

IMPACT Silver Corp.

Consolidated Financial Statements

March 31, 2008 and 2007
Unaudited

Management's Responsibility for Financial Reporting

The accompanying financial statements of IMPACT Silver Corp. ("the Company") have been prepared by management in accordance with accounting principles generally accepted in Canada, and within the framework of the summary of significant accounting policies in these unaudited consolidated financial statements, and reflect management's best estimate and judgment based on currently available information.

Management has developed and maintains a system of internal controls to provide reasonable assurance that the Company's assets are safeguarded, transactions are authorized and financial information is accurate and reliable.

The Audit Committee of the Board of Directors meets periodically with management and annually with the Company's independent auditors to review the scope and results of their annual audit and to review the unaudited consolidated financial statements and related financial reporting and control matters prior to submitting the unaudited consolidated financial statements to the Board of Directors for approval.

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

"R. S. Younker"
Chief Financial Officer

May 15, 2008

IMPACT Silver Corp.

Consolidated Balance Sheets

As at

Canadian Dollar

Unaudited

Statement 1

	March 31, 2008	March 31, 2007 (Restated Note 16)	December 31, 2007 Audited
ASSETS			
Current			
Cash and term deposits	\$ 8,851,324	\$ 4,169,065	\$ 10,144,831
Accounts receivable and prepaid expenses	2,281,319	1,856,659	2,200,292
Inventory	334,660	277,051	344,977
Investments recorded at cost	50,000	-	50,000
Future income tax asset	415,257	416,652	415,257
	11,932,560	6,719,427	13,155,357
Property, Plant and Equipment – (Note 5)	2,815,726	2,062,303	1,948,076
Resource Properties – Schedule (Note 3)	14,046,627	10,374,465	12,574,547
	\$ 28,794,913	19,156,195	27,677,980
LIABILITIES			
Current			
Accounts payable	\$ 933,880	\$ 905,307	\$ 1,159,185
Income tax payable	371,512	-	64,718
Due to related party – (Note 6)	500,426	24,908	582,081
	1,805,818	930,215	1,805,984
Future Income Tax Liability	2,846,057	2,298,803	2,716,137
	4,651,875	3,229,018	4,522,121
SHAREHOLDERS' EQUITY			
Share Capital –(Note 7)	27,212,635	16,295,525	27,134,387
Warrants - (Note 7(b))	-	3,895,700	-
Contributed Surplus - (Note 7(c))	631,944	303,122	568,470
Deficit - Statement 2	(3,701,541)	(4,567,170)	(4,546,998)
	24,143,038	15,927,177	23,155,859
	\$ 28,794,913	19,156,195	27,677,980

ON BEHALF OF THE BOARD:

“F.W. Davidson” _____, Director

“G. Gorzynski” _____, Director

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

IMPACT Silver Corp.
Consolidated Statements of Income,
Comprehensive Income and Deficit
For the Three Months Ended March 31

Canadian Dollars
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Statement 2

