

IMPACT SILVER CORP.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

September 30, 2019 and 2018

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, 2019	December 31, 2018
Current		
Cash	\$ 4,361,309	\$ 1,234,427
Trade and other receivables (Note 4)	1,331,582	1,117,763
Inventories (Note 5)	660,352	748,364
Investments	2,750	4,000
	6,355,993	3,104,554
Value added and other taxes receivable	661,746	667,373
Right-of-use assets (Note 6)	145,372	-
Property, plant and equipment (Note 8)	20,666,678	21,987,256
Exploration and evaluation assets (Note 9)	22,425,215	23,605,588
	\$ 50,255,004	\$ 49,364,771
LIABILITIES		
Current		
Trade payables and accrued liabilities	\$ 2,660,520	\$ 2,813,404
Lease liabilities (Note 7)	69,181	-
	2,729,701	2,813,404
Lease liabilities (Note 7)	79,305	-
Reclamation provision	349,950	339,700
Deferred income tax liabilities	4,816,868	4,876,984
	7,975,824	8,030,088
SHAREHOLDERS' EQUITY		
Share capital	63,949,390	60,082,587
Warrants (Note 12(c))	2,193,199	1,061,916
Contributed surplus	7,213,998	6,240,620
Accumulated other comprehensive loss	(5,714,878)	(4,626,026)
Accumulated deficit	(25,362,529)	(21,424,414)
	42,279,180	41,334,683
	\$ 50,255,004	\$ 49,364,771

Nature of operations and going concern (Note 1)

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 and Nine Months Ended September 30

Canadian dollars

Unaudited

	Three months ended September 30		Nine months ended September 30	
	2019	2018	2019	2018
Revenues	\$ 3,536,801	\$ 3,094,750	\$ 9,285,159	\$ 10,079,590
Cost of sales				
Operating expenses (Note 11)	2,794,578	4,020,191	8,786,278	11,367,220
Amortization and depletion	384,001	404,156	1,186,596	1,200,948
	<u>3,178,579</u>	<u>4,424,347</u>	<u>9,972,874</u>	<u>12,568,168</u>
Mine operating earnings (loss)	<u>358,222</u>	<u>(1,329,597)</u>	<u>(687,715)</u>	<u>(2,488,578)</u>
General and administrative expenses				
Accounting, audit and legal	34,550	38,639	120,997	120,480
Amortization	11,944	4429	19,090	13,211
Investor relations, promotion and travel	203,951	13,163	321,271	58,703
Management fees and consulting	40,432	40,209	152,836	142,664
Office, rent, insurance and sundry	70,032	50,949	202,549	192,900
Office salaries and services	136,885	159,795	470,337	490,799
Share-based payments (Note 12(b))	-	-	-	(18,459)
	<u>497,794</u>	<u>307,184</u>	<u>1,287,080</u>	<u>1,000,298</u>
Operating loss	<u>(139,572)</u>	<u>(1,636,781)</u>	<u>(1,974,795)</u>	<u>(3,488,876)</u>
Other income (expenses)				
Finance cost	(8,402)	(7,710)	(25,175)	(22,697)
Finance income	14,139	5,242	20,038	26,522
Foreign exchange (loss) gain	12,448	(226,839)	(93,750)	(273,326)
Other income	(3,927)	4,685	(25,517)	(8,942)
Write-down of property, plant and equipment	(4,518)	-	(4,518)	-
Write-down of exploration and evaluation assets	-	-	(1,709,443)	-
	<u>9,740</u>	<u>(224,622)</u>	<u>(1,838,365)</u>	<u>(278,443)</u>
Loss before taxes	<u>(129,832)</u>	<u>(1,861,403)</u>	<u>(3,813,160)</u>	<u>(3,767,319)</u>
Current income tax (recovery) expense	27,670	5,501	27,670	25,671
Deferred income tax (recovery) expense	45,031	(417,709)	93,465	(817,454)
Net loss	<u>(202,533)</u>	<u>(1,449,195)</u>	<u>(3,934,295)</u>	<u>(2,975,536)</u>
Loss per share – Basic and Diluted (Note 12(d))	\$ 0.00	\$ (0.02)	\$ (0.04)	\$ (0.03)
Weighted average number of shares outstanding – Basic and Diluted	104,885,986	85,566,840	96,080,505	85,566,840

