

IMPACT SILVER CORP.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

September 30, 2020 and 2019

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	September 30, 2020	December 31, 2019
Current		
Cash	\$ 17,423,252	\$ 3,773,062
Trade and other receivables (Note 3)	1,207,633	1,783,571
Inventories (Note 4)	600,762	539,041
Investments	-	2,500
	19,231,647	6,098,174
Value added and other taxes receivable	544,158	725,369
Right-of-use assets (Note 5)	86,073	155,856
Property, plant and equipment (Note 7)	18,216,563	20,903,706
Exploration and evaluation assets (Note 8)	20,513,989	22,071,788
	\$ 58,592,430	\$ 49,954,893
LIABILITIES		
Current		
Trade payables and accrued liabilities	\$ 2,368,049	\$ 2,434,623
Lease liabilities (Note 6)	75,352	89,506
	2,443,401	2,524,129
Lease liabilities (Note 6)	17,327	67,098
Reclamation provision	430,643	467,839
Deferred income tax liabilities	4,013,472	4,417,422
	6,904,843	7,476,488
SHAREHOLDERS' EQUITY		
Share capital	75,248,691	63,923,949
Warrants (Note 11(c))	3,566,673	2,193,199
Contributed surplus	7,628,059	7,628,059
Accumulated other comprehensive loss	(9,030,829)	(4,899,146)
Accumulated deficit	(25,725,007)	(26,367,656)
	51,687,587	42,478,405
	\$ 58,592,430	\$ 49,954,893

Nature of operations and going concern (Note 1)

Subsequent event (Note 13)

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 For the Three and Nine Months Ended September 30

Canadian dollars
Unaudited

	Three months ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
Revenues	\$ 4,773,965	\$ 3,536,801	\$ 11,030,028	\$ 9,285,159
Cost of sales				
Operating expenses (Note 10)	2,713,478	2,794,578	7,694,538	8,786,278
Amortization and depletion	363,208	384,001	1,106,472	1,186,596
	3,076,686	3,178,579	8,801,010	9,972,874
Mine operating earnings (loss)	1,697,279	358,222	2,229,018	(687,715)
General and administrative expenses				
Accounting, audit and legal	48,323	34,550	147,123	120,997
Amortization	12,494	11,944	23,076	19,090
Investor relations, promotion and travel	113,625	203,951	395,138	321,271
Management fees and consulting	144,524	40,432	302,378	152,836
Office, rent, insurance and sundry	70,244	70,032	213,566	202,549
Office salaries and services	200,906	136,885	456,099	470,337
	590,116	497,794	1,537,380	1,287,080
Operating income (loss)	1,107,163	(139,572)	691,638	(1,974,795)
Other (expenses) income				
Finance cost	(8,919)	(8,402)	(28,246)	(25,175)
Finance income	13,947	14,139	32,907	20,038
Foreign exchange (loss) gain	(119,403)	12,448	120,153	(93,750)
Other (expense) income	(4,830)	(3,927)	51,137	(25,517)
Write-down of property, plant and equipment	-	(4,518)	-	(4,518)
Write-down of exploration and evaluation assets	-	-	-	(1,709,443)
	(119,205)	9,740	175,951	(1,838,365)
Income (loss) before taxes	987,958	(129,832)	867,589	(3,813,160)
Current income tax (recovery) expense	(43,427)	27,670	107,415	27,670
Deferred income tax expense	103,543	45,031	117,525	93,465
Net income (loss)	\$ 927,842	\$ (202,533)	\$ 642,649	\$ (3,934,295)
Income (loss) per share – (Note 11(d))				
Basic	\$ 0.01	\$ 0.00	\$ 0.01	\$ (0.04)
Diluted	\$ 0.01	\$ 0.00	\$ 0.00	\$ (0.04)
Weighted average number of shares outstanding				
Basic	126,368,751	104,885,986	121,084,927	96,080,505
Diluted	144,274,850	104,885,986	133,290,445	96,080,505