	2008	2007 (Restated Note 16)
Revenue	\$ 2,686,721	\$ 1,858,831
Expenses		
Operating costs	1,227,648	1,164,493
Amortization and depletion	185,250	193,965
	<u>1,412,898</u>	<u>1,358,458</u>
Mine Operating Earnings	<u>1,273,823</u>	<u>500,373</u>
General and Administrative Expenses		
Accounting and audit	28,145	21,595
Amortization	4,312	3,581
Foreign exchange	(151,504)	46,172
Insurance	25,779	28,901
Investor relations	40,364	38,763
Legal	9,055	23,516
Management fees and consulting	6,956	20,391
Office and sundry	10,090	11,050
Office salaries and services	106,052	63,954
Rent	16,310	8,885
Stock-based compensation expense (Note 8(b))	79,093	-
Transfer agent and filing fees	16,700	14,862
Travel and accommodation	2,594	13,499
	<u>193,946</u>	<u>295,169</u>
Income Before the Following	<u>1,079,877</u>	<u>205,204</u>
Other Income (Expenses)		
Interest income	68,161	34,919
Other income	-	27,046
Write-off of resource properties	-	(614)
	<u>68,161</u>	<u>61,351</u>
Income before Taxes	<u>1,148,038</u>	<u>266,555</u>
Current income tax expense	302,581	-
Future income tax expense	-	-
	<u>-</u>	<u>-</u>
Net Income and comprehensive income for the Period	<u>845,457</u>	<u>266,555</u>
Deficit - Beginning of period	<u>(4,546,998)</u>	<u>(4,833,725)</u>
Deficit - End of Period	<u>\$ (3,701,541)</u>	<u>\$ (4,567,170)</u>
Earnings Per Share – Basic	<u>0.02</u>	<u>0.01</u>
– Diluted	<u>0.02</u>	<u>0.01</u>
Weighted Average Number of Shares Outstanding - Basic	<u>47,270,858</u>	<u>39,940,394</u>
Weighted Average Number of Shares Outstanding - Diluted	<u>48,502,055</u>	<u>44,302,971</u>

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

IMPACT Silver Corp.
Consolidated Statements of Cash Flows
For the Three Months Ended March 31

Canadian Dollars
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Statement 3

Cash Resources Provided By (Used In)	2008	2007 <i>(Restated Note 16)</i>
Operating Activities		
Income for the year	\$ 845,457	\$ 266,555
Items not affecting cash		
Amortization and depletion	189,562	197,546
Stock-based compensation expense	79,093	-
Write-off of resource properties	-	614
Changes in non-cash working capital		
Accounts receivable and prepaid expenses	(81,027)	(232,399)
Inventory	10,317	53,637
Accounts payable	(225,305)	(200,361)
Income tax payable	306,794	-
	<u>1,124,891</u>	<u>85,592</u>
Investing Activities		
Acquisition of property, plant and equipment	(922,685)	(1,525)
Resource property costs	(1,435,687)	(449,199)
	<u>(2,358,372)</u>	<u>(450,724)</u>
Financing Activities		
Advances from related party	(81,655)	(10,362)
Share capital issued	21,629	574,740
	<u>(60,026)</u>	<u>564,378</u>
Net Increase in cash and cash equivalents	(1,293,507)	199,246
Cash and cash equivalents - Beginning of period	<u>10,144,831</u>	<u>3,969,819</u>
Cash and cash equivalents – End of Period	\$ 8,851,324	\$ 4,169,065

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

IMPACT Silver Corp.
Consolidated Schedules of Resource Properties
For the Three Months Ended March 31

Schedule

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	2008	2007 <i>(Restated Note 16)</i>
Zacatecas Properties, Mexico – (Notes 3(e))		
Acquisition cost	\$ 40,040	\$ 112,254
Deferred exploration costs		
Assaying	-	6,644
Field administration and expenses	-	5,357
Future income taxes	788	21,678
Travel and accommodation	-	4,302
Vehicles	-	566
Wages and consulting	3,288	22,854
	4,076	61,401
Recoveries	105,189	-
	149,305	173,655
Zacualpan Mine and Concessions, Mexico – (Note 3(d))		
Acquisition cost	123,336	65,180
Deferred exploration costs		
Assaying	70,935	25,200
Drilling	579,520	60,634
Field administration , legal and expenses	151,236	45,619
Future income taxes	129,132	20,010
Travel and accommodation	56,716	12,735
Vehicles	20,549	4,968
Wages and consulting	275,876	72,628
	1,283,964	241,794
Amortization and depletion	(134,525)	(144,656)
	1,272,775	162,318
Other Properties, Dominican Republic – (Notes 3(b)(c))		
Deferred exploration costs		
Field administration	-	1,404
Travel and accommodation	-	947
Vehicles	-	55
Wages and consulting	50,000	7,851
	50,000	10,257
Write-off of resource properties	-	(614)
	50,000	9,643
Costs for the Period	1,472,080	345,616
Balance - Beginning of period	12,574,547	10,028,849
Balance - End of Period	\$ 14,046,627	\$ 10,374,465

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

IMPACT Silver Corp.

