

IMPACT SILVER CORP.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

March 31, 2018 and 2017

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, 2018	December 31, 2017
Current		
Cash	\$ 3,750,830	\$ 4,713,580
Trade and other receivables (Note 4)	1,602,150	1,787,913
Inventories (Note 5)	1,157,995	1,008,370
Investments	177,525	474,299
	6,688,500	7,984,162
Value added and other taxes receivable	587,443	537,871
Property, plant and equipment (Note 6)	22,972,793	20,951,101
Exploration and evaluation assets (Note 7)	22,967,241	20,722,197
	\$ 53,215,977	\$ 50,195,331
LIABILITIES		
Current		
Trade payables and accrued liabilities	\$ 1,865,497	\$ 2,345,266
Reclamation provision	417,381	369,306
Deferred income tax liabilities	4,915,358	4,497,125
	7,198,236	7,211,697
SHAREHOLDERS' EQUITY		
Share capital	59,651,422	59,651,422
Warrants (Note 10(b))	973,378	973,378
Contributed surplus	6,240,620	6,259,079
Accumulated other comprehensive loss	(3,976,048)	(7,538,763)
Accumulated deficit	(16,871,631)	(16,361,482)
	46,017,741	42,983,634
	\$ 53,215,977	\$ 50,195,331

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

	2018	2017
Revenue	\$ 3,876,116	\$ 4,598,984
Cost of sales		
Operating expenses (Note 9)	3,560,513	3,537,008
Amortization and depletion	391,362	523,056
	3,951,875	4,060,064
Mine operating (loss) earnings	(75,759)	538,920
General and administrative expenses		
Accounting, audit and legal	38,421	39,299
Amortization	4,382	4,745
Investor relations, promotion and travel	21,343	20,833
Management fees and consulting	55,659	30,941
Office, rent, insurance and sundry	64,853	82,862
Office salaries and services	152,035	177,279
Share-based payments (Note 10(a))	(18,459)	170,416
	318,234	526,375
Operating (loss) income	(393,993)	12,545
Other income (expenses)		
Finance cost	(7,544)	(8,287)
Finance income	10,833	13,458
Foreign exchange loss	(157,634)	(285,634)
Other income	2,230	54,180
	(152,115)	(226,283)
Loss before taxes	(546,108)	(213,738)
Current income tax expense	6,696	2,285
Deferred income tax (recovery) expense	(42,655)	136,201
Net loss	\$ (510,149)	\$ (352,224)
Loss per share – Basic and Diluted (Note 10(c))	\$ (0.01)	\$ 0.00
Weighted average number of shares outstanding – Basic and Diluted	85,566,840	85,566,840

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IMPACT Silver Corp.

Condensed Consolidated Interim Statements of Comprehensive Income

For the Three Months Ended March 31

(Canadian dollars)

Unaudited

	2018	2017
Net loss	\$ (510,149)	\$ (352,224)
Other comprehensive income		
Items that may be subsequently reclassified to profit or loss		
Cumulative translation adjustment	3,554,027	2,936,621
Items that will not be subsequently reclassified to profit or loss		
Gain on investments	8,688	2,500
Comprehensive income	\$ 3,052,566	\$ 2,586,897

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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 (\$)	Warrants (\$)	Contributed Surplus (\$)	Accumulated Other Comprehensive Income (\$)	Retained Deficit (\$)	Total Shareholders' Equity (\$)
Balance at January 1, 2017	85,566,840	59,651,422	973,378	5,523,617	(6,790,133)	(11,725,785)	47,632,499
Net loss for the period	-	-	-	-	-	(352,224)	(352,224)
Share-based compensation expense	-	-	-	170,416	-	-	170,416
Cumulative translation adjustments	-	-	-	-	2,936,621	-	2,936,621
Gain on investments	-	-	-	-	2,500	-	2,500
Balance at March 31, 2017	85,566,840	59,651,422	973,378	5,694,033	(3,851,012)	(12,078,009)	50,389,812
Balance at January 1, 2018	85,566,840	59,651,422	973,378	6,259,079	(7,538,763)	(16,361,482)	42,983,634
Net loss for the period	-	-	-	-	-	(510,149)	(510,149)
Share-based compensation recovery	-	-	-	(18,459)	-	-	(18,459)
Cumulative translation adjustments	-	-	-	-	3,554,027	-	3,554,027
Gain on investments	-	-	-	-	8,688	-	8,688
Balance at March 31, 2018	85,566,840	59,651,422	973,378	6,240,620	(3,976,048)	(16,871,631)	46,017,741

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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)	2018	2017
Operating activities		
Net loss	\$ (510,149)	\$ (352,224)
Items not affecting cash		
Amortization and depletion	395,744	527,801
Share-based payments (recovery) expense	(18,459)	170,416
Deferred income tax (recovery) expense	(42,655)	136,201
Accretion expense	7,544	8,287
Unrealized loss on foreign exchange	(456)	76,550
Changes in non-cash working capital		
Trade and other receivables	354,565	472,103
Income taxes receivable	4,848	189,333
Inventories	(51,777)	111,277
Trade payables	(682,451)	(590,699)
Income taxes payable	27,493	(38,216)
	(515,753)	710,829
Investing activities		
Proceeds on sale of investments	305,463	-
Acquisition of property, plant and equipment	(258,520)	(312,855)
Exploration and evaluation expenditures	(493,940)	(875,346)
	(446,997)	(1,188,201)
Net change in cash	(962,750)	(477,372)
Cash - Beginning of period	4,713,580	8,124,563
Cash - End of period	\$ 3,750,830	\$ 7,647,191

-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, 2018

(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 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.

