

IMPACT Silver Corp.

Interim Consolidated Financial Statements

September 30, 2007 and 2006
Unaudited

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements have been prepared by management and are in accordance with Canadian generally accepted accounting principles. Other information contained in this document has also been prepared by management and is consistent with the data contained in the consolidated financial statements. A system of internal control is maintained by management to provide reasonable assurance that assets are safeguarded and financial information is accurate and reliable. Any system of internal control over financial reporting, no matter how well designed, has inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Management has a process in place to evaluate internal control over financial reporting. Based on that evaluation, management has concluded that internal control over financial reporting was effective as of September 30, 2007.

The board of directors approves the financial statements and ensures that management discharges its financial responsibilities. The board's review is accomplished principally through the audit committee. The audit committee meets periodically with management and the auditors to review financial reporting and control matters.

"F.W. Davidson"
President and Chief Executive Officer

"R. S. Younker"
Chief Financial Officer

November 13, 2007

IMPACT Silver Corp.
Interim Consolidated Balance Sheets

Statement 1

As at

Canadian Dollars

Unaudited

ASSETS	September 30, 2007	September 30, 2006 <i>Restated</i> <i>(Note 15)</i>	December 31, 2006 <i>Audited</i>
Current			
Cash and term deposits	\$ 4,847,126	\$ 3,843,753	\$ 3,969,819
Accounts receivable and prepaid expenses	1,661,010	958,127	1,624,260
Inventory	317,099	265,508	330,688
	6,825,235	5,067,388	5,924,767
Property, Plant and Equipment – (Note 5)	1,989,722	2,071,804	2,113,668
Resource Properties – Schedule (Note 3)	11,548,625	9,610,315	9,684,458
	\$ 20,363,582	\$ 16,749,507	\$ 17,722,893
LIABILITIES			
Current			
Accounts payable	\$ 718,168	\$ 434,885	\$ 1,059,229
Due to related party – (Note 6)	98,402	30,121	35,270
Forward sales contract – (Note 4)	-	814,820	-
	816,570	1,279,826	1,094,499
Future Income Tax Liability	1,225,402	1,070,597	1,075,350
	2,041,972	2,350,423	2,169,849
Commitment – (Note 13)			
SHAREHOLDERS' EQUITY			
Share Capital – (Note 7)	19,479,522	14,879,239	15,382,377
Warrants – (Note 7(b))	2,834,176	4,308,066	4,222,385
Contributed Surplus – (Note 7(c))	442,819	308,760	314,845
Deficit – Statement 2	(4,434,907)	(5,096,981)	(4,366,563)
	18,321,610	14,399,084	15,553,044
	\$ 20,363,582	\$ 16,749,507	\$ 17,722,893

ON BEHALF OF THE BOARD:

“F.W. Davidson” _____, Director

“G. Gorzynski” _____, Director

IMPACT Silver Corp.