Notes to Consolidated Financial Statements

March 31, 2008 and 2007

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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, 2007.

2. Changes in Accounting Policies

On January 1, 2008, the Company adopted three new presentation and disclosure standards issued by the Canadian Institute of Chartered Accountants: Handbook Sections 3862 *Financial Instruments – Disclosure*, and 3863 *Financial Instruments – Presentation*, have replaced Section 3861, *Financial Instruments – Disclosure and Presentation*. These new sections incorporate many of the disclosure requirements of Section 3861, but place an emphasis on disclosure about risk, including both qualitative and quantitative information about the risk exposures arising from financial instruments. Section 1535, *Capital Disclosures*, establishes disclosure requirements about the Company's objectives, policies and processes for managing capital, quantitative data about what the Company regards as capital, whether the Company has complied with capital requirements and, if the entity has not complied, the consequences of such non-compliance (*Notes 11, 12*).

Section 3031, *Inventories*, which replaces Section 3030, establishes standards for the measurement and disclosure of inventories. The new standard provides more extensive guidance on the determination of cost, including allocation of overhead and requires impairment testing. The adoption of this new accounting policy did not have any impact on the Company's consolidated financial statements.

IMPACT Silver Corp.

Notes to Consolidated Financial Statements

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3. Resource Properties

a) Details are as follows:

	2008	2007 (Restated Note 16)
PMSA Concessions – Dominican Republic		
Acquisition	\$ 497,000	\$ 497,000
Exploration and development	445,280	365,945
	<u>942,280</u>	<u>862,945</u>
MMP Concessions – Dominican Republic		
Acquisition costs	85,000	85,000
Exploration	29,050	28,485
	<u>114,050</u>	<u>113,485</u>
Zacualpan Concessions - Mexico		
Acquisition costs	5,552,012	5,382,637
Exploration	4,746,050	2,093,659
Future income taxes	1,149,353	882,366
	<u>11,447,415</u>	<u>8,358,662</u>
Zacatecas Properties - Mexico		
Acquisition costs	1,284,639	893,963
Exploration	714,764	167,287
Future income taxes	63,986	66,584
Recoveries	(520,507)	(88,461)
	<u>1,542,882</u>	<u>1,039,373</u>
Other Properties		
Exploration	10,185	614
Accumulated write -off	(10,185)	(614)
	<u>-</u>	<u>-</u>
	<u>\$ 14,046,627</u>	<u>\$ 10,374,465</u>

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.

IMPACT Silver Corp.

Notes to Consolidated Financial Statements

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3. Resource Properties - continued

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.

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

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 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 5).

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 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.

During the current year, the Company acquired the right to purchase a concession known as the Mamatla Mining District adjacent to the Company's Royal Mines of Zacualpan Silver Project in Central Mexico. The purchase price for the Mamatla Mining District is approximately \$215,700 (2,211,990 Pesos), of which \$91,690 (884,796 pesos) was paid in 2007. Subsequent to the year end the Company paid the balance in full of \$124,010 (1,327,194 Pesos).

The concession is subject to a 1% NSR.

IMPACT Silver Corp.

Notes to Consolidated Financial Statements

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3. Resource Properties - continued

e) Zacatecas Agreements

Under an agreement dated July 10, 2006, the Company through its wholly owned subsidiary MAP, acquired a four-year option from a third party to purchase a 200-tonne-per-day processing plant and associated surface rights in the Zacatecas Mining District of Mexico. Under the agreement, MAP may purchase the assets for US\$1,120,000 (US\$469,300 paid) and 500,000 shares (100,000 issued) in stages, plus commit to US\$700,000 in work expenditures (US\$350,000 in each of the first two years).