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, 2017. 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, 2017.

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, 2018.

IMPACT Silver Corp.

Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2018

(Canadian dollars)

Unaudited

3. Significant accounting policies

Change in accounting policies

The Company has adopted IFRS 15 Revenue from Contracts with Customers (“IFRS 15”) as of January 1, 2018. IFRS 15 covers principles that an entity should apply to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. The Company elected to apply IFRS 15 using a modified retrospective approach by recognizing the cumulative effect of initially adopting IFRS 15 as an adjustment to the opening balance sheet at January 1, 2018. Therefore, the comparative information has not been restated and continues to be reported under IAS 18 Revenue.

The Company performed an assessment of its existing concentrate sales agreements and determined that there is no change in the timing of revenue recognition under IFRS 15.

4. Trade and other receivables

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

	March 31, 2018	December 31, 2017
Value added taxes receivable – current portion	\$ 374,445	\$ 464,084
Trade and other receivables	1,009,180	1,184,696
Prepays	218,525	139,133
	\$ 1,602,150	\$ 1,787,913

5. Inventories

The following table details the composition of inventories at:

	March 31, 2018	December 31, 2017
Materials and supplies	\$ 487,400	\$ 481,490
Stockpile inventory	-	7,985
Concentrate inventory	670,595	518,895
	\$ 1,157,995	\$ 1,008,370

The amount of inventories recognized as an expense during the period ended March 31, 2018 was \$3,560,513 (March 31, 2017 - \$3,537,008).

IMPACT Silver Corp.

Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2018

(Canadian dollars)

Unaudited

6. Property, plant and equipment

a) Details are as follows:

	Plant and mine equipment (\$)	Vehicles (\$)	Office furniture and equipment (\$)	Surface rights (\$)	Mining Assets (\$)	Total (\$)
Cost						
Balance at January 1, 2017	9,365,671	449,882	206,456	1,069,548	24,841,332	35,932,889
Additions	70,903	11,714	10,505	-	1,498,526	1,591,648
Transfers	-	-	-	-	914,467	914,467
Disposals	(171,737)	-	-	-	-	(171,737)
Change in reclamation estimate	-	-	-	-	(79,464)	(79,464)
Foreign exchange movement	(185,687)	(8,985)	(2,111)	(21,358)	(439,117)	(657,258)
Balance at December 31, 2017	9,079,150	452,611	214,850	1,048,190	26,735,744	37,530,545
Additions	6,785	-	2,280	-	261,744	270,809
Foreign exchange movement	980,297	49,234	11,706	114,019	2,586,179	3,741,435
Balance at March 31, 2018	10,066,232	501,845	228,836	1,162,209	29,583,667	41,542,789
Accumulated amortization						
Balance at January 1, 2017	4,671,065	344,727	163,326	-	9,533,345	14,712,463
Amortization for the period	792,004	20,501	13,227	-	1,470,405	2,296,137
Disposals	(2,524)	-	-	-	-	(2,524)
Foreign exchange movement	(149,827)	(8,716)	(2,169)	-	(265,920)	(426,632)
Balance at December 31, 2017	5,310,718	356,512	174,384	-	10,737,830	16,579,444
Amortization for the period	173,666	5,226	2,871	-	200,327	382,090
Foreign exchange movement	582,173	39,086	9,332	-	977,871	1,608,462
Balance at March 31, 2018	6,066,557	400,824	186,587	-	11,916,028	18,569,996
Net book value						
At December 31, 2017	3,768,432	96,099	40,466	1,048,190	15,997,914	20,951,101
At March 31, 2018	3,999,675	101,021	42,249	1,162,209	17,667,639	22,972,793

b) Sale of Zacatecas assets

On June 5, 2017, the Company completed the sale of its non-active Zacatecas assets to Endeavour Silver Corp. for 154,321 common shares valued at \$0.6 million. The Zacatecas assets consist of 10 mineral concessions, the old inactive Santa Gabriela 200 tonne per day processing plant and tailings facilities. The Company recorded a gain on sale of assets of \$0.3 million.

IMPACT Silver Corp.

Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2018

(Canadian dollars)

Unaudited

7. Exploration and evaluation assets

Balance at January 1, 2017	\$	20,149,111
Additions		1,933,306
Transfers		(914,467)
Disposals		(130,634)
Foreign exchange		(315,119)
Balance at December 31, 2017	\$	20,722,197
Additions		511,700
Foreign exchange		1,733,344
Balance at March 31, 2018	\$	22,967,241

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 for the three months ended March 31 is as follows:

	2018		2017	
Salaries and fees	\$	88,425	\$	93,113
Share-based compensation		(10,917)		100,784
	\$	77,508	\$	193,897

9. Expenses by nature

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

	2018		2017	
Production costs	\$	1,874,357	\$	1,990,062
Administration		156,468		214,093
Transportation		146,070		129,449
Wages and salaries		1,383,618		1,203,404
	\$	3,560,513	\$	3,537,008

IMPACT Silver Corp.

Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2018

(Canadian dollars)

Unaudited

10. Equity

a) 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.

On September 21, 2017, the Company granted stock options under its Stock Option Plan to directors, officers, employees and consultants exercisable for 1,770,000 shares of the Company. The options are exercisable on or before September 20, 2022 at a price of \$0.35 per share. Options vested 100% on the date granted.

On July 28, 2016, the Company granted stock options under its Stock Option Plan to directors, officers, employees and consultants exercisable for up to 1,860,000 shares of the Company. The options are exercisable on or before July 27, 2021 at a price of \$0.98 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 21, 2017	July 28, 2016
Number of options granted	1,770,000	1,860,000
Risk-free interest rate	1.58%	0.57%
Expected dividend yield	Nil	Nil
Expected share price volatility	104.16%	106.62%
Expected option life in years	2.5	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.

The total fair value of share-based payment recovery on stock options granted to employees and consultants of the Company for the three months ended March 31, 2018 is \$18,459 (March 31, 2017 – expense of \$170,416).

A summary of the Company's stock options as at March 31, 2018 and the changes for the periods ended on these dates is as follows:

	Number	Weighted Average Exercise Price (\$)
At January 1, 2017	5,045,000	0.96
Granted	1,770,000	0.35
Forfeited	(70,000)	1.11
At December 31, 2017	6,745,000	0.80
Expired	(1,935,000)	1.20
Forfeited	(100,000)	0.67
At March 31, 2018	4,710,000	0.64

IMPACT Silver Corp.

Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2018

(Canadian dollars)

Unaudited

10. Equity – continued

a) Stock options - continued

The following table summarizes information about the stock options outstanding at March 31, 2018:

Exercise Price Per Share	Number of Options Outstanding	Weighted Average Remaining Life (Years)	Number of Options Exercisable	Expiry Date
\$0.55	1,210,000	0.77	1,210,000	January 6, 2019
\$0.98	1,780,000	3.33	1,780,000	July 27, 2021
\$0.35	1,720,000	4.48	1,720,000	September 20, 2022
	4,710,000	3.09	4,115,000	

b) Warrants

A summary of the Company's warrants as at March 31, 2018 and the changes for the periods ended on these dates is as follows:

	Number	Weighted Average Exercise Price (\$)
At January 1, 2017 and December 31, 2017	4,385,965	0.90
At March 31, 2018	4,385,965	0.90

The fair value of each warrant granted is estimated at the time of grant using the Black-Scholes option pricing model with assumptions as follows:

Date Granted	May 27, 2016	June 3, 2016	June 10, 2016	June 17, 2016
Expiry Date	May 26, 2019	June 2, 2019	June 9, 2019	June 16, 2019
Number of warrants granted	2,220,000	697,600	1,250,150	218,215
Risk-free interest rate	0.64%	0.51%	0.50%	0.52%
Expected dividend yield	Nil	Nil	Nil	Nil
Expected share price volatility	116.90%	117.29%	115.48%	113.19%
Expected warrant life in years	1.5	1.5	1.5	1.5

Pricing models require the input of highly subjective assumptions including the expected share price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate.

c) Loss per share

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

	2018	2017
Net loss attributable to shareholders	\$ (510,149)	\$ (352,224)
Weighted average number of shares outstanding – Basic and diluted	85,566,840	85,566,840
Loss per share – Basic and diluted	(0.01)	0.00

IMPACT Silver Corp.

Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2018

(Canadian dollars)

Unaudited

11. 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:

	2018	2017
Revenue by geographic area		
Mexico	\$ 3,876,116	\$ 4,598,984
Net (loss) earnings by geographic area		
Mexico	\$ (272,477)	\$ 103,636
Canada	(237,672)	(455,860)
	\$ (510,149)	\$ (352,224)
	March 31,	December 31,
	2018	2017
Assets by geographical area		
Mexico	\$ 49,349,854	\$ 45,234,475
Canada	3,866,123	4,960,856
	\$ 53,215,977	\$ 50,195,331
Property, plant and equipment by geographical area		
Mexico	\$ 22,956,082	\$ 20,933,183
Canada	16,711	17,918
	\$ 22,972,793	\$ 20,951,101