Statement 2

Interim Consolidated Statements of Income and Deficit

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	Three Months Ended September 30		Nine Months Ended September 30	
	2007	2006 Restated (Note 15)	2007	2006 Restated (Note 15)
Revenue	\$ 1,603,907	\$ 1,872,595	\$ 5,139,634	\$ 4,996,666
Expenses				
Operating costs	1,045,678	993,633	3,314,339	2,881,625
Amortization and depletion	200,112	132,090	593,940	377,509
	1,245,790	1,125,723	3,908,279	3,259,134
Mine Operating Earnings	358,117	746,872	1,231,355	1,737,532
General and Administrative Expenses				
Accounting and audit	24,827	48,711	70,537	95,582
Amortization	3,384	2,528	10,514	7,138
Foreign exchange	175,608	145,181	394,086	(47,439)
Insurance	28,814	32,009	86,014	41,999
Investor relations	14,533	13,779	103,479	46,043
Legal	16,360	26,550	53,111	86,948
Management fees and consulting	50,026	(1,525)	89,451	40,334
Office and sundry	10,494	11,738	30,709	24,164
Office salaries and services	64,177	43,345	240,628	122,113
Rent	15,149	9,650	36,231	23,645
Stock-based compensation expense (Note 8(b))	140,986	34,359	140,986	98,230
Transfer agent and filing fees	8,099	7,834	33,266	61,121
Travel and accommodation	2,899	7,361	23,746	24,819
	555,356	381,520	1,312,758	624,697
Income Before the Following	(197,239)	365,352	(81,403)	1,112,835
Other Income (Expenses)				
Interest income	38,450	49,460	99,025	100,682
Loss on forward sales contract	-	(247,824)	-	(970,693)
Other income	(128,533)	-	(85,352)	-
Write-off of resource properties	-	-	(614)	(420)
	(90,083)	(198,364)	13,059	(870,431)
Net Income (Loss) for the Period	(287,322)	166,988	(68,344)	242,404
Deficit - Beginning of period	(4,147,585)	(5,263,969)	(4,366,563)	(5,339,385)
Deficit - End of Period	\$ (4,434,907)	\$ (5,096,981)	\$ (4,434,907)	\$ (5,096,981)
Earnings (Loss) Per Share – Basic	(0.01)	0.00	(0.00)	0.01
– Diluted	(0.01)	0.00	(0.00)	0.01
Weighted Average Number of Shares Outstanding - Basic	43,053,392	38,132,067	41,325,087	34,427,528
Weighted Average Numbers of Options Outstanding	n/a	1,084,259	n/a	1,135,310
Weighted Average Number of warrants outstanding	n/a	2,457,263	n/a	2,818,155
Weighted Average Number of Shares Outstanding - Diluted	43,053,392	41,673,589	41,325,087	38,380,993

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

IMPACT Silver Corp.

Interim Consolidated Statements of Cash Flows

Canadian Dollars
Unaudited

Statement 3

Cash Resources Provided By (Used In)	Three Months Ended September 30		Nine Months Ended September 30	
	2007	2006 Restated (Note 15)	2007	2006 Restated (Note 15)
Operating Activities				
Income (loss) for the period	\$ (287,322)	\$ 166,988	\$ (68,344)	\$ 242,404
Items not affecting cash				
Amortization and depletion	203,496	132,090	604,454	384,647
Loss on forward sales contract	-	247,824	-	970,693
Stock-based compensation expense	140,986	34,359	140,986	98,230
Write-off of resource properties	-	-	614	420
Changes in non-cash working capital	212,443	(1,538,098)	(364,222)	(3,652,375)
	269,603	(956,837)	313,488	(1,955,981)
Investing Activities				
Acquisition of Minera El Porvenir de Zacualpan, net of cash acquired (Note 4)	-	-	-	(2,260,200)
Acquisition of Property, plant and equipment	(8,874)	(127,136)	(27,151)	(1,336,563)
Acquisition of Resource properties	(803,384)	(1,262,767)	(2,168,086)	(2,313,977)
	(812,258)	(1,389,903)	(2,195,237)	(5,910,740)
Financing Activities				
Advances (repayments) from related party	54,575	(122,068)	63,132	29,315
Share capital issued	1,485,541	304,699	2,695,924	10,484,227
	1,540,116	182,631	2,759,056	10,513,542
Net Increase (Decrease) in Cash	997,461	(2,164,109)	877,307	2,646,821
Cash position - Beginning of period	3,849,665	6,007,862	3,969,819	1,196,932
Cash Position – End of Period	\$ 4,847,126	\$ 3,843,753	\$ 4,847,126	\$ 3,843,753

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

IMPACT Silver Corp.

Schedule

Interim Consolidated Schedules of Resource Properties For the Nine Months Ended September 30