Under separate purchase agreements, the Company acquired eleven mineral concessions in the Zacatecas area during 2006 and two concessions in 2007 to hold a total of 17 concessions, four of which are under an option agreement with a third party. No further payments or commitments exist for these concessions.

- f) During 2006, the Company entered into an option agreement with a third party in which the third party was given the right to earn a 65% interest in four concessions at Zacatecas. To earn its interest the third party was required to reimburse the Company US\$15,000 per concession, pay for all acquisition costs and incur a minimum expenditure of US\$100,000 in exploration per concession.

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

- a) On January 16, 2006, the Company completed the acquisition, through its wholly owned subsidiary MAP, of all the issued and outstanding shares of MPZ. Total consideration paid to the shareholders of MPZ was the issuance of 300,000 shares of the Company and payment of \$2,260,200. This was, for accounting purposes, a business combination. The Company therefore recognizes the fair value of the assets acquired and liabilities assumed as at the date of acquisition.

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 and liabilities assumed is summarized in the table below.

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>

Fair value of assets acquired and liabilities assumed:

Accounts receivable and prepaid expenses	\$	126,676
Inventory		174,701
Property, plant and equipment		240,087
Resource properties		<u>5,038,305</u>
		<u>5,579,769</u>
Accounts payable and accrued liabilities		(374,356)
Forward sales contract liability		(2,164,773)
Future income tax liability		<u>(600,940)</u>
	\$	<u>2,439,700</u>

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Notes to Consolidated Financial Statements

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

The liabilities above include approximately US\$465,000 pertaining to forward sales contract losses realized to the date of acquisition, under a smelter contract commitment obligation entered into in April 2004 by MPZ prior to the Company's involvement. 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 tons of lead and 100 tons of zinc which had been sold forward at US\$7.00 per ounce silver, US\$400.00 per ounce gold, US\$720.00 per ton lead, and US\$1,100.00 per ton zinc. MAP also assumed 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.

This meant that we recognized 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 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 was taken into account as part of the purchase consideration.

5. Property, Plant and Equipment

	2008			2007		
	Cost \$	Accumulated amortization \$	Net Book Value \$	Cost \$	Accumulated amortization \$	Net Book Value \$
Mine equipment	771,559	119,299	652,260	717,943	53,926	664,017
Mobile equipment	532,913	401,164	131,749	532,913	344,644	188,269
Office furniture and equipment	95,341	55,954	39,387	84,881	46,442	38,439
Plant equipment	1,146,472	69,107	1,077,365	342,389	30,157	312,232
Surface rights	734,128	-	734,128	734,128	-	734,128
Vehicles	280,906	100,069	180,837	194,730	69,512	125,218
	3,561,319	745,593	2,815,726	2,606,984	544,681	2,062,303

IMPACT Silver Corp.

Notes to Consolidated Financial Statements

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6. Due to Related Party

As at March 31, 2008, an amount of \$500,426 (2007 - \$24,908) was due to a significant shareholder 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 – March 31, 2007	40,278,642	\$	16,295,525
Shares issued for resource properties	100,000		190,000
Share purchase options exercised	24,250		10,185
Share purchase warrants exercised	6,855,818		6,790,163
Value assigned to options exercised			7,354
Value assigned to warrants exercised			3,841,159
Balance – December 31, 2007	47,258,710	\$	27,134,387
Shares issued for resource properties	25,000		41,000
Share purchase options exercised	51,500		21,630
Value assigned to options exercised			15,618
Balance – March 31, 2008	47,335,210	\$	27,212,635

b) Warrants

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

	Number of warrants		Amount
Balance - March 31, 2007	7,017,546		3,895,700
Expiry of warrants	(161,728)		(54,541)
Exercise of warrants	(6,855,818)		(3,841,159)
Balance – March 31, 2008 and December 31, 2007	-	\$	-

IMPACT Silver Corp.