-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	
	2020	2019	2020	2019
Net income (loss)	\$ 927,842	\$ (202,533)	\$ 642,649	\$ (3,934,295)
Other comprehensive loss				
Items that may be subsequently reclassified to profit or loss				
Cumulative translation adjustment	561,022	(534,284)	(4,129,183)	(1,087,602)
Items that will not be subsequently reclassified to profit or loss				
Loss on investments	-	(500)	(2,500)	(1,250)
Comprehensive income (loss)	\$ 1,488,864	\$ (737,317)	\$ (3,489,034)	\$ (5,023,147)

-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 Nine Months Ended September 30

(Canadian dollars)

Unaudited

	Shares Outstanding	Share Capital (\$)	Warrants (\$)	Contributed Surplus (\$)	Accumulated Other Comprehensive Income (\$)	Retained Deficit (\$)	Total Shareholders' Equity (\$)
Balance at January 1, 2019	87,598,340	60,082,587	1,061,916	6,240,620	(4,626,026)	(21,424,414)	41,334,683
Net loss for the period	-	-	-	-	-	(3,934,295)	(3,934,295)
Impact of adopting IFRS 16	-	-	-	-	-	(3,820)	(3,820)
Shares issued in relation to private placements	22,266,580	6,143,873	-	-	-	-	6,143,873
Share issue costs	-	(311,508)	-	-	-	-	(311,508)
Warrants exercised	-	164,978	(25,879)	-	-	-	139,099
Warrants issued in relation to private placements	-	(2,130,540)	2,130,540	-	-	-	-
Warrants expired	397,425	-	(973,378)	973,378	-	-	-
Cumulative translation adjustments	-	-	-	-	(1,087,602)	-	(1,087,602)
Loss on investments	-	-	-	-	(1,250)	-	(1,250)
Balance at September 30, 2019	110,262,345	63,949,390	2,193,199	7,213,998	(5,714,878)	(25,362,529)	42,279,180
Balance at January 1, 2020	110,262,345	63,923,949	2,193,199	7,628,059	(4,899,146)	(26,367,656)	42,478,405
Net income for the period	-	-	-	-	-	642,649	642,649
Shares issued in relation to private placements	16,715,730	11,546,631	-	-	-	-	11,546,631
Share issue costs	-	(788,025)	-	-	-	-	(788,025)
Warrants issued in relation to private placements	-	(1,819,469)	1,819,469	-	-	-	-
Warrants exercised	4,883,696	2,225,155	(445,995)	-	-	-	1,779,160
Options exercised	455,000	160,450	-	-	-	-	160,450
Cumulative translation adjustments	-	-	-	-	(4,129,183)	-	(4,129,183)
Loss on investments	-	-	-	-	(2,500)	-	(2,500)
Balance at September 30, 2020	132,316,771	75,248,691	3,566,673	7,628,059	(9,030,829)	(25,725,007)	51,687,587

- 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 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	
	2020	2019	2020	2019
Operating activities				
Net income (loss)	\$ 927,842	\$ (202,533)	\$ 642,649	\$ (3,934,295)
Items not affecting cash				
Amortization and depletion	375,702	395,945	1,129,548	1,205,686
Deferred income tax expense	103,543	45,031	117,525	93,465
Accretion expense	7,128	7,261	22,117	22,131
Write-down of inventory	-	9,866	-	14,874
Write-down of exploration and evaluation assets	-	-	-	1,709,443
Write-down of property, plant and equipment	-	4,518	-	4,518
Unrealized loss (gain) on foreign exchange	19,071	(15,241)	(84,289)	(22,583)
Changes in non-cash working capital				
Trade and other receivables	(188,811)	(104,816)	488,861	(302,693)
Income taxes receivable	(5,730)	(309)	(8,887)	(346)
Inventories	(85,832)	(114,572)	(120,938)	58,812
Trade payables	443,858	(357,998)	91,738	113,483
Income taxes payable	(42,185)	27,670	103,145	27,670
	1,554,586	(305,178)	2,381,469	(1,009,835)
Investing activities				
Acquisition of long-lived assets	(591,583)	(471,390)	(1,351,502)	(1,317,081)
Financing activities				
Repayment of lease liability	(27,250)	(15,699)	(77,993)	(25,815)
Proceeds from private placement, net	8,765,879	4,204,448	10,758,606	5,340,515
Proceeds from the exercise of options	160,450	-	160,450	-
Proceeds from exercise of warrants	1,259,493	139,098	1,779,160	139,098
	10,158,572	4,327,847	12,620,223	5,453,798
Net change in cash	11,121,575	3,551,279	13,650,190	3,126,882
Cash - Beginning of period	6,301,677	810,030	3,773,062	1,234,427
Cash - End of period	\$ 17,423,252	\$ 4,361,309	\$ 17,423,252	\$ 4,361,309