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	Three Months Ended September 30		Nine Months Ended September 30	
	2007	2006 Restated (Note 15)	2007	2006 Restated (Note 15)
Zacatecas Properties, Mexico – (Note 3(e))				
Acquisition cost	\$ 269,723	\$ 588,112	\$ 462,890	\$ 588,112
Deferred exploration costs				
Assaying	119	3,375	22,514	3,375
Drilling	(101)	-	285,516	-
Field administration and expenses	15,378	105,633	52,922	105,633
Future income taxes	1,129	-	47,177	-
Travel and accommodation	2,889	7,334	23,671	7,334
Vehicles	1,666	435	9,590	435
Wages and consulting	24,396	23,735	188,884	27,715
	45,476	140,512	630,274	144,492
Recoveries	(115,694)	-	(547,504)	-
	199,505	728,624	545,660	732,604
Zacualpan Mine and Concessions, Mexico – (Note 3(d))				
Acquisition cost	42,183	-	113,027	5,087,387
Deferred exploration costs				
Assaying	45,734	29,341	93,802	63,078
Development	44,496	67,258	76,068	222,228
Drilling	225,041	275,280	764,840	533,554
Field administration, legal and expenses	45,522	30,881	118,764	156,158
Future income taxes	46,512	106,751	102,875	199,451
Travel and accommodation	53,501	18,529	86,760	62,304
Vehicles	7,395	18,193	23,673	41,053
Wages and consulting	138,658	94,661	378,995	273,403
	606,859	640,894	1,645,777	1,551,229
Amortization and depletion	(155,420)	(99,524)	(453,357)	(291,601)
	493,622	541,370	1,305,447	6,347,015
Other Properties, Dominican Republic and Mexico – (Notes 3(b)(c))				
Deferred exploration costs				
Field administration	570	-	2,298	420
Travel and accommodation	1,908	-	3,283	-
Vehicles	-	-	55	-
Wages and consulting	-	-	8,038	-
	2,478	-	13,674	420
Write-off of resource properties	-	-	(614)	(420)
	2,478	-	13,060	-
Costs for the Period	695,605	1,269,994	1,864,167	7,079,619
Balance - Beginning of period	10,853,020	8,340,321	9,684,458	2,530,696
Balance - End of Period	\$ 11,548,625	\$ 9,610,315	\$ 11,548,625	\$ 9,610,315

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

IMPACT Silver Corp.

Notes to Interim Consolidated Financial Statements

September 30, 2007 and 2006

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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, 2006.

b) New Accounting Standards

On January 1, 2007, the Company adopted two new accounting standards that were issued by the Canadian Institute of Chartered Accountants ("CICA"): Handbook Section 1530, *Comprehensive Income* and Handbook Section 3855, *Financial Instruments – Recognition and Measurement*. The Company adopted these standards and amendments prospectively: accordingly, comparative amounts for prior periods have not been restated.

Comprehensive Income

Section 1530 introduces Comprehensive Income, which consists of net income and other comprehensive income ("OCI"). OCI represents changes in shareholders' equity during a period arising from transactions and other events with non-owner sources and includes unrealized gains and losses on financial assets classified as available-for-sale, unrealized foreign currency translations gains and losses arising from self-sustaining foreign operations, net of hedging activities, and changes in the fair value of the effective portion of cash flow hedging instruments.

The Company has determined that its foreign subsidiaries are not self-sustaining.

Financial Instruments – Recognition and Measurement

CICA Handbook Section 3855, *Financial Instruments – Recognition and Measurement*, effective for fiscal years beginning on or after October 1, 2006, establishes standards for the recognition, classification and measurement of financial instruments including the presentation of any resulting gains and losses. Assets classified as available-for-sale securities will have revaluation gains and losses included in other comprehensive income (and not included in the income statement) until such time as the asset is disposed of or incurs a decline in fair value that is other than temporary. At such time, any gains or losses will be realized and reclassified to the income statement.

The Company does not have any financial instruments requiring this treatment.

2. Fair Value of Financial Assets

The Company's financial assets consist of cash and term deposits, accounts receivable, accounts payable and amounts due to related party. As at September 30, 2007, the Company holds an equivalent of CAD\$2,699,672 in net financial assets held in U.S. and other foreign currencies which is exposed to currency risk based on fluctuations in the prevailing foreign currency exchange rates. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, or credit risks arising from the financial assets. The carrying value of these financial assets approximates their fair value, unless otherwise noted.

IMPACT Silver Corp.

Notes to Interim Consolidated Financial Statements

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3. Resource Properties

a) Details are as follows:

	2007	2006 <i>Restated (Note 15)</i>
PMSA Concessions - Dominican Republic		
Acquisition	\$ 497,000	\$ 497,000
Exploration and development	369,328	356,458
	<u>866,328</u>	<u>853,458</u>
MMP Concessions - Dominican Republic		
Acquisition costs	85,000	85,000
Exploration	28,519	28,121
	<u>113,519</u>	<u>113,121</u>
Zacualpan Concessions - Mexico		
Acquisition costs	5,430,484	5,306,907
Exploration and development	3,106,076	2,134,568
Future income taxes	565,947	469,657
	<u>9,102,507</u>	<u>7,911,132</u>
Zacatecas Properties - Mexico		
Acquisition costs	1,244,599	588,112
Exploration	163,157	144,492
Future income taxes	58,515	-
	<u>1,466,271</u>	<u>732,604</u>
Other Properties		
Exploration	7,713	915
Accumulated write-off	(7,713)	(915)
	<u>-</u>	<u>-</u>
	<u>\$ 11,548,625</u>	<u>\$ 9,610,315</u>

b) **Proyectos Mineros, S.A. ("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, Proyectos Mineros, S.A. ("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) **Minera Monte Plata, S.A. ("MMP") Agreement**

By agreement dated July 15, 1999, the Company acquired 100% of the shares of the Canadian company, Jade Oil Corporation ("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.

IMPACT Silver Corp.

Notes to Interim Consolidated Financial Statements

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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 was a three-year lease with an option to purchase mining leases and concessions, called the Royal Mines of Zacualpan Silver Project ("Royal Mines"), which included San Ramon (Compadres) Mine which later went into production. Under terms of this agreement, the Company was required to make payments of US\$3,000 per month for three years and to issue 100,000 shares per year to the third party, as well as incur work commitments totalling US\$1,000,000 over three years. The Company was to 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.

In December 2005, the Company amended the terms of the agreements for the purchase of the Royal Mines from an asset purchase to a share purchase. Under the amending agreement, the Company, through its 100% subsidiary Minera Aguila Plateada S.A. de C.V. ("MAP"), was to purchase all the issued and outstanding shares of Minera El Porvenir de Zacualpan, S.A. de C.V. ("MPZ"), which owns the Royal Mines, including the Capela Assets of Zacualpan Mines (mining concessions and surface rights). On January 16, 2006, this transaction was completed (Note 4).

The second option agreement entered into in June 2004 was a three-year agreement for mining leases and concessions, which included the producing Guadalupe Mine and a 500-tonne-per-day ("tpd") processing plant with associated facilities. The assets in this second agreement were under lease by a third party, and the Company had an option to purchase all the lease rights to the assets for US\$1,140,000. In February 2006, the Company, through its wholly owned subsidiary MAP, entered into an amended agreement giving it an exclusive option to purchase these same leased assets including the 500-tonne per day processing plant, certain mineral concessions and surface rights located in Zacualpan District for US\$1,140,000 and 100,000 shares of the Company at any time before December 2, 2006. An initial option payment of US\$2,000 was made just after signing of the agreement, and thereafter the Company paid US\$4,000 monthly to the vendor. In July 2006, the Company exercised its option under this agreement and as a result owns all the equipment and surface rights related to its Royal Mines operations, and has a 100% interest with no underlying royalties on its mineral concessions.

In February 2007, the Company was awarded a 100% exploration interest in a 200 square kilometre mineral concession in the Mamatla Mining District. This district is immediately southwest of and adjacent to the Company's Zacualpan property. The Company is required to pay US\$200,000 over two years, of which US\$40,000 was paid in February 2007, and further payments of US\$40,000 each are required every six months thereafter. In addition, the Company is required to pay a 1% NSR to the Mexican Geological Survey.

e) Zacatecas Agreements

Under an agreement dated July 10, 2006 and amended May 15, 2007, the Company through its wholly owned subsidiary MAP, acquired a four-year option from a third party to purchase a 200-tpd processing plant and associated surface rights in the Zacatecas Mining District of Mexico. Under the agreement, MAP may purchase the assets for US\$1,080,000 (US\$558,800 paid) and 500,000 shares (200,000 issued) in stages, plus commit to US\$700,000 in work expenditures. The Company has the right, but is not obligated, to accelerate the payment schedule and to complete the purchase at any time after February 10, 2008.

IMPACT Silver Corp.

Notes to Interim Consolidated Financial Statements

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3. Resource Properties - continued

e) Zacatecas Agreements - continued

Under separate purchase agreements, the Company has acquired seventeen mineral concessions in the Zacatecas area since August 2006. No further payments or commitments exist for these concessions. Four of these concessions have been optioned to a third party under a letter agreement dated October 2, 2006. Under the terms of the joint venture agreement, the Company may recover all of its property costs and the first US\$100,000 of exploration expenditures on each property prior to the third party earning a 65% interest in each property. The third party may increase its interest by paying the Company, at the Company's discretion, either US\$125,000 or the equivalent value in shares in the third party.

