

# **IMPACT Silver Corp.**

**Interim Consolidated Financial Statements**

**September 30, 2009**

**Unaudited**

NOTICE OF NO REVIEW BY AUDITOR

In accordance with National Instrument 51 – 102 *Continuous Disclosure Obligations* of the Canadian Securities Administrators **WE HEREBY GIVE NOTICE THAT** the interim financial statements which follow this notice have not been reviewed by an auditor.

# IMPACT Silver Corp.

## Consolidated Balance Sheets

Canadian Dollars

Unaudited

Statement 1

<b>ASSETS</b>	<b>September 30</b>		<b>December 31</b>	
	<b>2009</b>		<b>2008</b>	
<b>Current</b>				
Cash and cash equivalents	\$	5,494,157	\$	5,433,480
Accounts receivable and prepaid expenses		1,951,474		2,235,097
Inventories – (Note 3)		668,186		650,778
Investments		30,000		20,000
Future income taxes		34,806		356,537
		<b>8,178,623</b>		8,695,892
<b>Property, Plant and Equipment</b> – (Note 4)		<b>3,128,527</b>		3,164,473
<b>Resource Properties</b> – (Schedule and Note 5)		<b>20,107,987</b>		17,413,919
	\$	<b>31,415,137</b>	\$	29,274,284
<b>LIABILITIES</b>				
<b>Current</b>				
Accounts payable and accrued liabilities	\$	742,578	\$	654,595
Due to related party – (Note 6)		387,357		760,054
Income taxes payable		167,531		-
		<b>1,297,466</b>		1,414,649
<b>Future Income Taxes</b>		<b>4,272,633</b>		3,542,888
		<b>5,570,099</b>		4,957,537
<b>SHAREHOLDERS' EQUITY</b>				
<b>Share Capital</b> - (Note 8a)		<b>27,564,285</b>		27,436,653
<b>Contributed Surplus</b> - (Note 8b)		<b>1,141,561</b>		794,992
<b>Accumulated Other Comprehensive Loss</b> – (Note 8c)		<b>(20,000)</b>		(30,000)
<b>Deficit</b>		<b>(2,840,808)</b>		(3,884,898)
		<b>25,845,038</b>		24,316,747
	\$	<b>31,415,137</b>	\$	29,274,284

ON BEHALF OF THE BOARD:

“F.W. Davidson” \_\_\_\_\_, Director

“G. Gorzynski” \_\_\_\_\_, Director

# IMPACT Silver Corp.

Statement 2

## Consolidated Statements of Income and Deficit For the Three and Nine Months Ended September 30

Canadian Dollars  
Unaudited

	Three months ended September 30		Nine months ended September 30	
	2009	2008	2009	2008
<b>Revenues</b>	\$ <b>4,982,569</b>	\$ 2,243,848	\$ <b>9,842,963</b>	\$ 6,686,756
<b>Expenses</b>				
Operating expenses	<b>2,534,687</b>	1,666,308	<b>5,016,874</b>	3,950,151
Amortization and depletion	<b>565,502</b>	376,046	<b>1,080,809</b>	816,988
	<b>3,100,189</b>	2,042,354	<b>6,097,683</b>	4,767,139
<b>Mine operating earnings</b>	<b>1,882,380</b>	201,494	<b>3,745,280</b>	1,919,617
<b>General and administrative expenses</b>				
Accounting, audit and legal	<b>43,935</b>	33,998	<b>127,903</b>	119,394
Amortization	<b>7,381</b>	6,695	<b>22,112</b>	19,479
Investor relations, promotion and travel	<b>21,407</b>	32,204	<b>73,225</b>	127,515
Management fees and consulting	<b>20,130</b>	9,704	<b>43,762</b>	40,545
Office, rent, insurance and sundry	<b>57,034</b>	65,816	<b>166,777</b>	209,751
Office salaries and services	<b>98,281</b>	138,110	<b>301,165</b>	369,552
Stock-based compensation expense (Note 8d)	<b>84,854</b>	76,871	<b>370,201</b>	232,836
	<b>333,022</b>	363,398	<b>1,105,145</b>	1,119,072
<b>Income (loss) before the following</b>	<b>1,549,358</b>	(161,904)	<b>2,640,135</b>	800,545
<b>Other income (expenses)</b>				
Foreign exchange gain (loss)	<b>(203,476)</b>	(14,005)	<b>(312,851)</b>	105,245
Interest income (expense)	<b>(873)</b>	37,798	<b>1,669</b>	158,959
Other income (expense)	<b>5,346</b>	-	<b>(330,010)</b>	10,299
Gain on resource properties	-	-	<b>1,599</b>	328,249
Write-off of resource properties	-	(3,000)	-	(3,000)
	<b>(199,003)</b>	20,793	<b>(639,593)</b>	599,752
<b>Income (loss) before taxes</b>	<b>1,350,355</b>	(141,111)	<b>2,000,542</b>	1,400,297
Current income taxes recovery (expense)	<b>108,463</b>	69,159	<b>(167,531)</b>	(24,975)
Future income taxes expense	<b>(673,356)</b>	(160,818)	<b>(788,921)</b>	(457,212)
<b>Net income (loss)</b>	<b>785,462</b>	(232,770)	<b>1,044,090</b>	918,110
Deficit - Beginning of period	<b>(3,626,270)</b>	(3,396,118)	<b>(3,884,898)</b>	(4,546,998)
<b>Deficit - End of period</b>	\$ <b>(2,840,808)</b>	\$ (3,628,888)	\$ <b>(2,840,808)</b>	\$ (3,628,888)
<b>Earnings (loss) per share – Basic and diluted</b>	<b>0.02</b>	(0.00)	<b>0.02</b>	0.02
Weighted average number of shares outstanding – Basic	<b>48,253,090</b>	47,560,427	<b>48,188,104</b>	47,389,458
Weighted average number of shares outstanding - Diluted	<b>49,122,078</b>	48,014,442	<b>48,612,086</b>	48,002,267

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

# IMPACT Silver Corp.

Statement 3

## Consolidated Statements of Comprehensive Income For the Three and Nine Months Ended September 30

Canadian Dollars  
Unaudited

	Three months ended September 30		Nine months ended September 30	
	2009	2008	2009	2008
<b>Net income (loss)</b>	<b>\$ 785,462</b>	<b>\$ (232,770)</b>	<b>\$ 1,044,090</b>	<b>\$ 918,110</b>
<b>Other comprehensive income (loss)</b>				
Unrealized (loss) gain on available-for-sale short-term investments	<b>(5,000)</b>	<b>(70,000)</b>	<b>10,000</b>	<b>(12,500)</b>
<b>Comprehensive income (loss)</b>	<b>\$ 780,462</b>	<b>\$ (302,770)</b>	<b>\$ 1,054,090</b>	<b>\$ 905,610</b>