-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, 2020

(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 registered address of the Company is 705 – 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 nine months ended September 30, 2020, the Company had net income of \$0.6 million and generated cash flows from operating activities of \$2.4 million. At September 30, 2020, the Company had unrestricted cash of \$17.4 million, current assets of \$19.2 million and working capital of \$16.8 million. The Company believes this will provide sufficient working capital for the next year. However, 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 and may affect the Company’s ability to cover its working capital and capital investments.

The Company’s management will continue to consider 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 recent private placements, 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 Company’s consolidated financial statements do not include the adjustments that would result if the Company is unable to continue as a going concern. These adjustments could be material.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. In compliance with the measures implemented by the Government of Mexico, the Company temporarily suspended mining operations April 30, 2020. Since resumption of mining activities in June 2020, the Company has not experienced any significant disruption to operations or to shipments of concentrates.

This contagious disease outbreak has continued to spread, and along with any related adverse public health developments has had a negative impact on workforces, economies, and financial markets globally. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or results of operations at this time.

IMPACT Silver Corp.

Notes to the Condensed Consolidated Interim Financial Statements

September 30, 2020

(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, 2019. 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, 2019.

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 November 19, 2020

3. Trade and other receivables

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

	September 30, 2020	December 31, 2019
Value added taxes receivable – current portion	\$ 222,888	\$ 316,753
Trade and other receivables	738,353	1,131,119
Prepays	246,392	335,699
	\$ 1,207,633	\$ 1,783,571

4. Inventories

The following table details the composition of inventories at:

	September 30, 2020	December 31, 2019
Materials and supplies	\$ 258,955	\$ 297,934
Stockpile inventory	160,289	7,507
Concentrate inventory	181,518	233,600
	\$ 600,762	\$ 539,041

The amount of inventories recognized as an expense during the period ended September 30, 2020 was \$7.7 million (September 30, 2019 - \$8.8 million).

The amount of write-down of inventories to net realizable value during the nine months ended September 30, 2020 was \$nil (September 30, 2019 - \$0.01 million) relating to concentrate inventory.

IMPACT Silver Corp.

Notes to the Condensed Consolidated Interim Financial Statements

September 30, 2020

(Canadian dollars)

Unaudited

5. Right-of-use assets

Details are as follows:

	<u>Land</u>
Balance at January 1, 2019	\$ -
Initial adoption of IFRS 16	63,600
Additions	161,008
Remeasurements	(10,428)
Amortization	(58,131)
Foreign exchange movement	(193)
Balance at December 31, 2019	155,856
Additions	20,963
Amortization	(84,013)
Foreign exchange movement	(6,733)
Balance at September 30, 2020	\$ 86,073

6. Lease Liabilities

Details are as follows:

Balance at January 1, 2019	\$ -
Initial adoption of IFRS 16	
Future aggregate minimum lease payments of operating leases	70,012
Discounted using the incremental borrowing rate	(8,292)
Lease liabilities on initial application of IFRS 16	61,720
Interest	5,895
Repayments	(61,256)
Additions	161,008
Remeasurements	(10,428)
Foreign exchange movement	(335)
Balance at December 31, 2019	156,604
Interest	6,128
Repayments	(84,131)
Additions	20,963
Foreign exchange movement	(6,885)
Balance at September 30, 2020	92,679
Less: current portion	75,352
Non-current lease liabilities	\$ 17,327

The Company's leased assets are for office leases and land. The lease liabilities were discounted at the Company's incremental borrowing rate. The weighted average rate applied at January 1, 2019 was 8.0%. Operating lease expenses relating to short-term and low-value leases not included in the measurement of lease obligations for the nine months ended September 30, 2020 was \$62,783.