4. Acquisition of Minera El Porvenir de Zacualpan, S.A. de C.V. ("MPZ")

On January 16, 2006, the Company completed the acquisition, through its wholly owned subsidiary MAP, of all the issued and outstanding shares of MPZ. The total consideration paid to the shareholders of MPZ was the issuance of 300,000 shares of the Company and the payment of the equivalent of US\$1,741,778, as well as the assumption of certain liabilities in MPZ. These liabilities included approximately US\$465,000 pertaining to forward sales contract losses realized to December 31, 2005, under a smelter contract commitment obligation entered into in April 2004 by MPZ. Under this contract obligation, MPZ had entered into monthly forward sales commitments with a Mexican smelter through to the end of July 2006 calling for monthly deliveries of 20,000 ounces of silver, 200 ounces of gold, 50 tonnes of lead and 100 tonnes of zinc which had been sold forward at US\$ prices established in 2004 of \$7.00 per ounce silver, \$400.00 per ounce gold, \$720.00 per ton lead, and \$1,100.00 per ton zinc. Indirectly, MAP also assumed both the real and the contingent liability for the forward sales commitments through to July 31, 2006 that had been entered into by MPZ, including the obligation to settle for any physical shortfall in deliveries against the forward sales contract obligations. Historically, MPZ had fallen significantly short on its contractual delivery commitments on all but silver throughout 2005, and it was not expected that it would meet its shortfall in 2006 as the areas the Company was currently mining were relatively low in lead, zinc and gold realizations.

This was, for accounting purposes, a business combination. The Company must therefore recognize the assets acquired and liabilities assumed from the date of acquisition, including any assets and liabilities that may not have been recognized on the balance sheet of the acquired enterprise. As applied to our acquisition of MPZ, this theory required that we recognize the opportunity loss in MPZ of the difference between the spot price of current metal markets at the date of our acquisition of MPZ, to the date of final closure of the forward sales commitment obligations (July 31, 2006), and the agreed selling prices entered into under the 2004 forward sales contract arrangement. Had MPZ not entered into forward sales commitments in 2004, and had MPZ been able to mine and to sell the same quantity of metals as it had contracted to deliver, it would, for the seven months from January to July 2006, have realized approximately US\$1.294 million more than it did do under its forward sales delivery contractual commitments. This foregone revenue and MPZ's obligation to make good on the delivery obligation must be taken into account as part of the purchase consideration.

The CICA handbook section 1581.22 indicates that the cost of the purchase to the acquirer should be determined by the fair value of the consideration given or the acquirer's share of the fair value of the net assets or equity interests acquired, whichever is more reliably measurable. The acquirer's share of the fair value of the net assets or equity interest acquired and the consideration paid are assumed to be equal, unless there is evidence to the contrary.

IMPACT Silver Corp.

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4. Acquisition of Minera El Porvenir de Zacualpan, S.A. de C.V. ("MPZ") – Continued

The results of operations of MPZ, and its wholly owned subsidiary Minera Laureles, from January 17, 2006 forward are included in these financial statements. The allocation of the total cost of the business combination to the fair value of the net assets acquired is summarized in the table below, and the residual purchase price of \$4,858,212 has been allocated to Zacualpan resource property acquisition costs.

Purchase Price

Net share consideration at market value at date of issue (300,000 shares)	\$	179,500
Cash payment to vendors		2,260,200
		<u>2,439,700</u>

Identifiable Net Assets Acquired

Accounts receivable and prepaid expenses		126,676
Inventory		174,701
Property, plant and equipment		240,087
Resource properties		180,093
		<u>721,557</u>

Accounts payable		(374,356)
Forward sales contract liability		(2,164,773)
		<u>(2,539,129)</u>
Net Identifiable Assets and Liabilities		<u>(1,817,572)</u>

Future income tax assets

(600,940)

Residual Purchase Price Allocated to Resource Properties

\$ 4,858,212

5. Property, Plant and Equipment

	<u>2007</u>	<u>2006</u>
Mine equipment	\$ 741,493	\$ 696,302
Mobile equipment	532,913	234,097
Office furniture and equipment	86,957	72,302
Plant equipment	342,389	340,308
Surface rights	734,128	729,661
Vehicles	194,730	117,569
	<u>2,632,610</u>	2,190,239
Accumulated amortization	(642,888)	(118,435)
Net Book Value	<u>\$ 1,989,722</u>	<u>\$ 2,071,804</u>

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6. Due to Related Party

As at September 30, 2007, an amount of \$98,402 (2006 - \$30,121) was due to a significant shareholder, and its subsidiaries, of the Company. 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.

