

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

**Interim Consolidated Financial Statements**  
**June 30, 2005 and 2004**  
*Unaudited*

**NOTICE**

These interim consolidated financial statements for the six months ended June 30, 2005 of IMPACT Silver Corp. (formerly IMPACT Minerals International Inc.) 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

<b>ASSETS</b>	<b>June 30, 2005</b>	June 30, 2004	December 31, 2004 <i>Audited</i>
<b>Current</b>			
Cash and term deposits	\$ 441,668	\$ 299,008	\$ 718,451
Accounts receivable and prepaid expenses	48,702	10,648	13,407
	<b>490,370</b>	309,656	731,858
<b>Property, Plant and Equipment</b>	<b>18,386</b>	-	2,570
<b>Resource Properties - Schedule (Note 3)</b>	<b>1,930,650</b>	973,006	1,270,003
	<b>\$ 2,439,406</b>	\$ 1,282,662	\$ 2,004,431

**LIABILITIES**

**Current**

Accounts payable	\$ 54,114	\$ 18,792	\$ 83,944
Due to parent company (Note 4)	96,663	46,117	13,046
	<b>150,777</b>	64,909	96,990

**SHAREHOLDERS' EQUITY**

<b>Share Capital (Note 5)</b>	<b>7,182,438</b>	5,791,313	6,630,513
<b>Contributed Surplus (Note 5(b))</b>	<b>248,597</b>	78,119	130,043
<b>Deficit - Statement 2</b>	<b>(5,142,406)</b>	(4,651,679)	(4,853,115)
	<b>2,288,629</b>	1,217,753	1,907,441
	<b>\$ 2,439,406</b>	\$ 1,282,662	\$ 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.**  
(formerly IMPACT Minerals International Inc.)  
(A Development Stage Company)  
**Interim Consolidated Statements of Loss and Deficit**  
Canadian Funds  
Unaudited

Statement 2

	Three Months Ended June 30		Six Months Ended June 30	
	2005	2004	2005	2004
<b>General and Administrative Expenses</b>				
Accounting and audit	\$ 1,965	\$ 1,500	\$ 4,819	\$ 3,000
Amortization	1,060	-	1,438	-
Foreign exchange	2,278	3	(1,790)	633
Investor relations	30,806	2,413	56,066	2,672
Legal	25,050	11,900	51,437	22,931
Management fees and consulting	7,500	9,810	15,000	18,810
Office and sundry	4,155	1,015	6,677	1,289
Office salaries and services	13,037	3,766	22,618	5,997
Rent	2,250	750	4,500	1,500
Stock-based compensation expense (Note 6(b))	92,081	19,259	118,554	43,873
Transfer agent and filing fees	4,663	5,745	10,814	11,929
Travel and accommodation	-	-	4,338	-
<b>Loss Before the Following</b>	<b>184,845</b>	<b>56,161</b>	<b>294,471</b>	<b>112,634</b>
<b>Other Expenses (Income)</b>				
Interest income	(2,440)	16	(5,180)	80
Write-off of resource properties	-	711	-	6,101
	<b>(2,440)</b>	<b>727</b>	<b>(5,180)</b>	<b>6,181</b>
<b>Loss for the Period</b>	<b>182,405</b>	<b>56,888</b>	<b>289,291</b>	<b>118,815</b>
Deficit - Beginning of period	4,960,001	4,594,791	4,853,115	4,532,864
<b>Deficit - End of Period</b>	<b>\$ 5,142,406</b>	<b>\$ 4,651,679</b>	<b>\$ 5,142,406</b>	<b>\$ 4,651,679</b>
<b>Loss Per Share – Basic and diluted</b>	<b>\$ 0.01</b>	<b>\$ 0.01</b>	<b>\$ 0.02</b>	<b>\$ 0.02</b>

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

**IMPACT Silver Corp.**  
(formerly IMPACT Minerals International Inc.)

Statement 3

(A Development Stage Company)

