

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

**NOTICE**

These interim consolidated financial statements for the six months ended June 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

<b>ASSETS</b>	<b>June 30, 2004</b>	<b>June 30, 2003</b>	<b>December 31, 2003</b>
<b>Current</b>			
Cash and term deposits	\$ 299,008	\$ 18,377	\$ 4,377
GST receivable and prepaid expenses	<u>10,648</u>	7,220	4,830
	<b>309,656</b>	25,597	9,207
<b>Resource Properties - Schedule (Note 3)</b>	<u><b>973,006</b></u>	925,310	933,744
	<b>\$ 1,282,662</b>	<b>\$ 950,907</b>	<b>\$ 942,951</b>

**LIABILITIES**

**Current**

Accounts payable	\$ 18,792	\$ 3,570	\$ 6,000
Due to parent company (Note 4)	<u>46,117</u>	47,606	66,065
	<b>64,909</b>	51,176	72,065

**SHAREHOLDERS' EQUITY**

<b>Share Capital (Note 5,6)</b>	<b>5,869,432</b>	5,369,504	5,403,750
<b>Deficit - Statement 2</b>	<u><b>(4,651,679)</b></u>	(4,469,773)	(4,532,864)
	<b>1,217,753</b>	899,731	870,886
	<b>\$ 1,282,662</b>	<b>\$ 950,907</b>	<b>\$ 942,951</b>

ON BEHALF OF THE BOARD:

"F.W. Davidson" \_\_\_\_\_, Director

"H.W. Sellmer" \_\_\_\_\_, Director

**Interim Consolidated Statement of Loss and Deficit**

**For the Six Months Ended June 30**

*Canadian Funds*

*Unaudited*

	Three Months Ended June 30		Six Months Ended June 30	
	2004	2003	2004	2003
<b>Expenses</b>				
Accounting, audit and legal	\$ 13,400	\$ 11,232	\$ 25,931	\$ 11,355
Foreign exchange	3	1,446	633	4,753
Investor relations	2,413	1,471	2,672	2,900
Management fees and consulting	9,810	9,000	18,810	18,000
Office and sundry	1,015	1,788	1,289	2,176
Office salaries and services	3,766	1,144	5,997	3,829
Rent	750	750	1,500	1,500
Stock-based compensation expense (Note6(b)(c))	19,259	-	43,873	-
Transfer agent and filing fees	5,745	5,701	11,929	8,683
<b>Loss Before the Following</b>	<b>56,161</b>	<b>32,532</b>	<b>112,634</b>	<b>53,196</b>
<b>Other Expenses (Income)</b>				
Interest Income	16	49	80	22
Write-off resource properties	711	-	6,101	-
	727	49	6,181	22
<b>Loss for the Period</b>	<b>56,888</b>	<b>32,581</b>	<b>118,815</b>	<b>53,218</b>
Deficit - Beginning of period	4,594,791	4,437,192	4,532,864	4,416,555
<b>Deficit - End of Period</b>	<b>\$ 4,651,679</b>	<b>\$ 4,469,773</b>	<b>\$ 4,651,679</b>	<b>\$ 4,469,773</b>
<b>Loss Per Share – Basic and diluted</b>	<b>\$ 0.01</b>	<b>\$ 0.00</b>	<b>\$ 0.02</b>	<b>\$ 0.01</b>

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

**IMPACT Minerals International Inc.***(A Development Stage Company)*Statement 3**Interim Consolidated Statement of Cash Flows****For the Six Months Ended June 30***Canadian Funds**Unaudited*

<b>Cash Resources Provided By (Used In)</b>	<b>Three Months Ended June 30</b>		<b>Six Months Ended June 30</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
<b>Operating Activities</b>				
Loss for the period	\$ (56,888)	\$ (32,581)	\$ (118,815)	\$ (53,218)
Items not affecting cash				
Stock-based compensation expense	19,259	-	43,873	-
Write-off of resource properties	711	-	6,101	-
Changes in non-cash working capital	(134,792)	(43)	5,221	(5,859)
	<u>(171,710)</u>	<u>(32,624)</u>	<u>(63,620)</u>	<u>(59,077)</u>
<b>Investing Activities</b>				
Resource property costs	<u>(29,845)</u>	<u>(4,287)</u>	<u>(45,363)</u>	<u>(4,579)</u>
<b>Financing Activities</b>				
Due to parent company	(49,968)	13,373	(18,195)	14,402
Share capital issued	421,809	-	421,809	-
	<u>371,841</u>	<u>13,373</u>	<u>403,614</u>	<u>14,402</u>
<b>Net Increase (Decrease) in Cash</b>	<b>170,286</b>	<b>(23,538)</b>	<b>294,631</b>	<b>(49,254)</b>
Cash position - Beginning of period	<u>128,722</u>	<u>41,915</u>	<u>4,377</u>	<u>67,631</u>
<b>Cash Position - End of Period</b>	<b>\$ 299,008</b>	<b>\$ 18,377</b>	<b>\$ 299,008</b>	<b>\$ 18,377</b>
<b>Non-Cash Financing / Investing Activities</b>				
Stock-based compensation included in share capital	\$ 19,259	\$ -	\$ 43,873	\$ -

