

IMPACT Minerals International Inc.
(A Development Stage Company)
Interim Consolidated Financial Statements
September 30, 2004 and 2003
Unaudited

NOTICE

These interim consolidated financial statements for the nine months ended September 30, 2004 of IMPACT Minerals International Inc. have been prepared by management and have not been subject to review by the Company's auditors.

Interim Consolidated Balance Sheet

As at
Canadian Funds
Unaudited

ASSETS	September 30, 2004	September 30, 2003	December 31, 2003
Current			
Cash and term deposits	\$ 176,327	\$ 6,710	\$ 4,377
GST receivable and prepaid expenses	15,283	5,429	4,830
	<u>191,610</u>	12,139	9,207
Property, plant and equipment	2,683	-	-
Resource Properties - Schedule (Note 3)	<u>1,098,599</u>	928,999	933,744
	<u>\$ 1,292,892</u>	<u>\$ 941,138</u>	<u>\$ 942,951</u>
LIABILITIES			
Current			
Accounts payable	\$ 64,734	\$ 5,069	\$ 6,000
Due to parent company (Note 4)	27,264	50,157	66,065
	<u>91,998</u>	55,226	72,065
SHAREHOLDERS' EQUITY			
Share Capital (Note 5,6)	5,929,067	5,369,504	5,403,750
Deficit - Statement 2	<u>(4,728,173)</u>	(4,483,592)	(4,532,864)
	<u>1,200,894</u>	885,912	870,886
	<u>\$ 1,292,892</u>	<u>\$ 941,138</u>	<u>\$ 942,951</u>

ON BEHALF OF THE BOARD:

"F.W. Davidson" _____, Director

"H.W. Sellmer" _____, Director

Interim Consolidated Statement of Loss and Deficit

Canadian Funds
Unaudited

	Three Months Ended September 30		Nine Months Ended September 30	
	2004	2003	2004	2003
Expenses				
Accounting, audit and legal	\$ 23,364	\$ 2,500	\$ 49,295	\$ 13,855
Amortization	340	-	340	-
Foreign exchange	-	(5)	633	4,748
Investor relations	12,010	90	14,682	2,990
Management fees and consulting	4,940	9,000	23,750	27,000
Office and sundry	1,407	155	2,696	2,331
Office salaries and services	2,571	659	8,568	4,488
Rent	750	750	2,250	2,250
Stock-based compensation expense (Note6)	28,385	-	72,258	-
Transfer agent and filing fees	1,819	655	13,748	9,338
Loss Before the Following	75,586	13,804	188,220	67,000
Other Expenses (Income)				
Interest Income	330	15	410	37
Write-off of resource properties	578	-	6,679	-
	908	15	7,089	37
Loss for the Period	76,494	13,819	195,309	67,037
Deficit - Beginning of period	4,651,679	4,469,773	4,532,864	4,416,555
Deficit - End of Period	\$ 4,728,173	\$ 4,483,592	\$ 4,728,173	\$ 4,483,592
Loss Per Share – Basic and diluted	\$ 0.01	\$ 0.00	\$ 0.02	\$ 0.01

-The accompanying notes form an integral part of these interim consolidated financial statements-

Interim Consolidated Statement of Cash Flows

Canadian Funds
Unaudited

Cash Resources Provided By (Used In)	Three Months Ended September 30		Nine Months Ended September 30	
	2004	2003	2004	2003
Operating Activities				
Loss for the period	\$ (76,494)	\$ (13,819)	\$ (195,309)	\$ (67,037)
Items not affecting cash				
Amortization	340	-	340	-
Stock-based compensation expense	28,385	-	72,258	-
Write-off of resource properties	578	-	6,679	-
Changes in non-cash working capital	41,307	3,290	48,281	(2,569)
	<u>(5,884)</u>	<u>(10,529)</u>	<u>(67,751)</u>	<u>(69,606)</u>
Investing Activities				
Property, plant and equipment	(3,023)	-	(3,023)	-
Resource property costs	(104,171)	(3,689)	(149,534)	(8,268)
	<u>(107,194)</u>	<u>(3,689)</u>	<u>(152,557)</u>	<u>(8,268)</u>
Financing Activities				
Due to parent company	(18,853)	2,551	(38,801)	16,953
Share capital issued	9,250	-	431,059	-
	<u>(9,603)</u>	<u>2,551</u>	<u>392,258</u>	<u>16,953</u>
Net Increase (Decrease) in Cash	(122,681)	(11,667)	171,950	(60,921)
Cash position - Beginning of period	299,008	18,377	4,377	67,631
Cash Position - End of Period	\$ 176,327	\$ 6,710	\$ 176,327	\$ 6,710
Non-Cash Financing / Investing Activities				
Shares issued for resource properties	\$ 22,000	\$ -	\$ 22,000	\$ -
Stock-based compensation included in share capital	28,385	-	72,258	-
	<u>\$ 50,385</u>	<u>\$ -</u>	<u>\$ 94,258</u>	<u>\$ -</u>