7. Share Capital

a) Details are as follows:

	Number		Amount
Authorized:			
Unlimited common shares without par value			
Issued and outstanding:			
Balance – September 30, 2006	38,420,688	\$	14,879,239
Share purchase options exercised	7,000		2,940
Share purchase warrants exercised	1,052,500		413,001
Value assigned to options exercised	-		1,516
Value assigned to warrants exercised	-		85,681
Balance – December 31, 2006	39,480,188		15,382,377
Shares issued for resource properties	100,000		190,000
Share purchase options exercised	54,250		15,535
Share purchase warrants exercised	3,745,299		2,392,889
Value assigned to options exercised	-		13,012
Value assigned to warrants exercised	-		1,388,209
	43,379,737		19,382,022
Allotted and fully paid:			
Shares to be issued	75,000		97,500
Balance - September 30, 2007	43,454,737	\$	19,479,522

b) Warrants

A summary of the transaction in the warrant account is as follows:

	Number of warrants		Amount
Balance, - September 30, 2006 (i) (ii)	8,063,500	\$	4,308,066
Exercise of warrants	(297,500)		(85,681)
Balance - December 31, 2006	7,766,000	\$	4,222,385
Exercise of warrants	(3,745,299)		(1,388,209)
Balance - September 30, 2007	4,020,701		2,834,176

IMPACT Silver Corp.

Notes to Interim Consolidated Financial Statements

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7. Share Capital - continued

- i) The Company determined the fair value of the January 5, 2006 private placement, agent's warrants and issue costs based upon a Black-Scholes model using the following weighted average assumptions: expected life of 18 months, expected volatility 82.18%, risk free interest rate 3.9%, dividend yield of 0%.
- ii) The Company determined the fair value of the April 6, 2006, private placement, agent's warrants and issue costs based upon a Black-Scholes model using the following weighted average assumptions: expected life of 18 months, expected volatility 80.92%, risk free interest rate 4.3%, dividend yield of 0%.
- c) Contributed Surplus
- | | | |
|-------------------------------------|----|----------|
| Balance, September 30, 2006 | \$ | 308,760 |
| Fair value of stock options issued | | 7,601 |
| Value assigned to options exercised | | (1,516) |
| Balance, December 31, 2006 | | 314,845 |
| Fair value of stock options issued | | 140,986 |
| Value assigned to options exercised | | (13,012) |
| Balance, September 30, 2007 | \$ | 442,819 |
- d) On February 8, 2007, the TSXV Exchange consented to the full release of 375,000 shares of the Company that had been held in escrow.
- 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 a significant shareholder of the 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. In 2005, 440,000 warrants were exercised and the balance of the warrants were exercised in 2006.
- f) On January 10, 2006, as part of a private placement, the Company sold 6,250,000 units at a price of \$0.40 per unit. Each unit consists of one common share and one-half share purchase warrant. One full warrant entitles the holder to purchase an additional share of the Company at a price of \$0.50 per share until July 5, 2007. The Company also issued as a finder's fee 500,000 units under the same terms and conditions as the private placement, and 500,000 warrants, entitling the holder to purchase one additional common share of the Company at a price of \$0.50 per share until July 5, 2007. To September 30, 2007, 3,730,000 of these warrants had been exercised, and the remaining 145,000 warrants expired.
- g) On April 6, 2006, as part of a private placement, the Company sold 7,300,000 units at a price of \$1.10 per unit. Each unit consists of one common share and one-half share purchase warrant. One full warrant entitles the holder to purchase an additional share of the Company at a price of \$1.30 per share until October 6, 2007. The Company also issued as a finder's fee 584,000 units under the same terms and conditions as the private placement, and 584,000 warrants, entitling the holder to purchase one additional share of the Company at a price of \$1.20 per share until October 6, 2007. To September 30, 2007, 650,299 of these warrants had been exercised. Subsequent to the end of the quarter, 3,274,973 warrants were exercised and the remaining 16,728 warrants expired.
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IMPACT Silver Corp.

