

IMPACT Silver Corp.
(formerly IMPACT Minerals International Inc.)
(A Development Stage Company)

Interim Consolidated Financial Statements
September 30, 2005 and 2004
Unaudited

NOTICE

These interim consolidated financial statements for the nine months ended September 30, 2005 of IMPACT Silver Corp. have been prepared by management and have not been subject to review by the Company's auditors.

IMPACT Silver Corp.
(formerly IMPACT Minerals International Inc.)
(A Development Stage Company)

Statement 1

Interim Consolidated Balance Sheets

As at

Canadian Funds

Unaudited

ASSETS	September 30, 2005	September 30, 2004	December 31, 2004 <i>Audited</i>
Current			
Cash and term deposits	\$ 194,578	\$ 176,327	\$ 718,451
Accounts receivable and prepaid expenses	36,123	15,283	13,407
	230,701	191,610	731,858
Property, Plant and Equipment	17,666	2,683	2,570
Resource Properties - Schedule (Note 3)	2,101,093	1,098,599	1,270,003
	\$ 2,349,460	\$ 1,292,892	\$ 2,004,431
LIABILITIES			
Current			
Accounts payable	\$ 79,586	\$ 64,734	\$ 83,944
Due to related party (Note 4)	346	27,264	13,046
	79,932	91,998	96,990
SHAREHOLDERS' EQUITY			
Share Capital (Note 5)	7,190,188	5,822,563	6,630,513
Contributed Surplus (Note 5(b))	287,760	106,504	130,043
Deficit - Statement 2	(5,208,420)	(4,728,173)	(4,853,115)
	2,269,528	1,200,894	1,907,441
	\$ 2,349,460	\$ 1,292,892	\$ 2,004,431

ON BEHALF OF THE BOARD:

"F.W. Davidson" _____, Director

"G. Gorzynski" _____, Director

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

IMPACT Silver Corp.
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(A Development Stage Company)
Interim Consolidated Statements of Loss and Deficit
Canadian Funds
Unaudited

Statement 2

	Three Months Ended September 30		Nine Months Ended September 30	
	2005	2004	2005	2004
General and Administrative Expenses				
Accounting and audit	\$ 1,217	\$ 2,000	\$ 6,036	\$ 5,000
Amortization	720	340	2,158	340
Foreign exchange	1,282	-	(508)	633
Investor relations	10,000	12,010	66,066	14,682
Legal	(13,192)	21,364	38,245	44,295
Management fees and consulting	7,500	4,940	22,500	23,750
Office and sundry	1,348	1,407	8,025	2,696
Office salaries and services	10,611	2,571	33,229	8,568
Rent	2,250	750	6,750	2,250
Stock-based compensation expense (Note 6(b))	39,163	28,385	157,717	72,258
Transfer agent and filing fees	3,108	1,819	13,922	13,748
Travel and accommodation	3,371	-	7,709	-
Loss Before the Following	67,378	75,586	361,849	188,220
Other Expenses (Income)				
Interest income	(1,364)	330	(6,544)	410
Write-off of resource properties	-	578	-	6,679
	(1,364)	908	(6,544)	7,089
Loss for the Period	66,014	76,494	355,305	195,309
Deficit - Beginning of period	5,142,406	4,651,679	4,853,115	4,532,864
Deficit - End of Period	\$ 5,208,420	\$ 4,728,173	\$ 5,208,420	\$ 4,728,173
Loss Per Share – Basic and diluted	\$ 0.00	\$ 0.01	\$ 0.02	\$ 0.02

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Statement 3

Interim Consolidated Statements of Cash Flows
Canadian Funds
Unaudited

Cash Resources Provided By (Used In)	Three Months Ended September 30		Nine Months Ended September 30	
	2005	2004	2005	2004
Operating Activities				
Loss for the period	\$ (66,014)	\$ (76,494)	\$ (355,305)	\$ (195,309)
Items not affecting cash				
Amortization	720	340	2,158	340
Stock-based compensation expense	39,163	28,385	157,717	72,258
Write-off of resource properties	-	578	-	6,679
Changes in non-cash working capital	38,051	41,307	(27,074)	48,281
	11,920	(5,884)	(222,504)	(67,751)
Investing Activities				
Property, plant and equipment	-	(3,023)	(17,254)	(3,023)
Resource properties	(170,443)	(104,171)	(792,590)	(149,534)
	(170,443)	(107,194)	(809,844)	(152,557)
Financing Activities				
Due to related party	(96,317)	(18,853)	(12,700)	(38,801)
Share capital issued	7,750	9,250	521,175	431,059
	(88,567)	(9,603)	508,475	392,258
Net Increase (Decrease) in Cash	(247,090)	(122,681)	(523,873)	171,950
Cash position - Beginning of period	441,668	299,008	718,451	4,377
Cash Position - End of Period	\$ 194,578	\$ 176,327	\$ 194,578	\$ 176,327
Non-Cash Financing / Investing Activities				
Shares issued for resource properties	\$ -	\$ 22,000	\$ 38,500	\$ 22,000
Stock-based compensation included in contributed surplus	\$ 39,163	\$ 28,385	\$ 157,717	\$ 72,258