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Interim Consolidated Schedule of Resource Property Costs

Canadian Funds
Unaudited

	Three Months Ended September 30 2004		Nine Months Ended September 30 2004	
		2003		2003
Proyectos Mineros, S.A. (PMSA) Concessions, Dominican Republic – (Notes 3 (b)(d))				
Deferred exploration costs				
Field administration	\$ -	\$ 704	\$ 1,321	\$ 1,901
Field expenses	-	229	57	392
Permits and fees	-	410	-	759
Vehicles	-	-	-	148
Wages and consulting	-	2,123	8,750	3,018
	-	3,466	10,128	6,218
Minera Monte Plata, S.A. (MMP) Concessions, Dominican Republic – (Notes 3(c))				
Deferred exploration costs				
Field administration	-	223	-	628
Permits and fees	-	-	-	422
Wages and consulting	-	-	-	1,000
	-	223	-	2,050
Zacualpan Concessions, Mexico – (Note 3(e))				
Acquisition cost	\$ 53,117	\$ -	\$ 57,227	\$ -
Deferred exploration costs				
Assaying	4,498	-	6,400	-
Field administration	145	-	631	-
Field expenses	13,901	-	15,460	-
Travel and accommodation	3,919	-	9,484	-
Vehicles	10,894	-	12,024	-
Wages and consulting	39,119	-	53,501	-
	72,476	-	97,500	-
	125,593	-	154,727	-
Other properties				
Deferred exploration costs				
Field expenses	248	-	294	-
Wages and consulting	330	-	6,385	-
	578	-	6,679	-
Write-off of resource properties	(578)	-	(6,679)	-
	-	-	-	-
Costs for the Period	125,593	3,689	164,855	8,268
Balance - Beginning of period	973,006	925,310	933,744	920,731
Balance - End of Period	\$ 1,098,599	\$ 928,999	\$ 1,098,599	\$ 928,999

-The accompanying notes form an integral part of these interim consolidated financial statements-

IMPACT Minerals International Inc.*(A Development Stage Company)***Notes to Interim Consolidated Financial Statements****September 30, 2004 and 2003***Canadian Funds*

1. Significant Accounting Policies**a) Basis of Presentation**

These interim financial statements follow the same accounting policies and methods of their application of the most recent annual financial statements. These financial statements should be read in conjunction with the audited financial statements as at December 31, 2003.

2. Fair Value of Financial Instruments

The Company's financial instruments consist of cash and term deposits, GST receivable, accounts payable and amounts due to parent company. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from the financial instruments. The carrying value of these financial instruments approximates their fair value due to their short-term maturity or capacity of prompt liquidation.

3. Resource Properties**a) Details are as follows:**

	Acquisition Costs	Exploration	Accumulated Write-Off	2004	2003
PMSA concessions	\$ 497,000	334,905	-	831,905	\$ 817,032
MMP concessions	85,000	26,967	-	111,967	111,967
Zacualpan concessions	57,227	97,500	-	154,727	-
Other properties	-	6,679	(6,679)	-	-
	\$ 639,227	466,051	(6,679)	1,098,599	\$ 928,999

b) PMSA

By various agreements dated October 22, 1996 to July 15, 1999 and effective August 20, 1999, the Company acquired 100% of the shares of the Dominican Republic registered company PMSA. PMSA has exploration concessions located in various parts of the Cordillera Oriental in the Dominican Republic, including the El Brujo concession.

The concessions are subject to a 1% NSR to a maximum of US \$1,000,000.

IMPACT Minerals International Inc.

(A Development Stage Company)

Notes to Interim Consolidated Financial Statements

September 30, 2004 and 2003

Canadian Funds

3. Resource Properties - continued

c) Jade Oil Corporation

By agreement dated July 15, 1999, the Company acquired 100% of the shares of the Canadian company, Jade Oil Corporation, which owns 100% of the shares of the Dominican Republic registered company, MMP. MMP holds the Baritina exploration concession located in the Cordillera Oriental in the Dominican Republic.