-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	
	2019	2018	2019	2018
Net loss	\$ (202,533)	\$ (1,449,195)	\$ (3,934,295)	\$ (2,975,536)
Other comprehensive (loss) income				
Items that may be subsequently reclassified to profit or loss				
Cumulative translation adjustment	(534,284)	1,295,985	(1,087,602)	2,750,646
Items that will not be subsequently reclassified to profit or loss				
Gain (loss) on investments	(500)	2,635	(1,250)	58,888
Comprehensive loss	\$ (737,317)	\$ (150,575)	\$ (5,023,147)	\$ (166,002)

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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 (\$)	Warrants (\$)	Contributed Surplus (\$)	Accumulated Other Comprehensive Income (\$)	Retained Deficit (\$)	Total Shareholders' Equity (\$)
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	-	-	-	-	-	(2,975,536)	(2,975,536)
Share-based compensation recovery	-	-	-	(18,459)	-	-	(18,459)
Cumulative translation adjustments	-	-	-	-	2,750,646	-	2,750,646
Gain on investments	-	-	-	-	58,888	-	58,888
Balance at September 30, 2018	85,566,840	59,651,422	973,378	6,240,620	(4,729,229)	(19,337,018)	42,799,173
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	397,425	164,978	(25,879)	-	-	-	139,099
Warrants issued in relation to private placements	-	(2,130,540)	2,130,540	-	-	-	-
Warrants expired	-	-	(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

- 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	
	2019	2018	2019	2018
Operating activities				
Net loss	\$ (202,533)	\$ (1,449,195)	\$ (3,934,295)	\$ (2,975,536)
Items not affecting cash				
Amortization and depletion	295,945	408,585	1,205,683	1,214,159
Share-based payments recovery	-	-	-	(18,459)
Deferred income tax (recovery) expense	45,031	(417,709)	93,465	(817,454)
Accretion expense	7,261	7,710	22,131	22,697
Write-down of inventory	9,866	39,242	14,874	160,679
Write-down of exploration and evaluation assets	-	-	1,709,443	-
Write-down of property, plant and equipment	4,518	-	4,518	-
Unrealized gain on foreign exchange	(15,241)	48,707	(22,580)	37,934
Changes in non-cash working capital				
Trade and other receivables	(104,816)	71,460	(302,693)	678,863
Income taxes receivable	(309)	-	(346)	(27,921)
Inventories	(114,572)	221,845	48,812	11,400
Trade payables	(357,998)	(436,910)	113,483	(423,573)
Income taxes payable	27,670	5,396	27,670	42,860
	(305,178)	(1,500,869)	(1,009,835)	(2,094,351)
Investing activities				
Proceeds on sale of investments	-	125,980	-	527,937
Acquisition of property, plant and equipment	(170,535)	(405,822)	(534,490)	(1,160,862)
Exploration and evaluation asset expenditures	(300,855)	(455,015)	(782,591)	(1,290,062)
	(471,390)	(734,857)	(1,317,081)	(1,922,987)
Financing activities				
Repayment of lease liability	(15,699)	-	(25,815)	-
Proceeds from exercise of warrants	139,098	-	139,098	-
Proceeds from private placement, net	4,204,448	-	5,340,515	-
	4,327,847	-	5,453,798	-
Net change in cash	3,551,279	(2,235,726)	3,126,882	(4,017,338)
Cash - Beginning of period	810,030	2,931,968	1,234,427	4,713,580
Cash - End of period	\$ 4,361,309	\$ 696,242	\$ 4,361,309	\$ 696,242

-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, 2019

(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, 2019, the Company incurred a net loss of \$3.9 million and cash outflows from operating activities of \$1.0 million. At September 30, 2019, the Company had unrestricted cash of \$4.4 million, current assets of \$6.4 million and working capital of \$3.6 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 2019 and may affect the Company’s ability to cover its working capital and capital investments.

The Company’s management continues 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 a private placement, there can be no assurance that management will continue to be successful in its efforts to finance all the activities of the Company in the future 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. These adjustments could be material.