IMPACT Silver Corp.

Notes to the Condensed Consolidated Interim Financial Statements

September 30, 2020

(Canadian dollars)

Unaudited

6. Lease Liabilities - continued

The expected timing of undiscounted lease payments at September 30 is as follows:

	2020	2019
Less than one year	\$ 79,458	\$ 79,409
One to five years	17,753	79,307
	\$ 97,211	\$ 158,806

7. Property, plant and equipment

Details are as follows:

	Plant and mine equipment (\$)	Vehicles (\$)	Office furniture and equipment (\$)	Surface rights (\$)	Mining Assets (\$)	Total (\$)
Cost						
Balance at January 1, 2019	9,884,164	492,481	228,999	1,140,522	30,016,247	41,762,413
Additions	-	-	37,118	-	661,205	698,323
Transfers	-	-	-	-	315,996	315,996
Disposals	-	-	(57,315)	-	(1,826,883)	(1,884,198)
Change in reclamation estimate	-	-	-	-	101,675	101,675
Foreign exchange movement	(84,849)	(4,256)	(1,053)	(9,858)	(233,412)	(333,428)
Balance at December 31, 2019	9,799,315	488,225	207,749	1,130,664	29,034,828	40,660,781
Additions	44,035	55,684	31,427	-	650,642	781,788
Foreign exchange movement	(1,217,579)	(61,082)	(15,241)	(141,457)	(3,252,967)	(4,688,326)
Balance at September 30, 2020	8,625,771	482,827	223,935	989,207	26,432,503	36,754,243
Accumulated amortization						
Balance at January 1, 2019	6,461,924	409,465	193,948	-	12,709,820	19,775,157
Amortization for the period	566,258	17,718	14,225	-	895,953	1,494,154
Disposals	-	-	(52,797)	-	(1,298,424)	(1,351,221)
Foreign exchange movement	(56,599)	(3,574)	(873)	-	(99,969)	(161,015)
Balance at December 31, 2019	6,971,583	423,609	154,503	-	12,207,380	19,757,075
Amortization for the period	299,632	15,153	18,979	-	710,236	1,044,000
Foreign exchange movement	(878,917)	(53,508)	(13,263)	-	(1,317,707)	(2,263,395)
Balance at September 30, 2020	6,392,298	385,254	160,219	-	11,599,909	18,537,680
Net book value						
At December 31, 2019	2,827,732	64,616	53,246	1,130,664	16,827,448	20,903,706
At September 30, 2020	2,233,473	97,573	63,716	989,207	14,832,594	18,216,563

IMPACT Silver Corp.

Notes to the Condensed Consolidated Interim Financial Statements

September 30, 2020

(Canadian dollars)

Unaudited

8. Exploration and evaluation assets

Balance at January 1, 2019	\$	23,605,588
Additions		1,237,512
Transfers to mining assets		(315,996)
Write-down		(2,321,340)
Foreign exchange		(133,976)
Balance at December 31, 2019		22,071,788
Additions		520,734
Foreign exchange		(2,078,533)
Balance at September 30, 2020	\$	20,513,989

9. 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 nine months ended September 30 is as follows:

	2020		2019	
Salaries and fees	\$	504,099	\$	310,015

10. Expenses by nature

The following table details the nature of operating expenses as at:

	Three months ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
Production costs	\$ 1,422,954	\$ 1,378,246	\$ 3,998,660	\$ 4,484,553
Administration	92,530	107,753	236,634	291,194
Transportation	111,481	97,845	325,889	323,538
Wages and salaries	1,086,513	1,210,734	3,133,355	3,686,993
	\$ 2,713,478	\$ 2,794,578	\$ 7,694,538	\$ 8,726,278

IMPACT Silver Corp.

Notes to the Condensed Consolidated Interim Financial Statements

September 30, 2020

(Canadian dollars)

Unaudited

11. Equity

a) Share capital

Authorised share capital consists of an unlimited number of common shares without par value.