Notes to Consolidated Financial Statements

March 31, 2008 and 2007

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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 - March 31, 2007 | \$ | 303,122 |
| Fair value of stock options issued | | 218,161 |
| Value assigned to options exercised | | (7,354) |
| Value assigned to expired warrants | | 54,541 |
| Balance - December 31, 2007 | | 568,470 |
| Fair value of stock options issued | | 79,092 |
| Value assigned to options exercised | | (15,618) |
| Balance - March 31, 2008 | \$ | 631,944 |
- d) At December 31, 2006, the Company had 375,000 shares in escrow which were released in 2007 with the consent of the regulatory authorities.
- 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. To March 31, 2007, 2,705,000 of these warrants had been exercised.
- 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 March 31, 2008, 3,730,000 of these warrants had been exercised, and 145,000 warrants had 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 March 31, 2008, 4,509,272 of these warrants had been exercised, and 16,728 warrants had expired.
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IMPACT Silver Corp.

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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 12.5% every quarter thereafter.

- a) A summary of the Company's stock option plan at March 31, 2008 and the changes for the years ended on these dates is as follows:

	Number	Weighted Average Exercise Price
At March 31, 2007	1,401,750	0.30
Granted	1,130,000	1.42
Exercised	(22,250)	0.42
At December 31, 2007	2,509,500	0.80
Granted	35,000	1.44
Exercised	(51,500)	0.42
Expired	(35,000)	1.45
At March 31, 2008	2,458,000	0.81

The following table summarizes information about the stock options outstanding at March 31, 2008:

Number Outstanding March 31, 2007	Issued	Exercised	Forfeited	Number Outstanding March 31, 2008	Exercise Price Per Share	Expiry Date
365,000	-	-	-	365,000	\$0.13	October 20, 2008 (i)
375,000	-	-	-	375,000	\$0.15	May 12, 2009 (i)
626,750	-	(73,750)	-	553,000	\$0.42	April 13, 2010 (i)
35,000	-	-	(35,000)	-	\$1.45	February 6, 2008(i)
-	1,055,000	-	-	1,055,000	\$1.40	September 5, 2012(ii)
-	75,000	-	-	75,000	\$1.67	October 22, 2012 (ii)
-	35,000	-	-	35,000	\$1.44	February 2, 2010 (ii)
1,401,750	1,165,000	(73,750)	(35,000)	2,458,000	\$0.13- \$1.67	October 20, 2008 - October 22, 2010

i) All the options are fully vested at March 31, 2008.

ii) As of March 31, 2008, 564,375 options are vested.

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8. Share Purchase Options - *continued*

The following table summarizes information about the stock options outstanding at March 31, 2007:

Number Outstanding March 31, 2006	Issued	Exercised	Forfeited	Number Outstanding March 31, 2007	Exercise Price Per Share	Expiry Date
580,000	-	(215,000)	-	365,000	\$0.13	October 20, 2008 (i)
75,000	-	(75,000)	-	-	\$0.20	August 31, 2006 (i)
425,000	-	(50,000)	-	375,000	\$0.15	May 12, 2009 (i)
689,375	-	(61,375)	(1,250)	626,750	\$0.42	April 13, 2010 (i)
35,000	-	-	-	35,000	\$1.45	February 6, 2008(i)
1,804,375	-	(401,375)	(1,250)	1,401,750	\$0.13- \$1.45	February 6, 2008 - April 13, 2010

i) All the options are fully vested at March 31, 2007.

- i) In September 2007, the Company granted stock options under its Stock Option Plan to directors, officers and consultants exercisable for up to 1,055,000 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.
- ii) In October 2007, the Company granted stock options under its Stock Option Plan to a director exercisable for up to 75,000 shares of the Company, with an estimated value of \$46,308 on the grant date. The options are exercisable on or before October 22, 2012 at a price of \$1.67 per share.
- iii) In February 2008, 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 \$17,774 on the grant date. The options are exercisable on or before February 6, 2010 at a price of \$1.44 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 \$79,093 (2007 - \$nil) for the period ended March 31, 2008, based on a grading vesting schedule using the assumptions as follows:

Number of options granted	1,055,000	75,000	35,000
Risk-free interest rate	4.28%	4.17%	3.05%
Expected dividend yield	NIL	NIL	NIL
Expected stock price volatility	63.19%	62.67%	60.71%
Expected option life in years	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.