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

# IMPACT Silver Corp.

Statement 4

## Consolidated Statements of Cash Flows

For the Three and Nine Months Ended September 30

Canadian Dollars

Unaudited

Cash resources provided by (used in)	Three months ended September 30		Nine months ended September 30	
	2009	2008	2009	2008
<b>Operating activities</b>				
Net income (loss)	\$ 785,462	\$ (232,770)	\$ 1,044,090	\$ 918,110
Items not affecting cash				
Amortization and depletion	572,883	382,741	1,102,921	836,467
Stock-based compensation expense	84,854	76,871	370,201	232,836
Future income taxes	673,356	160,818	788,921	457,212
Gain on resource properties	-	-	(1,599)	-
Write-off of resource properties	-	3,000	-	3,000
Unrealized loss (gain) on foreign exchange	275,856	19,911	266,324	(30,274)
Changes in non-cash working capital				
Accounts receivable and prepaid expenses	973,688	(103,520)	49,455	26,547
Inventories	790,250	33,324	27,179	(226,930)
Accounts payable and accrued liabilities	(103,810)	(110,764)	154,263	(277,969)
Income taxes payable	(108,463)	(69,159)	167,531	(40,508)
Due to related party	(484,216)	190,726	(327,661)	492,339
Deferred revenue	(634,263)	-	-	-
	<b>2,825,597</b>	<b>351,178</b>	<b>3,641,625</b>	<b>2,390,830</b>
<b>Investing activities</b>				
Acquisition of property, plant and equipment	(160,233)	(67,152)	(177,394)	(1,440,946)
Resource property costs	(1,059,306)	(1,518,831)	(3,289,083)	(4,098,090)
	<b>(1,219,539)</b>	<b>(1,585,983)</b>	<b>(3,466,477)</b>	<b>(5,539,036)</b>
<b>Financing activities</b>				
Share capital issued	2,750	61,200	29,000	82,830
	<b>2,750</b>	<b>61,200</b>	<b>29,000</b>	<b>82,830</b>
Effect of exchange rate changes on cash and cash equivalents	(164,369)	(19,671)	(143,471)	11,793
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>1,444,439</b>	<b>(1,193,276)</b>	<b>60,677</b>	<b>(3,053,583)</b>
Cash and cash equivalents – Beginning of period	4,049,718	8,284,524	5,433,480	10,144,831
<b>Cash and cash equivalents – End of period</b>	<b>\$ 5,494,157</b>	<b>\$ 7,091,248</b>	<b>\$ 5,494,157</b>	<b>\$ 7,091,248</b>

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

# IMPACT Silver Corp.

Schedule

## Consolidated Schedules of Resource Properties For the Three and Nine Months Ended September 30

Canadian Dollars  
Unaudited

	Three months ended September 30		Nine months ended September 30	
	2009	2008	2009	2008
<b>Zacualpan Mine and Concessions, Mexico – (Note 5b)</b>				
Acquisition cost	\$ 7,461	\$ 180,025	\$ 12,720	\$ 307,236
Deferred exploration costs				
Assaying	61,804	69,814	160,493	289,173
Development	9,451	215,060	9,451	215,060
Drilling	499,733	567,355	1,749,672	1,729,066
Field administration and legal	70,579	71,363	178,669	278,923
Future income taxes	87,678	69,565	256,680	292,227
Travel and accommodation	39,637	39,250	114,898	146,332
Vehicles	17,102	19,339	52,626	68,367
Wages and consulting	254,534	260,699	776,633	732,321
	1,040,518	1,312,445	3,299,122	3,751,469
Amortization and depletion	(324,968)	(295,965)	(934,169)	(676,492)
	723,011	1,196,505	2,377,673	3,382,213
<b>Zacatecas Properties, Mexico – (Note 5c)</b>				
Acquisition cost	160,062	166,306	260,968	206,346
Deferred exploration costs				
Assaying	-	-	4,994	-
Field administration	9,344	2,034	24,643	1,271
Future income taxes	58	233	5,876	5,813
Travel and accommodation	212	1,146	2,158	2,338
Vehicles	-	138	1,283	137
Wages and consulting	306	2,304	11,481	23,543
	9,920	5,855	50,435	33,102
Recoveries	-	-	(2,842)	118,329
	169,982	172,161	308,561	357,777
<b>Other Properties, Dominican Republic – (Notes 5d &amp; 5e)</b>				
Deferred exploration costs				
Field administration	3,863	-	5,456	-
Wages and consulting	220	3,000	2,378	99,649
	4,083	3,000	7,834	99,649
Write-off of resource properties	-	(3,000)	-	(3,000)
	4,083	-	7,834	96,649
<b>Costs for the period</b>	<b>897,076</b>	<b>1,368,666</b>	<b>2,694,068</b>	<b>3,836,639</b>
Balance - Beginning of period	19,210,911	15,042,520	17,413,919	12,574,547
<b>Balance - End of period</b>	<b>\$ 20,107,987</b>	<b>\$ 16,411,186</b>	<b>\$ 20,107,987</b>	<b>\$ 16,411,186</b>