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IMPACT Silver Corp.
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Schedule

(A Development Stage Company)

Interim Consolidated Schedules of Resource Properties

Canadian Funds

Unaudited

	Three Months Ended September 30		Nine Months Ended September 30	
	2005	2004	2005	2004
Proyectos Mineros, S.A. (PMSA) Concessions, Dominican Republic – (Notes 3 (b))				
Deferred exploration costs				
Field administration and expenses	\$ 108	\$ -	\$ 3,981	\$ 1,378
Travel and accommodation	-	-	4,229	-
Vehicles	50	-	1,316	-
Wages and consulting	214	-	10,427	8,750
	372	-	19,953	10,128
Minera Monte Plata, S.A. (MMP) Concessions, Dominican Republic – (Notes 3(c))				
Deferred exploration costs				
Field administration	-	-	109	-
Zacualpan Concessions, Mexico – (Note 3(d))				
Acquisition cost	10,811	53,117	98,531	57,227
Deferred exploration costs				
Assaying	30,633	4,498	119,611	6,400
Drilling	144	-	197,713	-
Field administration , legal and expenses	36,173	14,046	62,229	16,091
Travel and accommodation	12,260	3,919	39,273	9,484
Vehicles	3,954	10,894	32,609	12,024
Wages and consulting	76,096	39,119	261,062	53,501
	159,260	72,476	712,497	97,500
	170,071	125,593	811,028	154,727
Other properties				
Deferred exploration costs				
Field administration and expenses	-	248	-	294
Wages and consulting	-	330	-	6,385
	-	578	-	6,679
Write-off of resource properties	-	(578)	-	(6,679)
	-	-	-	-
Costs for the Period	170,443	125,593	831,090	164,855
Balance - Beginning of period	1,930,650	973,006	1,270,003	933,744
Balance - End of Period	\$ 2,101,093	\$ 1,098,599	\$ 2,101,093	\$ 1,098,599

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Notes to Interim Consolidated Financial Statements

September 30, 2005 and 2004

Canadian Funds

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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, 2004.

2. Fair Value of Financial Instruments

The Company's financial instruments consist of cash and term deposits, accounts receivable and prepaid expenses, 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	2005	2004
PMSA concessions	\$ 497,000	356,221	-	853,221	\$ 831,905
MMP concessions	85,000	28,121	-	113,121	111,967
Zacualpan concessions	209,020	925,731	-	1,134,751	154,727
Other properties	-	6,679	(6,679)	-	-
	\$ 791,020	1,316,752	(6,679)	2,101,093	\$ 1,098,599

b) PMSA Agreement

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.

c) MMP Agreement

By agreement dated July 15, 1999, the Company acquired 100% of the shares of the Canadian company, Jade, which owns 100% of the shares of the Dominican Republic registered company, Minera Monte Plata, S.A. ("MMP"). MMP holds the Baritina exploration concession located in the Cordillera Oriental in the Dominican Republic.

Under the terms of the agreements, the Company issued 425,000 shares for a value of \$85,000. MMP's only asset, recorded on its books at a nominal value, as at August 20, 1999 was the mineral concessions and therefore consideration for the purchase of Jade has been recorded under resource properties.

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

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3. Resource Properties - Continued

d) **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, which at present includes the producing Compadres Mine. Under terms of this agreement, the Company is required to make payments of US\$3,000 per month for three years (US\$42,000 paid), and issue 100,000 shares per year (200,000 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 has also agreed to pay in advance US\$45,000 against the US\$3,000 per month payments for years two and three, of which US\$45,000 has been paid. 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 which at present includes the producing Guadalupe 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.

If the Company terminates the agreement before the end of the third year, the balance of the 300,000 shares is to be issued as a cancellation penalty.

4. Due to Related Party

As at September 30, 2005, an amount of \$346 (2004 - \$27,264) was due to a related party. Monies owed to the related party 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.