IMPACT Silver Corp.

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March 31, 2008 and 2007

Canadian Dollars

Unaudited

9. Related Party Transactions

Except as disclosed elsewhere in these financial statements, related party transactions are recorded at the exchange amount which is the amount of consideration paid or received as agreed by the parties. Related party transactions are as follows:

- a) During the three months ended March 31, 2008, fees in the amount of \$33,206 (2007 - \$33,113) were paid or accrued to directors and officers of the Company, of which \$21,956 is shown in various administrative expenditures on the income statement, and \$11,250 is shown in mineral properties.
 - b) During the three months ended March 31, 2008, an administrative fee of \$684 (2007 - \$1,564) was paid to a shareholder for management of the Company's administrative and exploration programs.
 - c) During the three months ended March 31, 2008, fees in the amount of \$579,520 (2007 - \$157,018) were paid to a significant shareholder of the Company for contract drilling services performed in Mexico at the Zacualpan and Zacatecas concessions.
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10. Management Agreements

The Company entered into a management agreement with one director for fees of \$5,000 per month for a period of thirty six months on May 1, 2006.

11. Capital Management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern, to provide an adequate return to shareholders, and to meet external capital requirements on our debt and credit facilities.

In the management of its capital, the Company includes its cash and cash equivalent balances, and monitors capital based on the debt to debt-plus-equity ratio. Debt is total debt shown on the balance sheet, less free cash and cash equivalents. Debt-plus-equity is calculated as debt shown on the balance sheet, plus total shareholders' equity which includes accumulated other comprehensive income, share capital, warrants, contributed surplus and retained earnings or deficit.

It is the Company's policy is to keep its debt to debt-plus-equity ratio at a manageable level consistent with the current business cycle, and the business opportunities outlook foreseen by the Company. As a general guideline, the Company's policy will be to keep its debt to debt-plus-equity ratio below 50%, except in unusual circumstances such as a major acquisition. Currently the Company has no debt and is in full compliance with its capital risk management policies. The Company's Board of Director's approves management's annual capital expenditures plans and reviews and approves any material debt borrowing plans proposed by the Company's management.

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12. Management of Financial Risk

The Company's financial instruments are exposed to a number of financial and market risks including credit, liquidity, foreign exchange, interest rate and price risks. The Company may, or may not, establish from time to time active policies to manage these risks. The Company does not currently have in place any active hedging or derivative trading policies to manage these risks since the Company's management does not believe that the current size, scale and pattern of cash flow of its operations would warrant such hedging activities.

Credit Risk

Credit risk arises from the non-performance by counterparties of contractual financial obligations. The Company's credit risk is primarily attributable to short term deposits and accounts receivable from its concentrates refinery. The Company's primary counterparties related to our money market investments carry investment grade ratings. As is typical within the mining industry the Company deals with one smelter for the processing of all of its mineral concentrates. The Company has a significant concentration of credit risk exposure to its Mexican refining and smelting company Met-Mex Penoles, S.A. de C.V. at any one time but is satisfied that this company and our principal Canadian banker follow sound business practices. The Company's maximum exposure to credit risk at the reporting date is the carrying value of our receivables and short term deposits.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due. The Company manages liquidity by maintaining cash and cash equivalent balances available to meet its anticipated operational needs. The Company has not been required to establish available or committed credit facilities but will do so as necessary. Liquidity requirements are managed based on expected cash flow to ensure that there is adequate capital to meet short term and long term obligations.

Market Risks

The significant market risks to which the Company is exposed are foreign exchange risk, interest rate risk and commodity price risk.

