S)</b>
<b>Cost</b>						
Balance at January 1, 2013	5,890,269	413,846	179,725	1,235,182	18,315,642	<b>26,034,664</b>
Additions	3,380,595	57,689	42,814	50,057	72,161	<b>3,603,316</b>
Transfers from mineral properties	-	-	-	-	7,400,473	<b>7,400,473</b>
Reclassification	1,252,970	-	-	-	(1,252,970)	<b>-</b>
Change in reclamation estimate	-	-	-	-	(536,864)	<b>(536,864)</b>
Foreign exchange movement	309,370	23,998	5,249	71,626	965,948	<b>1,376,191</b>
Balance at December 31, 2013	10,833,204	495,533	227,788	1,356,865	24,964,390	<b>37,877,780</b>
Additions	142,918	-	3,174	-	1,880	<b>147,972</b>
Transfers from mineral properties	-	-	-	-	2,374,422	<b>2,374,422</b>
Foreign exchange movement	302,262	13,916	3,598	38,104	627,965	<b>985,845</b>
<b>Balance at September 30, 2014</b>	<b>11,278,384</b>	<b>509,449</b>	<b>234,560</b>	<b>1,394,969</b>	<b>27,968,657</b>	<b>41,386,019</b>
<b>Accumulated amortization</b>						
Balance at January 1, 2013	1,899,705	221,576	88,732	-	5,423,776	<b>7,633,789</b>
Amortization for the period	510,744	46,988	28,336	-	1,710,739	<b>2,296,807</b>
Foreign exchange movement	234,858	13,069	1,941	-	258,869	<b>508,737</b>
Balance at December 31, 2013	2,645,307	281,633	119,009	-	7,393,384	<b>10,439,333</b>
Amortization for the period	846,388	42,519	22,236	-	1,224,039	<b>2,135,182</b>
Foreign exchange movement	71,762	7,936	1,491	-	167,572	<b>248,761</b>
<b>Balance at September 30, 2014</b>	<b>3,563,457</b>	<b>332,088</b>	<b>142,736</b>	<b>-</b>	<b>8,784,995</b>	<b>12,823,276</b>
<b>Net book value</b>						
December 31, 2013	8,187,897	213,900	108,779	1,356,865	17,571,006	<b>27,438,447</b>
<b>September 30, 2014</b>	<b>7,714,927</b>	<b>177,361</b>	<b>91,824</b>	<b>1,394,969</b>	<b>19,183,662</b>	<b>28,562,743</b>

# IMPACT Silver Corp.

## Notes to the Condensed Consolidated Interim Financial Statements

September 30, 2014

(Canadian dollars)

Unaudited

### 6. Mineral properties

a) Details are as follows:

	Zacualpan and Mamatla (\$)	Zacatecas (\$)	Dominican Republic (\$)	Total (\$)
Balance at January 1, 2013	21,056,155	163,100	1,260,447	<b>22,479,702</b>
Additions	8,650,918	350	(75,090)	<b>8,576,178</b>
Recoveries	-	(1,234)	-	<b>(1,234)</b>
Transfers to mining assets	(7,400,473)	-	-	<b>(7,400,473)</b>
Write-off	(1,598,408)	-	(985,357)	<b>(2,583,765)</b>
Foreign exchange	911,636	9,449	-	<b>921,085</b>
Balance at December 31, 2013	21,619,828	171,665	200,000	<b>21,991,493</b>
Additions	2,086,903	48,345	15,203	<b>2,150,451</b>
Transfers to mining assets	(2,374,422)	-	-	<b>(2,374,422)</b>
Foreign exchange	481,378	4,841	-	<b>486,219</b>
Balance at September 30, 2014	21,813,687	224,851	215,203	<b>22,253,741</b>

### b) Zacatecas agreement

As at September 30, 2014, the Company owns a total of 467,000 shares (December 31, 2013 – 4,067,000) of Defiance Silver Corp. ("Defiance"), a Canadian public company, that were obtained in an agreement to option its Veta Grande Project assets in Zacatecas, Mexico. In January 2014, Defiance terminated its option agreement with the Company. As a result of this termination the Company retained the Veta Grande Project assets, and the shares of Defiance already granted under the option agreement.

It was determined that as at December 31, 2013, 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-down of \$803,305.

In June 2014, the Company sold 3,600,000 shares of Defiance for proceeds of \$321,550. A gain of \$213,550 was realized on the sale of these shares, and unrealized gains of \$432,000 recorded in March 2014 were reversed.

### 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, 2014, fees in the amount of \$237,646 (2013 – \$3,594,588) 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 September 30, 2014, an amount of \$1,364,289 (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.

