

IMPACT SILVER CORP.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

March 31, 2016 and 2015

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, 2016	December 31, 2015
Current		
Cash	\$ 977,334	\$ 717,369
Trade and other receivables (Note 3)	2,634,478	3,972,634
Inventories (Note 4)	1,131,530	1,103,970
Available-for-sale investments	5,000	5,000
	4,748,342	5,798,973
Value added and other taxes receivable	2,944,690	2,628,652
Property, plant and equipment (Note 5)	24,937,468	26,572,115
Exploration and evaluation assets (Note 6)	21,580,066	22,622,890
Deferred income tax assets	386,519	414,940
	\$ 54,597,085	\$ 58,037,570
LIABILITIES		
Current		
Trade payables and accrued liabilities	\$ 1,543,368	\$ 1,453,148
Due to related party (Note 7(c))	1,168,180	1,452,876
	2,711,548	2,906,024
Reclamation provision	624,818	656,515
Deferred income tax liabilities	4,894,686	5,229,494
	8,231,052	8,792,033
SHAREHOLDERS' EQUITY		
Share capital	53,495,947	53,495,947
Contributed surplus	4,776,173	4,776,173
Accumulated other comprehensive (loss) income	(1,808,440)	759,924
Accumulated deficit	(10,097,647)	(9,786,507)
	46,366,033	49,245,537
	\$ 54,597,085	\$ 58,037,570

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 Loss For the Three Months Ended March 31

(Canadian dollars)

Unaudited

	2016	2015
Revenues	\$ 3,762,406	\$ 3,911,622
Expenses		
Operating expenses (Note 8)	3,002,901	3,181,104
Amortization and depletion	487,142	526,003
	3,490,043	3,707,107
Mine operating earnings	272,363	204,515
General and administrative expenses		
Accounting, audit and legal	52,645	59,559
Amortization	6,085	8,030
Investor relations, promotion and travel	14,184	11,976
Management fees and consulting	35,636	146,581
Office, rent, insurance and sundry	73,112	85,628
Office salaries and services	163,413	162,620
	345,075	474,394
Operating loss	(72,712)	(269,879)
Other income (expenses)		
Finance cost	(22,466)	(7,445)
Finance income	114	132,953
Foreign exchange loss	(315,010)	(105,866)
Other income	105,554	523
Gain (loss) on disposal of assets	3,629	(679)
	(228,179)	19,486
Loss before taxes	(300,891)	(250,393)
Current income tax expense	15,347	6,029
Deferred income tax (recovery) expense	(5,098)	24,215
Net loss	\$ (311,140)	\$ (280,637)
Loss per share – Basic and Diluted (Note 9(c))	\$ 0.00	\$ 0.00
Weighted average number of shares outstanding – Basic and 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

	2016	2015
Net loss	\$ (311,140)	\$ (280,637)
Other comprehensive income		
Items that may be subsequently reclassified to profit or loss		
Unrealized (loss) gain on investments held as available-for-sale	-	(2,500)
Cumulative translation adjustment	(2,568,364)	2,677,801
Comprehensive income	\$ (2,879,504)	\$ 2,394,664

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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 Deficit (\$)	Total Shareholders' Equity (\$)
Balance at January 1, 2015	68,128,244	53,495,947	4,776,173	(168,798)	(8,358,669)	49,744,653
Loss for the period	-	-	-	-	(280,637)	(280,637)
Cumulative translation adjustments	-	-	-	2,677,801	-	2,677,801
Unrealized loss on investments	-	-	-	(2,500)	-	(2,500)
Balance at March 31, 2015	68,128,244	53,495,947	4,776,173	2,506,503	(8,639,306)	52,139,317
Balance at January 1, 2016	68,128,244	53,495,947	4,776,173	759,924	(9,786,507)	49,245,537
Loss for the period	-	-	-	-	(311,140)	(311,140)
Cumulative translation adjustments	-	-	-	(2,568,364)	-	(2,568,364)
Balance at March 31, 2016	68,128,244	53,495,947	4,776,173	(1,808,440)	(10,097,647)	46,366,033

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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)	2016	2015
Operating activities		
Net loss	\$ (311,140)	\$ (280,637)
Items not affecting cash		
Amortization and depletion	493,227	534,033
Deferred income taxes	(5,098)	24,215
(Gain) loss on disposal of assets	(3,629)	679
Accretion expense	10,343	7,445
Write-down of inventory	53,891	68,148
Changes in non-cash working capital		
Trade and other receivables	360,051	(166,290)
Income taxes receivable	458,056	(122,033)
Inventories	(88,269)	101,486
Trade payables	163,377	182,452
Income taxes payable	(210,341)	4,088
Due to related party	(224,052)	77,110
	696,416	430,696
Investing activities		
Acquisition of property, plant and equipment	(47,710)	(8,698)
Proceeds on sale of assets	6,504	325
Exploration and evaluation asset expenditures	(623,584)	(668,822)
	(664,790)	(677,195)
Effect of exchange rate changes on cash	228,339	137,946
Net change in cash	259,965	(108,553)
Cash - Beginning of period	717,369	575,344
Cash - End of period	\$ 977,334	\$ 466,791