The concession is subject to a 1% NSR to a maximum of US\$1,000,000.

d) Option Agreement

By agreement dated January 2, 2002, the Company optioned to a third party certain concessions in the Dominican Republic. The third party, at its option, was to incur exploration expenditures of US\$1,000,000, US\$500,000 and US\$200,000 on the El Brujo, La Bruja and Rey Croesus concessions respectively, to earn a 51% interest in each concession. The La Bruja expenditures were to be made by March 2004, and El Brujo and Rey Croesus by October 2003.

In October 2003, the Company was advised that the third party did not meet the threshold expenditures prior to the expiry of its option, and as a result returned all the concessions to the Company.

e) Zacualpan Agreements

On June 14, 2004, the Company signed two option agreements with third parties in the Zacualpan Silver Mining District in Central Mexico.

The first option agreement is a three-year lease with an option to purchase mining leases and concessions, including the producing Cuchara Mine. Under terms of this agreement, the Company is required to make payments of US\$3,000 per month (US\$9,000 paid), and issue 100,000 shares per year (100,000 issued) to the third party, as well as incur work commitments totalling US\$1,000,000 over three years covering the properties in both agreements. The Company shall have the option at any time before the end of the third year to purchase 100% interest in the mining leases and concessions for US\$1,000,000.

The second is a three-year agreement for mining leases and concessions including the producing Alacran Mine, and a 500-tonne-per-day processing plant with associated facilities. The assets in this second agreement are presently under lease by a third party, and the Company has an option to purchase all the lease rights to the assets for US\$500,000.

4. Due to Parent Company

As at September 30, 2004, an amount of \$27,264 (2003 - \$50,157) was due to the parent company. Monies owed to the parent company are unsecured, non-interest bearing and without specific repayment terms. Management anticipates that the amount will be repaid within one year and accordingly it has been classified as current.

IMPACT Minerals International Inc.*(A Development Stage Company)***Notes to Interim Consolidated Financial Statements****September 30, 2004 and 2003***Canadian Funds***5. Share Capital**

- a) Details are as follows:

	Number		Amount
Authorized:			
100,000,000 common shares without par value			
20,000,000 non-voting preferred shares without par value			
Issued and outstanding:			
Balance – September 30, 2003	10,730,022	\$	5,369,504
Fair value of stock options issued	-		34,246
Balance - December 31, 2003	10,730,022		5,403,750
Fair value of stock options issued	-		72,258
Shares issued for cash	3,110,000		465,250
Shares issued for resource properties	100,000		22,000
Share issue costs	-		(34,191)
Balance – September 30, 2004	13,940,022	\$	5,929,067

- b) As at September 30, 2004, the Company has 375,000 shares in escrow. These shares may not be released without the consent of the regulatory authorities.
- c) In April 2004, the Company issued a private placement of 3.0 million units at a price of \$0.15 per unit, of which 393,334 units were sold to the parent company. Each unit consists of one common share and one share purchase warrant. One share purchase warrant entitles the holder to acquire one common share at a price of \$0.165 per share for 2.5 million units and \$0.185 per share for 500,000 units. The Company granted a further 214,166 warrants at \$0.165 as a finder's fee. All the warrants expire April 14, 2005.

6. Share Purchase Options

The Company has established a share purchase option plan whereby the board of directors may, from time to time, grant options to directors, officers, employees or consultants. Options granted must be exercised no later than five years from date of grant 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 1/2% every quarter thereafter.

- a) A summary of the Company's options at September 30, 2004 and the changes for the period are as follows:

Number Outstanding September 30, 2003	Issued	Exercised	Forfeited	Expired	Number Outstanding September 30, 2004	Exercise Price Per Share	Expiry Date
620,000	-	(10,000)	-	(10,000)	600,000	\$0.10	October 20, 2004
-	780,000	-	-	-	780,000	\$0.13	October 20, 2008
-	300,000	-	-	-	300,000	\$0.20	August 31, 2006
-	475,000	-	-	-	475,000	\$0.15	May 12, 2009
620,000	1,555,000	(10,000)	-	(10,000)	2,155,000	\$0.10 -\$0.15	October 20, 2004- May 12, 2009

IMPACT Minerals International Inc.*(A Development Stage Company)***Notes to Interim Consolidated Financial Statements****September 30, 2004 and 2003***Canadian Funds*