Foreign Exchange Risks

The Company operates principally in Mexico and the Dominican Republic, and incurs costs and revenues in Mexican pesos as well as US dollars. Settlement prices under its smelting and refining contract are defined in US dollar terms. Some of the overhead costs for the Mexican mining operations are also incurred in Canadian dollars. Foreign exchange risk exposures arise from transactions denominated in foreign currencies, and the Company is at risk for changes in the value both of the Mexican peso and the US dollar.

At March 31, 2008, the Company is exposed to currency risk through the following assets and liabilities held in US and other foreign currencies:

	March 31, 2008		March 31, 2007
Cash and cash equivalents	\$ 1,213,752	\$	1,155,914
Other assets	2,111,273		1,700,998
Accounts payable	(1,150,865)		(669,945)
	<u>\$ 2,174,860</u>	<u>\$</u>	<u>2,186,967</u>

The Company has elected not to actively manage our foreign exchange risk at this time.

IMPACT Silver Corp.

Notes to Consolidated Financial Statements

March 31, 2008 and 2007

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12. Management of Financial Risk - continued

Interest Rate Risk

The Company's interest rate risk arises primarily from the interest received on cash and short-term deposits. The floating rate deposits expose the Company to cash flow interest rate risk. The Company does not currently have any short or long term interest borrowings.

The deposits are invested on a short term basis to enable liquidity for payment of operational and capital expenditures. As a result of rapid rollover of short term investments there is little risk of capital loss as a result of changes in interest rates.

Commodity Price Risk

The Company is subject to commodity price risk for all the principal metals that are recovered from the concentrates that it produces. These include silver, lead, zinc, and gold. These metal prices are subject to numerous factors beyond the control of the Company including central bank sales, producer hedging activities, interest rates, exchange rates, inflation and deflation, global and regional supply and demand, and political and economic conditions in major producing countries throughout the world. The Company has elected not to actively manage our exposure to metal prices at this time.

13. Segmented Information

Details at March 31 are as follows:

	2008	2007
Revenue by geographic area		
Mexico	\$ 2,686,721	\$ 1,858,831
Net income (loss) by geographic area		
Canada	(72,552)	(190,096)
Mexico	918,009	456,651
	\$ 845,457	\$ 266,555
Assets by geographic area		
Caribbean	\$ 1,056,330	\$ 976,431
Canada	8,364,054	3,574,106
Mexico	19,374,529	14,605,658
	\$ 28,794,913	\$ 19,156,195
Property, plant and equipment by geographic area		
Canada	\$ 17,630	\$ 19,088
Mexico	2,798,096	2,043,215
	\$ 2,815,726	\$ 2,062,303

IMPACT Silver Corp.

Notes to Unaudited Consolidated Financial Statements

March 31, 2008 and 2007

Canadian Dollar

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14. 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 under the refining and smelting contract which sets out the agreed settlement terms and concentrate treatment charges.

15. Commitment

During 2007, the Company signed a new lease which commenced June 1, 2007 and ends May 31, 2010. Lease obligations, net of operating costs are \$40,800 per year.

16. Restatement

As at December 31, 2006, the Company should have recorded a future income tax asset of \$416,652 and a future income tax liability of \$2,298,803. The offsetting entry was to Future Income Tax Expense during the 2006 fiscal year. In addition in the year ended December 31, 2006, the Company recorded received property payments as Other Income, however, the Company determined that \$134,899 of this should have been recorded against the resource properties. As a result of these corrections net income was reduced by \$467,162. This has resulted in an increase in the reported deficit as at March 31, 2007. The effect of the restatement on the March 2007 consolidated financial statements is as follows:

	As previously reported	As restated
Future income tax asset	\$ -	\$ 416,652
Resource Properties	\$ 10,030,074	\$ 10,374,465
Accounts payable	\$ 858,868	\$ 905,307
Future income tax liability	\$ 1,117,037	\$ 2,298,803
Deficit	\$ (4,100,008)	\$ (4,567,170)