-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, 2016

(Canadian dollars)

Unaudited

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 Company is exploring for silver, precious metals and other mineral resources on its properties located in Mexico. 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 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, 2016, the Company incurred a net loss of \$0.3 million and cash inflows from operating activities of \$0.7 million. At March 31, 2016, the Company had unrestricted cash and cash equivalents of \$1.0 million, current assets of \$4.7 million and working capital of \$2.0 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 beyond 2016 and may affect the Company's ability to cover its working capital and capital investments.

The Company's management is currently considering and pursuing 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 two private placements subsequent to quarter end (see Note 11), 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. Such adjustments could be material.

IMPACT Silver Corp.

Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2016

(Canadian dollars)

Unaudited

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, 2015. 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, 2015.

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 25, 2016.

3. Trade and other receivables

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

	March 31, 2016	December 31, 2015
Value added and other taxes receivable – current portion	\$ 965,844	\$ 2,170,045
Trade and other receivables	1,519,330	1,642,606
Prepays	149,304	159,983
Total trade and other receivables	\$ 2,634,478	\$ 3,972,634

4. Inventories

The following table details the composition of inventories at:

	March 31, 2016	December 31, 2015
Materials and supplies	\$ 666,752	\$ 782,345
Stockpile inventory	16,006	8,932
Concentrate inventory	448,772	312,693
Total inventories	\$ 1,131,530	\$ 1,103,970

The amount of inventories recognized as an expense during the period ended March 31, 2016 was \$3,002,901 (March 31, 2015 - \$3,181,104).

The amount of write-down of inventories to net realizable value during the period ended March 31, 2016 was \$53,891 (March 31, 2015 - \$68,148) relating to concentrate inventory.

IMPACT Silver Corp.

Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2016

(Canadian dollars)

Unaudited

5. Property, plant and equipment

	Plant and mine equipment (\$)	Vehicles (\$)	Office furniture and equipment (\$)	Surface rights (\$)	Mining Assets (\$)	Total (\$)
Cost						
Balance at January 1, 2015	10,625,863	480,030	226,954	1,314,416	26,773,027	39,420,290
Additions	119,656	-	4,183	-	-	123,839
Transfers	-	-	-	-	1,130,201	1,130,201
Disposals	(106,862)	-	(1,710)	-	-	(108,572)
Change in reclamation estimate	-	-	-	-	186,057	186,057
Foreign exchange movement	245,676	11,169	2,888	30,583	557,427	847,743
Balance at December 31, 2015	10,884,333	491,199	232,315	1,344,999	28,646,712	41,599,558
Additions	47,202	-	-	-	-	47,202
Transfers	-	-	-	-	491,247	491,247
Disposals	-	(8,534)	-	-	-	(8,534)
Foreign exchange movement	(690,857)	(31,371)	(8,111)	(85,901)	(1,648,577)	(2,464,817)
Balance at March 31, 2016	10,240,678	451,294	224,204	1,259,098	27,489,382	39,664,656
Accumulated amortization						
Balance at January 1, 2015	3,675,735	326,276	145,761	-	8,484,402	12,632,174
Amortization for the period	1,058,740	49,568	21,688	-	1,055,042	2,185,038
Disposals	(39,439)	-	(706)	-	-	(40,145)
Foreign exchange movement	83,091	7,497	1,619	-	158,169	250,376
Balance at December 31, 2015	4,778,127	383,341	168,362	-	9,697,613	15,027,443
Amortization for the period	234,783	10,473	3,937	-	308,715	557,908
Disposals	-	(5,689)	-	-	-	(5,689)
Foreign exchange movement	(306,408)	(24,534)	(5,592)	-	(515,940)	(852,474)
Balance at March 31, 2016	4,706,502	363,591	166,707	-	9,490,388	14,727,188
Net book value						
At December 31, 2015	6,106,206	107,858	63,953	1,344,999	18,949,099	26,572,115
At March 31, 2016	5,534,176	87,703	57,497	1,259,098	17,998,994	24,937,468

IMPACT Silver Corp.

Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2016

(Canadian dollars)

Unaudited

6. Exploration and evaluation assets

	Mexico (\$)	Dominican Republic (\$)	Total (\$)
Balance at January 1, 2015	21,523,503	215,203	21,738,706
Additions	2,174,116	-	2,174,116
Transfers to mining assets	(1,130,201)	-	(1,130,201)
Write down	(340,686)	(215,203)	(555,889)
Foreign exchange	396,158	-	396,158
Balance at December 31, 2015	22,622,890	-	22,622,890
Additions	618,578	-	618,578
Transfers to mining assets	(491,247)	-	(491,247)
Foreign exchange	(1,170,155)	-	(1,170,155)
Balance at March 31, 2016	21,580,066	-	21,580,066

7. Related party transactions

a) 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:

	2016	2015
Salaries and fees	\$ 66,000	\$ 69,675
Total compensation	\$ 66,000	\$ 69,675

b) Transactions with other related parties

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, 2016, fees in the amount of \$74,768 (2015 - \$79,964) were incurred to Energold Drilling Corp. ("Energold"), a significant shareholder of the Company, for administration services.

c) Due to related party

At March 31, 2016, an amount of \$1,168,180 (December 31, 2015 - \$1,452,876) was due to Energold, a significant shareholder of the Company. Monies owed to Energold are unsecured, 4% interest bearing and repayable on demand.

IMPACT Silver Corp.

Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2016

(Canadian dollars)

Unaudited

8. Expenses by nature

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

	2016	2015
Production costs	\$ 1,580,997	\$ 1,763,873
Administration	159,022	194,252
Transportation	109,763	135,138
Wages and salaries	1,153,119	1,087,841
Total operating expenses	\$ 3,002,901	\$ 3,181,104

9. 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, 2016 and the changes for the periods ended on these dates is as follows:

	Number	Weighted Average Exercise Price (\$)
At January 1, 2015	5,951,250	1.24
Forfeited	(297,500)	1.32
Expired	(788,750)	1.10
At December 31, 2015	4,865,000	1.26
At March 31, 2016	4,865,000	1.26

The following table summarizes information about the stock options outstanding at March 31, 2016:

Exercise Price Per Share	Number of Options Outstanding	Weighted Average Remaining Life (Years)	Number of Options Exercisable	Expiry Date
\$1.85	1,660,000	0.49	1,660,000	September 26, 2016
\$1.20	1,995,000	1.81	1,995,000	January 22, 2018
\$0.55	1,210,000	2.77	1,210,000	January 6, 2019
	4,865,000	1.60	4,865,000	

IMPACT Silver Corp.

Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2016

(Canadian dollars)

Unaudited

9. Equity – continued

c) Loss per share

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

	2016	2015
Net loss attributable to shareholders	\$ (311,140)	\$ (280,637)
Weighted average number of shares outstanding – Basic and diluted	68,128,244	68,128,244
Loss per share – Basic and diluted	0.00	0.00

10. 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 for the three months ended March 31 are as follows:

	2016	2015
Revenues by geographic area		
Mexico	\$ 3,762,406	\$ 3,911,622
Net (loss) earnings by geographic area		
Mexico	\$ 113,061	\$ 1,461
Canada	(424,201)	(282,098)
	\$ (311,140)	\$ (280,637)
	March 31,	December 31,
	2016	2015
Assets by geographical area		
Mexico	\$ 54,432,694	\$ 57,794,840
Canada	164,391	242,730
	\$ 54,597,085	\$ 58,037,570
Property, plant and equipment by geographical area		
Mexico	\$ 24,914,819	26,548,031
Canada	22,649	24,084
	\$ 24,937,468	26,572,115

IMPACT Silver Corp.

Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2016

(Canadian dollars)

Unaudited

11. Subsequent Events

- a) On April 12, 2016, the Company completed a \$2,000,000 private placement. A total of 6,666,666 shares were issued to an accredited investor at a price of \$0.30 per share for aggregate gross proceeds of \$2,000,000. The proceeds of the private placement will be used for continuing exploration and general working capital. The securities issued under the offering are subject to a four month hold period.
 - b) On April 19, 2016, the Company completed a \$620,000 private placement. A total of 2,000,000 shares were issued to accredited investors at a price of \$0.31 per share for aggregate gross proceeds of \$620,000. The proceeds of the private placement will be used for continuing exploration and general working capital. The securities issued under the offering are subject to a four month hold period. 1,000,000 shares were acquired by Energold. Following the settlement of the trade, Energold owns or exercises control or direction of 7,980,001 common shares, representing approximately 10.39% of the issued and outstanding common shares in the capital of the Company.
 - c) On May 20, 2016, the Company issued a news release announcing it had entered into an engagement with an underwriting syndicate to raise additional share capital funds. As of the date of these financial statements being released the amounts and terms of this proposed capital raise are still to be finalized and may be amended from those terms stated in the news release.
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