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, 2018, except as described in Note 3.

IMPACT Silver Corp.

Notes to the Condensed Consolidated Interim Financial Statements

September 30, 2019

(Canadian dollars)

Unaudited

2. Basis of Preparation – continued

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, 2018.

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 22, 2019.

3. Significant accounting policies

Change in accounting policies

IFRS 16 - Leases

In January 2016, the IASB issued IFRS 16 which sets out the principles for the recognition, measurement, presentation and disclosure of leases. IFRS 16 replaces IAS 17 – Leases and its associated interpretative guidance. The new standard applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces a single, on-balance sheet accounting model with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice. IFRS 16 is effective for annual periods beginning on or after January 1, 2019 and must be applied retrospectively.

The Company has applied IFRS 16 using the modified retrospective approach with the cumulative impact of application recognized as at January 1, 2019. The Company has elected to measure right-of-use assets at an amount equal to their carrying amount from commencement date discounted by the incremental borrowing rate at the date of initial application. Certain practical expedients were applied allowing for the exclusion of leases with a term of less than one year remaining at the transition date and using a single discount rate for a portfolio of leases with similar characteristics.

Policy applicable from January 1, 2019

At inception of a contract, the Company assesses whether a contract is or contains a lease. A contract is or contains a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company recognizes a right-of-use asset and a lease liability at the commencement date of a lease. The right-of-use asset is measured at cost, which is comprised of:

- The initial measurement of the lease liability
- Lease payments made at or before the commencement date less lease incentives
- Initial direct costs incurred
- Decommissioning costs

The right-of-use asset is depreciated using the straight-line method over the earlier of the term of the lease or the useful life of the asset determined on the same basis as the Company’s property, plant and equipment.

IMPACT Silver Corp.

Notes to the Condensed Consolidated Interim Financial Statements

September 30, 2019

(Canadian dollars)

Unaudited

3. Significant accounting policies - continued

The lease liability is initially measured at the present value of lease payments remaining at the lease commencement date, discounted using either the implicit rate of the lease or the Company's incremental borrowing rate when the implicit rate cannot readily be determined. Lease payments included in the measurement of the lease liability are comprised of:

- Fixed payments
- Variable payments linked to an index or rate
- Expected payments for residual value guarantee
- Purchase option, extension option or termination option when the Company is reasonably certain to exercise

The lease liability is subsequently measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of twelve months or less and leases of low-value assets. The lease payments associated with these leases are expensed on a straight-line basis over the term of the lease.

4. Trade and other receivables

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

	September 30, 2019	December 31, 2018
Value added taxes receivable – current portion	\$ 187,717	\$ 356,579
Trade and other receivables	769,939	501,819
Prepays	373,926	259,365
	<u>\$ 1,331,582</u>	<u>\$ 1,117,763</u>

IMPACT Silver Corp.

Notes to the Condensed Consolidated Interim Financial Statements

September 30, 2019

(Canadian dollars)

Unaudited

5. Inventories

The following table details the composition of inventories at:

	September 30, 2019	December 31, 2018
Materials and supplies	\$ 283,249	\$ 415,118
Stockpile inventory	33,327	14,024
Concentrate inventory	343,776	319,222
	<u>\$ 660,352</u>	<u>\$ 748,364</u>

The amount of inventories recognized as an expense during the period ended September 30, 2019 was \$8.8 million (September 30, 2018 - \$11.4 million).

The amount of write-down of inventories to net realizable value during the period ended September 30, 2019 was \$0.01 million (September 30, 2018 - \$0.2 million) relating to concentrate inventory.

6. Right-of-use assets

Details are as follows:

	Land and Buildings
Balance at December 31, 2018	\$ -
Initial adoption of IFRS 16	63,600
Additions	120,008
Remeasurements	(6,069)
Amortization	(31,011)
Foreign exchange movement	(1,156)
Balance at September 30, 2019	<u>\$ 145,372</u>

IMPACT Silver Corp.