On August 20, 2020, the Company completed a brokered private placement for aggregate gross proceeds of \$9.5 million from the issuance of 10,049,096 units of the Company at \$0.95 per unit. Each unit consists of one common share and one-half share purchase warrant, each whole purchase warrant exercisable into one common share at a price of \$1.30 for a period of 24 months from the date of issuance. The shares and warrants are subject to a hold period of four months expiring on December 21, 2020. The Company paid cash commissions of 6% of the gross proceeds from certain subscribers in the private placement and the agents were granted, and subscribed for, an aggregate of 598,089 broker warrants entitling the holder to acquire one unit at a price of \$0.95 per unit.

On April 16, 2020, the Company closed a non-brokered private placement for 6,666,634 units of the Company at a price of \$0.30 per unit for gross proceeds of \$2.0 million. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one common share at a price of \$0.385 until April 16, 2023.

On August 12, 2019, the Company closed a non-brokered private placement which was completed in four tranches. The private placement raised aggregate gross proceeds of \$4.9 million by issue of 7,500,000 series 1 units at a price of \$0.26 per unit and 10,344,827 series 2 units at a price of \$0.29 per unit. Each series 1 unit consists of one common share and one warrant. Each series 1 warrant entitles the holder to purchase one common share at a price of \$0.30 per common share for a period of 36 months from the date of issuance. Each series 2 unit consists of one common share and one warrant. Each series 2 warrant entitles the holder to purchase one common share at a price of \$0.385 per common share for a period of 36 months from the date of issuance.

- On July 5, 2019, a total of 4,752,770 series 1 units were issued for aggregate gross proceeds of \$1.2 million.
- On July 24, 2019, a total of 2,747,230 series 1 units were issued for aggregate gross proceeds of \$0.7 million.
- On August 2, 2019, a total of 8,433,759 series 2 units were issued for aggregate gross proceed of \$2.4 million.
- On August 12, 2019, a total of 1,911,068 series 2 units were issues for aggregate gross proceeds of \$0.6 million.

On January 18, 2019, the Company closed the second tranche of a non-brokered private placement which commenced in 2018. The private placement raised aggregate gross proceeds of \$1.7 million by issue of 6,453,253 units at a price of \$0.27 per unit. Each unit consists of one common share and one warrant. Each warrant entitles the holder to purchase one common share at a price of \$0.35 per common share for a period of 24 months from the date of issuance.

- On November 30, 2018, a total of 2,031,500 units were issued for aggregate gross proceeds of \$0.5 million.
- On January 18, 2019, a total of 4,421,753 units were issued for aggregate gross proceeds of \$1.2 million

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.

IMPACT Silver Corp.

Notes to the Condensed Consolidated Interim Financial Statements

September 30, 2020

(Canadian dollars)

Unaudited

11. Equity – continued

b) Stock Options - continued

A summary of the Company's stock options as at September 30, 2020 and the changes for the periods ended on these dates is as follows:

	Number	Weighted Average Exercise Price (\$)
At January 1, 2019	4,710,000	0.64
Granted	2,000,000	0.36
Expired	(1,210,000)	0.55
Forfeited	(315,000)	0.66
At December 31, 2019	5,185,000	0.55
Exercised	(455,000)	0.35
Forfeited	(30,000)	0.98
At September 30, 2010	4,700,000	0.57

The following table summarizes information about the stock options outstanding at September 30, 2020:

Exercise Price Per Share	Number of Options Outstanding	Weighted Average Remaining Life (Years)	Number of Options Exercisable	Expiry Date
\$0.98	1,595,000	0.82	1,595,000	July 27, 2021
\$0.35	1,225,000	1.97	1,225,000	September 20, 2022
\$0.36	1,880,000	4.07	1,880,000	October 24, 2024
	4,700,000	2.42	4,700,000	

c) Warrants

A summary of the Company's warrants as at September 30, 2020 and the changes for the periods ended on these dates is as follows:

	Number	Weighted Average Exercise Price (\$)
At January 1, 2019	6,417,465	0.73
Issued	22,266,580	0.35
Exercised	(397,425)	0.35
Expired	(4,385,965)	0.90
At December 31, 2019	23,900,655	0.35
Issued	11,691,159	0.78
Exercised	(4,883,696)	0.36
At September 30, 2020	30,708,118	0.51

IMPACT Silver Corp.