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

## Interim Consolidated Schedule of Resource Property Costs

For the Six Months Ended June 30

Canadian Funds

Unaudited

	Three Months Ended June 30		Six Months Ended June 30	
	2004	2003	2004	2003
<b>Proyectos Mineros, S.A. (PMSA) Concessions, Dominican Republic – (Notes 3 (b)(d))</b>				
<b>Deferred exploration costs</b>				
Field administration	\$ -	\$ 835	\$ 1,321	\$ 1,336
Permits and fees	-	349	57	349
Travel and accommodation	-	-	-	24
Vehicles	-	88	-	148
Wages	-	1,879	8,750	895
	-	3,151	10,128	2,752
<b>Minera Monte Plata, S.A. (MMP) Concessions, Dominican Republic – (Notes 3(c))</b>				
<b>Deferred exploration costs</b>				
Field administration	-	136	-	405
Permits and fees	-	-	-	422
Wages	-	1,000	-	1,000
	-	1,136	-	1,827
<b>Zacualpan Concessions, Mexico – (Note 3(e))</b>				
<b>Acquisition cost</b>				
	\$ 4,110	\$ -	\$ 4,110	\$ -
<b>Deferred exploration costs</b>				
Field administration	3,941	-	3,941	-
Permits and fees	6	-	6	-
Travel and accommodation	5,565	-	5,565	-
Vehicles	1,130	-	1,130	-
Wages	14,382	-	14,382	-
	25,024	-	25,024	-
	29,134	-	29,134	-
<b>Other properties</b>				
<b>Deferred exploration costs</b>				
Wages	711	-	6,101	-
Write-off of resource properties	(711)	-	(6,101)	-
	-	-	-	-
<b>Costs for the Period</b>	<b>29,134</b>	<b>4,287</b>	<b>39,262</b>	<b>4,579</b>
Balance - Beginning of period	943,872	921,023	933,744	920,731
<b>Balance - End of Period</b>	<b>\$ 973,006</b>	<b>\$ 925,310</b>	<b>\$ 973,006</b>	<b>\$ 925,310</b>

-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****June 30, 2004 and 2003***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, 2003.

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**2. Fair Value of Financial Instruments**

The Company's financial instruments consist of cash and term deposits, GST receivable, advance 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.

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

	Acquisition Costs	Exploration	Accumulated Write-Off	2004	2003
PMSA concessions	\$ 497,000	334,905	-	<b>831,905</b>	\$ 813,566
MMP concessions	85,000	26,967	-	<b>111,967</b>	111,744
Zacualpan concessions	4,110	25,024	-	<b>29,134</b>	-
Other properties	-	6,101	(6,101)	-	-
	<b>\$ 586,110</b>	<b>392,997</b>	<b>(6,101)</b>	<b>973,006</b>	<b>\$ 925,310</b>

**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**

**June 30, 2004 and 2003**

*Canadian Funds*

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**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, and issue 100,000 shares per year 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.

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**4. Due to Parent Company**

As at June 30, 2004, an amount of \$46,117 (2003 - \$47,606) 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.

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**IMPACT Minerals International Inc.***(A Development Stage Company)***Notes to Interim Consolidated Financial Statements****June 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 – June 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	-		43,873
Shares issued for cash	3,050,000		456,000
Share issue costs	-		(34,191)
Balance – June 30, 2004	13,780,022	\$	5,869,432

- b) As at June 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 June 30, 2004 and the changes for the period are as follows:

Number Outstanding June 30 2003	Issued	Exercised	Forfeited	Expired	Number Outstanding June 30 2004	Exercise Price Per Share	Expiry Date
620,000	-	-	-	-	620,000	\$ 0.10	October 20, 2004
-	780,000	-	-	-	780,000	\$0.13	October 20, 2008
-	475,000	-	-	-	475,000	\$0.15	May 12, 2009
620,000	1,255,000	-	-	-	1,875,000	\$0.10- \$0.15	October 20, 2004- May 12, 2009

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**June 30, 2004 and 2003**

*Canadian Funds*

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**6. Share Purchase Options - continued**

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 \$19,259 for the three months ended June 30, 2004 and \$43,873 for the six months ended June 30, 2004, based on the following:

- b) 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. Since the options were granted under a graded vesting schedule, \$24,614, of the fair value has been recorded in the accounts of the Company during the period. This value is estimated at the date of the grant with the following weighted average assumptions:

Risk-free interest rate	4.14%
Expected dividend yield	NIL
Expected stock price volatility	191.6%
Expected option life in years	5

- c) 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. Since the options were granted under a graded vesting schedule, \$19,259 of the fair value has been recorded in the accounts of the Company during the period. This value is estimated at the date of the grant with the following weighted average assumptions:

Risk-free interest rate	3.73%
Expected dividend yield	NIL
Expected stock price volatility	124.7%
Expected option life in years	5

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.

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**7. Related Party Transactions**

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

- a) During the six months ended June 30, 2004, fees in the amount of \$22,770 (2003 - \$18,000) were paid or accrued to three directors of the Company, of which \$18,000 is shown as management fees on the income statement and \$4,770 is shown in the write-off of mineral properties.
- b) During the six months ended June 30, 2004, an administrative fee of \$1,321 (2003 - \$791) 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.

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

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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. This agreement renews automatically on a month to month basis for one year unless otherwise terminated.

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**9. 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

	<b>As at June 30, 2004</b>		As at June 30, 2003		As at December 31, 2003
Caribbean	<b>\$ 943,872</b>	\$	925,310	\$	933,744
Mexico	<b>29,134</b>		-		-
Canada	<b>309,656</b>		25,597		9,207
	<b>\$ 1,282,662</b>	\$	950,907	\$	942,951

## Net loss by geographic area

	Three Months Ended June 30		Six Months Ended June 30	
	<b>2004</b>	2003	<b>2004</b>	2003
Mexico	<b>\$ 711</b>	\$ -	<b>\$ 6,101</b>	\$ -
Canada	<b>56,177</b>	32,581	<b>112,714</b>	53,341
	<b>\$ 56,888</b>	\$ 32,581	<b>\$ 118,815</b>	\$ 53,341

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