Notes to Interim Consolidated Financial Statements

September 30, 2007 and 2006

Canadian Dollars

Unaudited

8. 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 stock option plan at September 30, 2007 and the changes for the periods ended on these dates is as follows:

	Number	Weighted Average Exercise Price
At September 30, 2006	1,458,750	\$0.30
Exercised	(5,000)	\$0.13
At December 31, 2006	1,453,750	\$0.30
Issued	1,080,000	\$1.40
Exercised	(49,250)	\$0.30
At September 30, 2007	2,484,500	\$0.78

The following table summarizes information about the stock options outstanding at September 30, 2007:

Number Outstanding September 30, 2006	Issued	Exercised	Forfeited	Number Outstanding September 30, 2007	Exercise Price Per Share	Notes	Expiry Date
390,000	-	(25,000)	-	365,000	\$0.13	*	October 20, 2008
375,000	-	-	-	375,000	\$0.15	*	May 12, 2009
658,750	-	(29,250)	-	629,500	\$0.42	*	April 13, 2010
35,000	-	-	-	35,000	\$1.45	*	February 6, 2008
-	1,080,000	-	-	1,080,000	\$1.40	**	September 5, 2012
1,458,750	1,080,000	(54,250)	-	2,484,500	\$0.13 - \$1.40		

Notes:

* All the options are fully vested.

** To September 30, 2007, 270,000 options have vested.

- i) In October 2003, the Company granted 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 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 April 2005, the Company granted 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, 2010 at a price of \$0.42 per share.

IMPACT Silver Corp.

Notes to Interim Consolidated Financial Statements

September 30, 2007 and 2006

Canadian Dollars

Unaudited

8. Share Purchase Options - continued

- iv) In February 2006, the Company granted stock options under its Stock Option Plan to a consultant exercisable for up to 35,000 shares of the Company, with an estimated value of \$19,056 on the grant date. The options are exercisable on or before February 6, 2008 at a price of \$1.45 per share.
- v) In September 2007, the Company granted stock options under its Stock Option Plan to directors and employees exercisable for up to 1,080,000 shares of the Company, with an estimated value of \$563,946 on the grant date. The options are exercisable on or before September 5, 2012 at a price of \$1.40 per share.
- b) The fair value of stock options used to calculate compensation is estimated using the Black-Scholes Option Pricing Model. The Company recognized a stock option expense and an increase to contributed surplus of \$140,986 (2006 - \$98,230) for the period ended September 30, 2007, based on a grading vesting schedule using the assumptions as follows:

Number of options granted	780,000	475,000	300,000	710,000	35,000	1,080,000
Risk-free interest rate	4.14%	3.73%	2.97%	3.30%	3.98%	4.28%
Expected dividend yield	NIL	NIL	NIL	NIL	NIL	NIL
Expected stock price volatility	191.6%	124.7%	117.3%	206%	89%	63.2%
Expected option life in years	5	5	2	5	1	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.

9. 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, 2007, fees and cash bonus in the amount of \$215,287 (2006 - \$101,093) were paid or accrued to two directors and one officer of the Company, of which \$181,325 is shown in various administrative expenditures on the income statement, and \$33,962 is shown in mineral properties.
- b) During the nine months ended September 30, 2007, an administrative fee of \$3,347 (2006 - \$4,407) was paid to a shareholder for management of the Company's administrative and exploration programs.
- c) During the nine months ended September 30, 2007, fees in the amount of \$1,140,690 (2006 - \$533,554) were paid to a subsidiary of a significant shareholder of the Company for contract drilling services performed in Mexico at the Zacualpan and Zacatecas 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.

10. Management Agreements

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. On May 1, 2006, this agreement was replaced by a three-year employment agreement for compensation of \$5,000 per month.

IMPACT Silver Corp.