Notes to the Condensed Consolidated Interim Financial Statements

September 30, 2019

(Canadian dollars)

Unaudited

7. Lease Liabilities

Details are as follows:

Balance at December 31, 2018	\$ -
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	3,044
Repayments	(28,859)
Additions	120,008
Remeasurements	(6,069)
Foreign exchange movement	(1,358)
Balance at September 30, 2019	148,486
Less: current portion	69,181
Non-current lease liabilities	\$ 79,305

The Company's leased assets are for land and buildings. The lease liabilities were discounted at the Company's incremental borrowing rate. The weighted average rate applied at January 1, 2019 was 8.0% for Mexican leases and 5% for Canadian leases. Operating lease expense relating to short-term and low-value leases not included in the measurement of lease obligations for the nine months ended September 30, 2019 was \$74,888.

The expected timing of undiscounted lease payments at September 30, 2019 is as follows:

Less than one year	\$ 79,409
One to five years	79,397
	\$ 158,806

IMPACT Silver Corp.

Notes to the Condensed Consolidated Interim Financial Statements

September 30, 2019

(Canadian dollars)

Unaudited

8. 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, 2018	9,079,150	452,611	214,850	1,048,190	26,735,744	37,530,545
Additions	11,168	-	4,669	-	1,279,380	1,295,217
Change in reclamation estimate	-	-	-	-	(93,159)	(93,159)
Foreign exchange movement	793,846	39,870	9,480	92,332	2,094,282	3,029,810
Balance at December 31, 2018	9,884,164	492,481	228,999	1,140,522	30,016,247	41,762,413
Additions	-	-	35,772	-	485,310	521,082
Disposals	-	-	(57,315)	-	-	(57,315)
Foreign exchange movement	(325,254)	(16,316)	(4,035)	(37,787)	(894,752)	(1,278,144)
Balance at September 30, 2019	9,558,910	476,165	203,421	1,102,735	29,606,805	40,948,036
Accumulated amortization						
Balance at January 1, 2018	5,310,718	356,512	174,384	-	10,737,830	16,579,444
Amortization for the period	667,015	20,885	11,864	-	1,151,652	1,851,416
Foreign exchange movement	484,191	32,068	7,700	-	820,338	1,344,297
Balance at December 31, 2018	6,461,924	409,465	193,948	-	12,709,820	19,775,157
Amortization for the period	430,444	13,320	10,723	-	723,606	1,178,093
Disposals	-	-	(52,797)	-	-	(52,797)
Foreign exchange movement	(225,031)	(13,965)	(3,434)	-	(376,665)	(619,095)
Balance at September 30, 2019	6,667,337	408,820	148,440	-	13,056,761	20,281,358
Net book value						
At December 31, 2018	3,422,240	83,016	35,051	1,140,522	17,306,427	21,987,256
At September 30, 2019	2,891,573	67,345	54,981	1,102,735	16,550,044	20,666,678

9. Exploration and evaluation assets

Balance at January 1, 2018	\$	20,722,197
Additions		1,479,732
Foreign exchange		1,403,659
Balance at December 31, 2018	\$	23,605,588
Additions		1,070,853
Write-down		(1,709,443)
Foreign exchange		(541,783)
Balance at September 30, 2019	\$	22,425,215

The amount of write-down of exploration and evaluation assets during the nine months ended September 30, 2019 was \$1,709,443 (September 30, 2018 - \$nil), which relates to concessions that were abandoned.

IMPACT Silver Corp.

Notes to the Condensed Consolidated Interim Financial Statements

September 30, 2019

(Canadian dollars)

Unaudited

10. 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:

	2019		2018	
Salaries and fees	\$	310,015	\$	181,375
Share-based compensation		-		(10,917)
	\$	310,015	\$	170,458

11. Expenses by nature

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

	Three months ended September 30		Nine months ended September 30	
	2019	2018	2019	2018
Production costs	\$ 1,378,246	\$ 2,269,143	\$ 4,484,553	\$ 6,213,168
Administration	107,753	149,530	291,194	477,178
Transportation	97,845	141,860	323,538	444,359
Wages and salaries	1,210,734	1,459,658	3,686,993	4,232,515
	\$ 2,794,578	\$ 4,020,191	\$ 8,786,278	\$ 11,367,220

12. Equity

a) Share capital

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

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 \$4,950,000 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 \$1,235,720.
- On July 24, 2019, a total of 2,747,230 series 1 units were issued for aggregate gross proceeds of \$714,280.
- On August 2, 2019, a total of 8,433,759 series 2 units were issued for aggregate gross proceeds of \$2,445,790.
- On August 12, 2019, a total of 1,911,068 series 2 units were issues for aggregate gross proceeds of \$554,210.