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5. Share Capital

a) Details are as follows:

	Number		Amount
Authorized:			
Unlimited common shares without par value			
Issued and outstanding:			
Balance – September 30, 2004	13,940,022	\$	5,822,563
Private placements	2,705,000		811,500
Share purchase options exercised	425,000		42,500
Share purchase warrants exercised	95,000		15,450
Share issue costs			(61,500)
Balance – December 31, 2004	17,165,022		6,630,513
Shares issued for resource properties	100,000		38,500
Share purchase warrants exercised	3,069,166		513,425
Share purchase options exercised	25,000		7,750
Balance – September 30, 2005	20,359,188	\$	7,190,188

b) Contributed Surplus

Balance, September 30, 2004	\$	106,504
Fair value of stock options issued		23,539
Balance, December 31, 2004	\$	130,043
Fair value of stock options issued		157,717
Balance, September 30, 2005	\$	287,760

c) As at September 30, 2005, the Company has 375,000 shares in escrow. These shares may not be released without the consent of the regulatory authorities.

d) 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 \$0.15 as a finder's fee. As of September 30, 2005, all the warrants had been exercised.

e) In October 2004, the Company issued a private placement of 2.5 million units at a price of \$0.30 per unit, of which 405,000 units were sold to the parent company. The Company granted a further 205,000 units as a finder's fee. 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 \$0.30 for the first year and \$0.35 per share in the second year up to December 9, 2006.

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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, 2005 and the changes for the period are as follows:

Number Outstanding September 30, 2004	Issued	Exercised	Forfeited	Expired	Number Outstanding September 30, 2005	Exercise Price Per Share	Expiry Date
600,000	-	(425,000)	-	(175,000)	-	\$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
-	50,000	(25,000)	-	(25,000)	-	\$0.31	January 10, 2007
-	710,000	-	-	-	710,000	\$0.42	April 13, 2010
2,155,000	760,000	(450,000)	-	(200,000)	2,265,000	\$0.13- \$0.42	August 31, 2006- April 13, 2010

- 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.
- iv) In January 2005, the Company granted additional stock options under its Stock Option Plan to a consultant exercisable for up to 50,000 shares of the Company, with an estimated value of \$8,125 on the grant date. The options are exercisable on or before January 10, 2007 at a price of \$0.31 per share.
- v) In April 2005, the Company granted additional stock options under its Stock Option Plan to directors and employees exercisable for up to 710,000 shares of the Company, with an estimated value of \$215,322 on the grant date. The options are exercisable on or before April 13, 2007 at a price of \$0.42 per share.

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6. Share Purchase Options - *continued*

- 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 contributed surplus of \$157,717 (2004 - \$72,258) for the nine months ended September 30, 2005, based on a grading vesting schedule as follows:

Number of options granted	780,000	475,000	300,000	50,000	710,000
Risk-free interest rate	4.14%	3.73%	2.97%	2.81%	3.30%
Expected dividend yield	NIL	NIL	NIL	NIL	NIL
Expected stock price volatility	191.6%	124.7%	117.3%	138%	206%
Expected option life in years	5	5	2	2	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, 2005, fees in the amount of \$71,144 (2004 - \$40,470) were paid or accrued to two directors of the Company, of which \$28,330 is shown in various administrative expenditures on the income statement, and \$42,814 is shown in mineral properties.
- b) During the nine months ended September 30, 2005, an administrative fee of \$6,156 (2004 - \$1,321) was paid to a related party for management of the Company's administrative and exploration programs.
- c) In April 2004, as part of a private placement, the Company sold 393,334 units to a related party, 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. In March 2005, the parent company exercised 393,334 warrants.
- d) In October 2004, as part of a private placement, the Company sold 405,000 units to a related party at a price of \$0.30 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 \$0.30 per share for the first year and \$0.35 per share in the second year up to December 9, 2006.
- e) During the nine months ended September 30, 2005, fees in the amount of \$183,020 (2004 - nil) were paid to a related party for contract drilling services performed in Mexico at the Zacualpan concessions.

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.

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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. 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 the previous agreement.

9. Income Taxes

The Company has, as of December 31, 2004, incurred non-capital losses for tax purposes of approximately \$530,000. 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	63,000
2014	170,000
	<hr/>
	\$ 530,000

The Company has incurred certain exploration and development expenses of approximately \$2,789,000, which may be carried forward indefinitely.

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

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Notes to Interim Consolidated Financial Statements

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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, the 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, 2005		As at September 30, 2004		As at December 31, 2004
Caribbean	\$ 966,342	\$	943,872	\$	946,280
Mexico	1,175,990		154,727		323,723
Canada	207,128		194,293		734,428
	\$ 2,349,460	\$	1,292,892	\$	2,004,431

Net loss (income) by geographic area

	Three Months Ended September 30		Nine Months Ended September 30	
	2005	2004	2005	2004
Mexico	\$ (3,990)	\$ 578	\$ (3,990)	\$ 6,679
Canada	70,004	75,916	359,295	188,630
	\$ 66,014	\$ 76,494	\$ 355,305	\$ 195,309