Notes to Interim Consolidated Financial Statements

September 30, 2007 and 2006

Canadian Dollars

Unaudited

11. Segmented Information

	Three Months Ended September 30		Nine Months Ended September 30	
	2007	2006 <i>Restated</i> <i>(Note 15)</i>	2007	2006 <i>Restated</i> <i>(Note 15)</i>
Revenue by geographic area				
Mexico	\$ 1,603,907	\$ 1,872,595	\$ 5,139,634	\$ 4,996,666
Net income (loss) by geographic area				
Canada	\$ (1,027,212)	\$ (189,468)	\$ (2,199,640)	\$ (685,780)
Mexico	739,633	356,456	2,131,039	928,184
	\$ (287,579)	\$ 166,988	\$ (68,601)	\$ 242,404
		As at September 30, 2007	As at September 30, 2006 <i>Restated</i> <i>(Note 15)</i>	As at December 31, 2006
Assets by geographic area				
Caribbean		\$ 979,847	\$ 966,580	\$ 966,788
Canada		4,450,219	12,158,596	3,251,208
Mexico		14,933,516	3,624,331	13,504,897
		\$ 20,363,582	\$ 16,749,507	\$ 17,722,893
Property, plant and equipment by geographic area				
Canada		\$ 16,517	\$ 16,090	\$ 18,849
Mexico		1,973,205	2,055,714	2,094,819
		\$ 1,989,722	\$ 2,071,804	\$ 2,113,668

12. Economic Dependency

As is customary in the mining industry, the Company has entered into a single contract with a Mexican refining and smelting company, for the refining and sale of its silver, precious metals, zinc and lead contained in its zinc and lead concentrates. This contract with Met-Mex Penoles, S.A. de C.V. accounts for 100% of the sales of the Company. The net smelter returns to the Company are determined by terms of the refining and smelting contract which sets out the agreed settlement terms and concentrate treatment charges.

13. Commitment

The Company has signed a lease for office premises which commenced March 1, 2006 and ends May 14, 2007. Lease obligations, net of operating costs, are \$33,833 during this period. Subsequent to the year end, the Company signed a new lease which will commence June 1, 2007 and end May 21, 2010. Lease obligations, net of operating costs, are \$40,800 per year during the new agreement.

IMPACT Silver Corp.

Notes to Interim Consolidated Financial Statements

September 30, 2007 and 2006

Canadian Dollars

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14. Comparative Figures

Certain of the prior year's figures have been reclassified to conform to the current year's presentation.

15. Restatement

In the process of completing its 2006 year end audited financial statements, management determined that it should revise the metal market prices used to establish the estimated forward sales contract liability and hence the residual purchase price allocated to resource properties in connection with its acquisition of Minera el Porvenir de Zacualpan S.A. de C.V. Previously management used its best estimate of future metal prices during the term of the forward sales contract to July 31, 2006. Management subsequently determined that it should have used the spot prices in effect on January 16, 2006, the date of closing its purchase transaction, to establish the value of its forward sales contract liability. The Company has retrospectively restated its 2006 comparative amounts in accordance with the recommendations contained in CICA handbook 1506.42. The effect of the restatement on the September 30, 2006 consolidated statement amounts is as follows:

	As previously reported		As restated	
Resource properties	\$	9,598,654	\$	9,610,315
Forward sales contract liability	\$	814,820	\$	814,820
Future income tax liability	\$	469,657	\$	1,070,597
Deficit	\$	(4,507,702)	\$	(5,096,981)

	Three Months Ended September 30		Nine Months Ended September 30	
	As previously reported	As restated	As previously reported	As restated
Revenue	\$ 1,872,595	\$ 1,872,595	\$ 4,980,703	\$ 4,996,666
Amortization and depletion	\$ 369,396	\$ 132,090	\$ 996,353	\$ 377,509
Loss (gain) on forward sales contract	\$ (37,393)	\$ 247,824	\$ (212,999)	\$ 970,693
Net income for the period	\$ 214,899	\$ 166,988	\$ 831,683	\$ 242,404
Earnings per share - basic	\$ 0.01	\$ 0.00	\$ 0.02	\$ 0.01
Earnings per share - diluted	\$ 0.00	\$ 0.00	\$ 0.02	\$ 0.01

16. Subsequent Event

On October 22, 2007, the Company granted 75,000 incentive stock options to a director under its Stock Option Plan. The options are exercisable on or before October 22, 2012 at a price of \$1.67 per share.