IMPACT Silver Corp.

Notes to the Condensed Consolidated Interim Financial Statements

September 30, 2019

(Canadian dollars)

Unaudited

12. Equity - continued

a) Share capital - continued

On January 18, 2019, the Company closed a non-brokered private placement which was completed in two tranches. The private placement raised aggregate gross proceeds of \$1,742,378 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 \$548,505.
- On January 18, 2019, a total of 4,421,753 units were issued for aggregate gross proceeds of \$1,193,873.

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.

The total fair value of share-based payment expense on stock options granted to employees and consultants of the Company for the six months ended September 30, 2019 is \$nil (September 30, 2018 – recovery of \$18,459).

A summary of the Company's stock options as at September 30, 2019 and the changes for the periods ended on these dates is as follows:

	Number	Weighted Average Exercise Price (\$)
At January 1, 2018	6,745,000	0.80
Expired	(1,935,000)	1.20
Forfeited	(100,000)	0.67
At December 31, 2018	4,710,000	0.64
Expired	(1,210,000)	0.55
Forfeited	(100,000)	0.67
At September 30, 2019	3,400,000	0.67

The following table summarizes information about the stock options outstanding at September 30, 2019:

Exercise Price Per Share	Number of Options Outstanding	Weighted Average Remaining Life (Years)	Number of Options Exercisable	Expiry Date
\$0.98	1,730,000	1.82	1,730,000	July 27, 2021
\$0.35	1,670,000	2.98	1,670,000	September 20, 2022
	3,400,000	2.39	3,400,000	

IMPACT Silver Corp.

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(Canadian dollars)

Unaudited

c) Warrants

A summary of the Company's warrants as at September 30, 2019 and the changes for the periods ended on these dates is as follows:

	Number	Weighted Average Exercise Price (\$)
At January 1, 2018	4,385,965	0.90
Issued	2,031,500	0.35
At December 31, 2018	6,417,465	0.73
Issued	22,266,580	0.35
Exercised	(397,425)	0.35
Expired	(4,385,965)	0.90
At September 30, 2019	23,900,655	0.35

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

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.

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12. Equity – continued

d) Loss 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	
	2019	2018	2019	2018
Net loss attributable to shareholders	\$ (202,533)	\$ (1,449,195)	\$ (3,934,295)	\$ (2,975,536)
Weighted average number of shares outstanding - Basic and diluted	104,885,986	85,566,840	96,080,505	85,566,840
Loss per share – Basic and diluted	0.00	(0.02)	(0.04)	(0.03)

13. Segmented information

The Company has one operating segment and two reportable segments based on geographic area: Mexico, 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	
	2019	2018	2019	2018
Revenues by geographic area				
Mexico	\$ 3,536,801	\$ 3,094,750	\$ 9,285,159	\$ 10,079,590
Net income (loss) by geographic area				
Mexico	\$ 243,988	\$ (1,206,328)	\$ (2,801,668)	\$ (2,192,366)
Canada	(446,521)	(242,867)	(1,132,627)	(783,170)
	\$ (202,533)	\$ (1,449,195)	\$ (3,934,295)	\$ (2,975,536)

IMPACT Silver Corp.

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(Canadian dollars)

Unaudited

13. Segmented information - continued

	September 30, 2019	December 31, 2018
Assets by geographical area		
Mexico	\$ 46,008,469	\$ 48,449,366
Canada	4,246,535	915,405
	<u>\$ 50,255,004</u>	<u>\$ 49,364,771</u>
Property, plant and equipment by geographical area		
Mexico	\$ 20,628,552	\$ 21,974,167
Canada	38,126	13,089
	<u>\$ 20,666,678</u>	<u>\$ 21,987,256</u>

14. Subsequent event

Subsequent to the end of the quarter the Company granted 2.0 million stock options to directors, officers and employees. The options are exercisable on or before October 25, 2024 at a price of \$0.36 per share.