**Interim Consolidated Statement of Cash Flows**

Canadian Funds

Unaudited

Cash Resources Provided By (Used In)	Three Months Ended June 30		Six Months Ended June 30	
	2005	2004	2005	2004
<b>Operating Activities</b>				
Loss for the period	\$ (182,405)	\$ (56,888)	\$ (289,291)	\$ (118,815)
Items not affecting cash				
Amortization	1,060	-	1,438	-
Stock-based compensation expense	92,081	19,259	118,554	43,873
Write-off of resource properties	-	711	-	6,101
Changes in non-cash working capital	(90,463)	(134,792)	(65,125)	5,221
	<b>(179,727)</b>	<b>(171,710)</b>	<b>(234,424)</b>	<b>(63,620)</b>
<b>Investing Activities</b>				
Property, plant and equipment	(7,248)	-	(17,254)	-
Resource properties	(297,394)	(29,845)	(622,147)	(45,363)
	<b>(304,642)</b>	<b>(29,845)</b>	<b>(639,401)</b>	<b>(45,363)</b>
<b>Financing Activities</b>				
Due to parent company	24,401	(49,968)	83,617	(18,195)
Share capital issued	155,650	421,809	513,425	421,809
	<b>180,051</b>	<b>371,841</b>	<b>597,042</b>	<b>403,614</b>
<b>Net Increase (Decrease) in Cash</b>	<b>(304,318)</b>	<b>170,286</b>	<b>(276,783)</b>	<b>294,631</b>
Cash position - Beginning of period	745,986	128,722	718,451	4,377
<b>Cash Position - End of Period</b>	<b>\$ 441,668</b>	<b>\$ 299,008</b>	<b>\$ 441,668</b>	<b>\$ 299,008</b>
<b>Non-Cash Financing / Investing Activities</b>				
Shares issued for resource properties	\$ 38,500	\$ -	\$ 38,500	\$ -
Stock-based compensation included in contributed surplus	\$ 92,081	\$ 19,259	\$ 118,554	\$ 43,873

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

**IMPACT Silver Corp.**  
(formerly IMPACT Minerals International Inc.)

Schedule

(A Development Stage Company)

**Interim Consolidated Schedules of Resource Properties**

Canadian Funds

Unaudited

	Three Months Ended June 30		Six Months Ended June 30	
	2005	2004	2005	2004
<b>Proyectos Mineros, S.A. (PMSA) Concessions, Dominican Republic – (Notes 3 (b))</b>				
Deferred exploration costs				
Field administration	\$ 3,873	\$ -	\$ 3,873	\$ 1,321
Permits and fees	-	-	-	57
Travel and accommodation	4,229	-	4,229	-
Vehicles	1,266	-	1,266	-
Wages and consulting	10,213	-	10,213	8,750
	<b>19,581</b>	<b>-</b>	<b>19,581</b>	<b>10,128</b>
<b>Minera Monte Plata, S.A. (MMP) Concessions, Dominican Republic – (Notes 3(c))</b>				
Deferred exploration costs				
Field administration	109	-	109	-
<b>Zacualpan Concessions, Mexico – (Note 3(d))</b>				
Acquisition cost	\$ 49,699	\$ 4,110	\$ 87,720	\$ 4,110
Deferred exploration costs				
Assaying	47,815	1,902	88,978	1,902
Drilling	94,905	-	197,569	-
Field administration and expenses	8,411	2,045	26,056	2,045
Travel and accommodation	11,062	5,565	27,013	5,565
Vehicles	18,062	1,130	28,655	1,130
Wages and consulting	86,250	14,382	184,966	14,382
	<b>266,505</b>	<b>25,024</b>	<b>553,237</b>	<b>25,024</b>
	<b>316,204</b>	<b>29,134</b>	<b>640,957</b>	<b>29,134</b>
<b>Other properties</b>				
<b>Deferred exploration costs</b>				
Wages and consulting	-	711	-	6,101
Write-off of resource properties	-	(711)	-	(6,101)
	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Costs for the Period</b>	<b>335,894</b>	<b>29,134</b>	<b>660,647</b>	<b>39,262</b>
Balance - Beginning of period	1,594,756	943,872	1,270,003	933,744
<b>Balance - End of Period</b>	<b>\$ 1,930,650</b>	<b>\$ 973,006</b>	<b>\$ 1,930,650</b>	<b>\$ 973,006</b>

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

# IMPACT Silver Corp.

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

## Notes to Interim Consolidated Financial Statements June 30, 2005 and 2004

Canadian Funds  
Unaudited

---

### 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	355,849	-	<b>852,849</b>	\$ 831,905
MMP concessions	85,000	28,121	-	<b>113,121</b>	111,967
Zacualpan concessions	198,209	766,471	-	<b>964,680</b>	29,134
Other properties	-	6,679	(6,679)	-	-
	<b>\$ 780,209</b>	<b>1,157,120</b>	<b>(6,679)</b>	<b>1,930,650</b>	<b>\$ 973,006</b>

#### 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.

**IMPACT Silver Corp.**  
(formerly IMPACT Minerals International Inc.)  
*(A Development Stage Company)*  
**Notes to Interim Consolidated Financial Statements**  
**June 30, 2005 and 2004**  
*Canadian Funds*  
*Unaudited*