# IMPACT Silver Corp.

## Notes to the Condensed Consolidated Interim Financial Statements

September 30, 2014

(Canadian dollars)

Unaudited

### 8. Key management personnel compensation

Key management includes the Chief Executive Officer, Chief Financial Officer, Vice-President Exploration and Board of Directors members. The remuneration of directors and other members of key management personnel for the nine months ended September 30 is as follows:

	<b>2014</b>	2013
Salaries and fees	<b>\$ 312,594</b>	378,043
Share based compensation	<b>80,715</b>	946,167
Total compensation	<b>\$ 393,309</b>	1,324,210

### 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 \$1,013,002 (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:

	<b>September 30, 2014</b>	December 31, 2013
Reclamation provision, beginning of the period	<b>\$ 307,427</b>	\$ 771,416
Foreign exchange movement	<b>8,645</b>	32,679
Accretion of reclamation provision	<b>17,885</b>	40,196
Revisions to estimated cashflows	-	(536,864)
Total reclamation provision	<b>\$ 333,957</b>	\$ 307,427

Accretion for the reclamation provision recognized for the nine months ended September 30, 2014 is \$17,885 (2013 - \$30,161).

### 10. Expenses by nature

The following table details the nature of expenses within operating expenses for the periods ending:

	Three months ended September 30		Nine months ended September 30	
	<b>2014</b>	2013	<b>2014</b>	2013
Production costs	<b>\$ 1,346,181</b>	\$ 1,355,786	<b>\$ 4,056,387</b>	\$ 4,378,007
Administration	<b>190,097</b>	178,118	<b>575,710</b>	1,055,526
Transportation	<b>121,602</b>	122,932	<b>371,939</b>	304,788
Wages and salaries	<b>1,168,298</b>	1,043,081	<b>3,851,852</b>	2,795,741
Total operating expenses	<b>\$ 2,826,178</b>	\$ 2,699,917	<b>\$ 8,855,888</b>	\$ 8,534,062

# IMPACT Silver Corp.

## Notes to the Condensed Consolidated Interim Financial Statements

September 30, 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 September 30, 2014 and the changes for the periods ended on these dates is as follows:

	Number	Weighted Average Exercise Price (\$)
At January 1, 2013	<b>4,210,000</b>	<b>1.31</b>
Issued	<b>2,285,000</b>	<b>1.20</b>
Expired	<b>(62,500)</b>	<b>1.46</b>
At December 31, 2013	<b>6,432,500</b>	<b>1.25</b>
Expired	<b>(115,000)</b>	<b>1.48</b>
At September 30, 2014	<b>6,317,500</b>	<b>1.25</b>

The following table summarizes information about the stock options outstanding September 30, 2014:

Exercise Price Per Share	Number of Options Outstanding	Weighted Average Remaining Life (Years)	Number of Options Exercisable	Expiry Date
\$1.10	867,500	0.68	867,500	June 6, 2015
\$1.85	1,920,000	1.99	1,920,000	September 26, 2016
\$1.20	2,220,000	3.32	2,220,000	January 22, 2018
\$0.55	1,310,000	4.27	1,310,000	January 6, 2019
	<b>6,317,500</b>	<b>2.75</b>	<b>6,317,500</b>	

# IMPACT Silver Corp.

## Notes to the Condensed Consolidated Interim Financial Statements

September 30, 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 for:

	Three months ended September 30		Nine months ended September 30	
	2014	2013	2014	2013
Net loss attributable to shareholders	\$ (600,497)	\$ (1,223,156)	\$ (2,888,348)	\$ (3,819,782)
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	(0.01)	(0.02)	(0.04)	(0.06)

# IMPACT Silver Corp.

## Notes to the Condensed Consolidated Interim Financial Statements

September 30, 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 are as follows:

	Three months ended September 30		Nine months ended September 30	
	2014	2013	2014	2013
Revenues by geographic area				
Mexico	<b>\$ 3,362,661</b>	\$ 3,118,995	<b>\$ 8,876,638</b>	\$ 11,071,127
Net earnings (loss) by geographic area				
Mexico	<b>\$ (197,916)</b>	\$ (210,555)	<b>\$ (1,809,761)</b>	\$ 104,010
Canada	<b>(402,581)</b>	(1,012,601)	<b>(1,078,587)</b>	(3,923,792)
	<b>\$ (600,497)</b>	\$ (1,223,156)	<b>\$ (2,888,348)</b>	\$ (3,819,782)
Assets by geographical area			<b>September 30, 2014</b>	December 31, 2013
Mexico			<b>\$ 58,313,234</b>	\$ 59,950,148
Canada			<b>3,229,548</b>	2,968,499
Caribbean			<b>215,203</b>	200,000
			<b>\$ 61,757,985</b>	\$ 63,118,647
Property, plant and equipment by geographical area				
Mexico			<b>\$ 28,532,645</b>	\$ 27,405,048
Canada			<b>30,098</b>	33,399
			<b>\$ 28,562,743</b>	\$ 27,438,447

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