6. Share Purchase Options - continued

- i) In October 2003, the Company granted additional stock options under its Stock Option Plan to directors and employees exercisable for up to 780,000 shares of the Company, with an estimated value of \$98,457 on the grant date. The options are exercisable on or before October 20, 2008 at a price of \$0.13 per share.
 - ii) In May 2004, the Company granted additional stock options under its Stock Option Plan to directors and employees exercisable for up to 475,000 shares of the Company, with an estimated value of \$60,696 on the grant date. The options are exercisable on or before May 12, 2009 at a price of \$0.15 per share.
 - iii) In August 2004, the Company granted additional stock options under its Stock Option Plan to a consultant exercisable for up to 300,000 shares of the Company, with an estimated value of \$29,156 on the grant date. The options are exercisable on or before August 31, 2006 at a price of \$0.20 per share.
- b) The fair value of stock options used to calculate compensation for employees is estimated using the Black Scholes Option Pricing Model. The Company recognized a stock option expense and an increase to share capital of \$28,385 for the three months ended September 30, 2004 and \$72,258 for the nine months ended September 30, 2004, based on the following:

Number of options granted	780,000	475,000	300,000
Risk-free interest rate	4.14%	3.73%	2.97%
Expected dividend yield	NIL	NIL	NIL
Expected stock price volatility	191.6%	124.7%	117.251%
Expected option life in years	5	5	2

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.

7. Related Party Transactions

Except as disclosed elsewhere in these financial statements related party transactions are as follows:

- a) During the nine months ended September 30, 2004, fees in the amount of \$40,470 (2003 - \$27,000) were paid or accrued to three directors of the Company, of which \$26,940 is shown as management fees and consulting, and investor relations on the income statement, and \$13,530 is shown in mineral properties.
- b) During the nine months ended September 30, 2004, an administrative fee of \$1,321 (2003 - \$1,901) was paid to the parent company for management of the Company's exploration programs.
- c) In April 2004, as part of a private placement the Company sold 393,334 units to the parent company, at a price of \$0.15 per unit. Each unit consists of one common share and one share purchase warrant. One share purchase warrant entitles the holder to acquire one common share at a price of \$0.185 per share until April 14, 2005.

The above transactions, occurring in the normal course of operations, are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

IMPACT Minerals International Inc.*(A Development Stage Company)***Notes to Interim Consolidated Financial Statements****September 30, 2004 and 2003***Canadian Funds*

8. Management Agreements

The Company had entered into management and consulting agreements with two directors for fees totalling \$3,000 (\$1,500 each) per month until May 2004, and thereafter with one director for fees totalling \$1,500 per month. This agreement renews automatically on a month by month basis for one year unless otherwise terminated. Subsequent to the end of the quarter, this agreement was replaced (*Note 11(b)*).

9. Income Taxes

As of December 31, 2004, the Company had incurred non-capital losses for tax purposes of approximately \$345,000. They may be carried forward and used to reduce taxable income of future years. These losses expire as follows:

	Amount
2006	\$ 9,000
2007	117,000
2008	68,000
2009	103,000
2010	48,000
	<hr/> \$ 345,000

As of December 31, 2004, the Company had incurred certain exploration and development expenses of approximately \$2,453,000 which may be carried forward indefinitely.

The potential future tax benefits have not been recognized in these financial statements.

10. Segmented Information

The Company has one operating segment, which is the exploration and development of mineral properties. The Company's principal operations were primarily carried out in Canada, Dominican Republic and Mexico. All of the investment income is earned in Canada. Details are as follows:

Assets by geographic area	As at September 30, 2004	As at September 30, 2003	As at December 31, 2003
Caribbean	\$ 943,872	\$ 928,999	\$ 933,744
Mexico	154,727	-	-
Canada	194,293	12,139	9,207
	<hr/> \$ 1,292,892	\$ 941,138	\$ 942,951

IMPACT Minerals International Inc.*(A Development Stage Company)***Notes to Interim Consolidated Financial Statements****September 30, 2004 and 2003***Canadian Funds*

10. Segmented Information - continued

Net loss by geographic area

	Three Months Ended September 30		Nine Months Ended September 30	
	2004	2003	2004	2003
Mexico	\$ 578	\$ -	\$ 6,679	\$ -
Canada	75,916	13,819	188,630	67,037
	\$ 76,494	\$ 13,819	\$ 195,309	\$ 67,037

11. Subsequent Events

- a) Subsequent to the end of the quarter, the Company announced a private placement of 2,500,000 units at a price of \$0.30 per unit, each unit consisting of one share and one share purchase warrant. One share purchase warrant entitles the holder to acquire one common share at a price of \$0.30 per share in the first year and \$0.35 per share in the second year. The private placement is subject to regulatory approval.
 - b) On November 1, 2004, the Company entered into a management agreement with one director for fees of \$2,500 per month for a period of twenty-four months, renewing automatically on a month by month basis for one year thereafter. This replaces a previous agreement (*Note 8*).
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