---

**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\$33,000 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 Parent Company**

As at June 30, 2005, an amount of \$96,663 (2004 - \$46,117) 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 Silver Corp.**  
 (formerly IMPACT Minerals International Inc.)  
 (A Development Stage Company)  
**Notes to Interim Consolidated Financial Statements**  
**June 30, 2005 and 2004**  
 Canadian Funds  
 Unaudited

**5. Share Capital**

a) Details are as follows:

	Number		Amount
Authorized:			
Unlimited common shares without par value			
Issued and outstanding:			
Balance – June 30, 2004	13,780,022	\$	5,791,313
Private placements	2,655,000		805,500
Shares issued for resource properties	100,000		22,000
Share purchase options exercised	435,000		43,500
Share purchase warrants exercised	195,000		29,700
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
Balance – June 30, 2005	20,334,188	\$	7,182,438

b) Contributed Surplus

Balance, June 30, 2004	\$	78,119
Fair value of stock options issued		51,924
Balance, December 31, 2004	\$	130,043
Fair value of stock options issued		118,554
Balance, June 30, 2005	\$	248,597

c) As at June 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 June 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.

**IMPACT Silver Corp.**  
(formerly IMPACT Minerals International Inc.)  
(A Development Stage Company)  
**Notes to Interim Consolidated Financial Statements**  
**June 30, 2005 and 2004**  
Canadian Funds  
Unaudited

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

Number Outstanding June 30 2004	Issued	Exercised	Forfeited	Expired	Number Outstanding June 30, 2005	Exercise Price Per Share	Expiry Date
620,000	-	(435,000)	-	(185,000)	-	\$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	-	-	-	50,000	\$0.31	January 10, 2007
-	710,000	-	-	-	710,000	\$0.42	April 13, 2007
1,400,000	1,535,000	(435,000)	-	(185,000)	2,315,000	\$0.13- \$0.42	October 20, 2008- May 12, 2009

- 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.

# IMPACT Silver Corp.

(formerly IMPACT Minerals International Inc.)

(A Development Stage Company)

## Notes to Interim Consolidated Financial Statements

### June 30, 2005 and 2004

Canadian Funds

Unaudited

---

#### 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 \$118,554 (2004 - \$43,873) for the six months ended June 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 six months ended June 30, 2005, fees in the amount of \$50,050 (2004 - \$22,770) were paid or accrued to two directors of the Company, of which \$18,016 is shown in various administrative expenditures on the income statement, and \$32,034 is shown in mineral properties.
- b) During the six months ended June 30, 2005, an administrative fee of \$4,673 (2004 - \$1,321) was paid to the parent company 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 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. 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 the parent company 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 six months ended June 30, 2005, fees in the amount of \$183,020 (2004 - nil) were paid to the parent company 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.

---

# **IMPACT Silver Corp.**

(formerly IMPACT Minerals International Inc.)

*(A Development Stage Company)*

## **Notes to Interim Consolidated Financial Statements** **June 30, 2005 and 2004**

*Canadian Funds*

*Unaudited*

---

### **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:

	<u>Amount</u>
2006	\$ 9,000
2007	117,000
2008	68,000
2009	103,000
2010	63,000
2014	<u>170,000</u>
	<u>\$ 530,000</u>

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.

---

### **10. Subsequent Event**

On August 17, 2005, the Company changed its name from IMPACT Minerals International Inc. to IMPACT Silver Corp. The Company's shares were not consolidated.

---

**Impact Silver Corp.**  
 (formerly IMPACT Minerals International Inc.)  
 (A Development Stage Company)  
**Notes to Interim Consolidated Financial Statements**  
**June 30, 2005 and 2004**  
 Canadian Funds  
 Unaudited

**11. 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	<b>As at June 30, 2005</b>	As at June 30, 2004	As at December 31, 2004
Caribbean	<b>\$ 965,970</b>	\$ 943,872	\$ 946,280
Mexico	<b>984,005</b>	29,134	323,723
Canada	<b>489,431</b>	309,656	734,428
	<b>\$ 2,439,406</b>	\$ 1,282,662	\$ 2,004,431

Net loss by geographic area

	Three Months Ended June 30		Six Months Ended June 30	
	<b>2004</b>	2004	<b>2004</b>	2004
Mexico	<b>\$ -</b>	\$ 711	\$ -	\$ 6,101
Canada	<b>182,405</b>	56,177	<b>289,291</b>	112,714
	<b>\$ 182,405</b>	\$ 56,888	<b>\$ 289,291</b>	\$ 118,815