Notes to the Consolidated Financial Statements

September 30, 2020

(Canadian dollars)

Unaudited

11. Equity – continued

c) Warrants - continued

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	Nov 30 2018	Jan 18 2019	July 5 2019	July 24 2019	Aug 2 2019	Aug 12 2019
Expiry Date	Nov 30 2020	Jan 18 2021	July 5 2022	July 24 2022	Aug 2 2022	Aug 12 2022
Number of warrants granted	2,031,500	4,421,753	4,752,770	2,747,230	8,433,759	1,911,068
Risk-free interest rate	2.14%	1.93%	1.69%	1.51%	1.41%	1.39%
Expected dividend yield	Nil	Nil	Nil	Nil	Nil	Nil
Expected share price volatility	82.37%	82.07%	72.93%	74.32%	75.39%	75.81%
Expected warrant life in years	1.5	1.5	1.5	1.5	1.5	1.5

Date Granted	April 16 2020	Aug 20 2020
Expiry Date	April 16 2023	Aug 20 2022
Number of warrants granted	6,666,634	5,024,525
Risk-free interest rate	0.34%	0.26%
Expected dividend yield	Nil	Nil
Expected share price volatility	79.48%	89.00%
Expected warrant life in years	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.

IMPACT Silver Corp.

Notes to the Consolidated Financial Statements

September 30, 2020

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Unaudited

11. Equity – continued

d) Earnings per share

Details of the calculation of loss per share are set out below for:

	Three months ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
Net income (loss) attributable to shareholders	\$ 927,842	\$ (202,533)	\$ 642,649	\$ (3,934,295)
Weighted average number of shares outstanding - Basic	126,368,751	104,885,986	121,084,927	96,080,505
Warrants	15,975,402	-	10,889,957	-
Stock options	1,930,696	-	1,315,560	-
Weighted average number of shares outstanding - Diluted	144,274,850	104,885,986	133,290,445	96,080,505
Income (loss) per share - basic				
Basic	\$ 0.01	\$ 0.00	\$ 0.01	\$ (0.04)
Diluted	\$ 0.01	\$ 0.00	\$ 0.00	\$ (0.04)

12. Segmented information

The Company has one operating segment and two reportable segments based on geographic area:

- i) Mexico – This part of the business includes the Company’s mining operations and exploration properties
- ii) Canada – This part of the business includes head office and group services

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	
	2020	2019	2020	2019
Revenues by geographic area				
Mexico	\$ 4,773,965	\$ 3,536,801	\$ 11,030,028	\$ 9,285,159
Net income (loss) by geographic area				
Mexico	\$ 1,482,630	\$ 243,988	\$ 2,034,542	\$ (2,801,668)
Canada	(554,788)	(446,521)	(1,391,893)	(1,132,627)
	\$ 927,842	\$ (202,533)	\$ 642,649	\$ (3,934,295)

IMPACT Silver Corp.

Notes to the Condensed Consolidated Interim Financial Statements

September 30, 2020

(Canadian dollars)

Unaudited

12. Segmented information - continued

	September 30, 2020	December 31, 2019
Assets by geographical area		
Mexico	\$ 43,482,656	\$ 46,313,779
Canada	15,108,774	3,641,114
	\$ 58,592,430	\$ 49,954,893
Property, plant and equipment by geographical area		
Mexico	\$ 18,168,733	\$ 20,867,360
Canada	47,830	36,346
	\$ 18,216,563	\$ 20,903,706

13. Subsequent Event

Subsequent to the end of the quarter, the Company entered into an option agreement with Red Oak Mining Corp. ("Red Oak") on the Nuevo Taxco Project. Red Oak can earn a 100% interest in the property by making certain staged payments to the Company over three years, (total payments of \$300,000 and issuance of 3.5 million shares of Red Oak), and by incurring exploration expenditures of \$1.4 million over the period. The Company will retain a 1% net smelter return on the project that Red Oak may buy back for \$1.0 million. The transaction is subject to TSX Venture Exchange approval.