# IMPACT Silver Corp.

## Notes to Consolidated Financial Statements

September 30, 2009

Canadian Dollars

Unaudited

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### 1. Basis of Presentation

These unaudited interim consolidated financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles "GAAP" and follow the same accounting policies and methods of their application as the most recent audited annual consolidated financial statements, except as described in Note 2. The accompanying unaudited interim consolidated financial statements should be read in conjunction with the Company's audited annual consolidated financial statements as at December 31, 2008, as they do not contain all disclosures required by GAAP for annual financial statements. Certain comparative figures have been reclassified to conform to the presentation adopted for the current period.

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### 2. Changes in Accounting Policies

#### Adoption of New Accounting Policies

Effective January 1, 2009, the Company adopted the new Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3064, *Goodwill and Intangible Assets*. This section replaces CICA Handbook Section 3062, *Goodwill and Intangible Assets*, and establishes revised standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The new standard also provides guidance for the treatment of various pre-production and start-up costs and requires that these costs be expensed as incurred, with the concurrent withdrawal of CICA Emerging Issues Committee Abstract 27. The adoption of Section 3064 did not result in a material impact on the Company's consolidated financial statements.

In March 2009, the CICA issued EIC-174, "Mining Exploration Costs." The EIC provides guidance on the accounting and the impairment review of exploration costs. This standard is effective for our fiscal year beginning January 1, 2009. The adoption of EIC-174 did not result in a material impact on the Company's consolidated financial statements.

In June 2009, the CICA amended Handbook Section 3862 – *Financial Instruments – Disclosures* to include additional disclosure requirements about fair value measurements of financial instruments and to enhance liquidity risk disclosure requirements for publicly accountable enterprises. The amendments are applicable for the Company's annual consolidated financial statements for its fiscal year ending December 31, 2009.

#### Recent Accounting Pronouncements Issued But Not Yet Implemented

In January 2009, the CICA issued Sections 1582 – *Business Combinations*, 1601 – *Consolidated Financial Statements* and 1602 – *Non-controlling Interests* which replace CICA Sections 1581 – *Business Combinations* and 1600 – *Consolidated Financial Statements*. Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under International Financial Reporting Standards ("IFRS"). Section 1582 is applicable for the Company's business combinations with acquisition dates on or after January 1, 2011. Early adoption of this Section is permitted. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. Section 1601 is applicable for the Company's interim and annual consolidated financial statements for its fiscal year beginning January 1, 2011. Early adoption of this Section is permitted. If the Company chooses to early adopt any one of these Sections, the other two Sections must also be adopted at the same time.

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### 3. Inventories

	<b>September 30</b>		December 31
	<b>2009</b>		2008
Materials and supplies	\$ 426,441	\$	416,406
Finished goods – lead and zinc concentrates	241,745		234,372
<b>Total inventories</b>	<b>\$ 668,186</b>	<b>\$</b>	<b>650,778</b>

The amount of inventories recognized as an expense during the nine months ended September 30, 2009 is \$6,097,683 (September 30, 2008 - \$4,767,139).

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# IMPACT Silver Corp.

## Notes to Consolidated Financial Statements

September 30, 2009

Canadian Dollars

Unaudited

### 4. Property, Plant and Equipment

	September 30 2009			December 31 2008		
	Cost \$	Accumulated amortization \$	Net Book Value \$	Cost \$	Accumulated amortization \$	Net Book Value \$
Mine equipment	1,442,079	284,108	1,157,971	1,287,128	200,864	1,086,264
Mobile equipment	532,913	463,206	69,707	532,913	442,817	90,096
Office furniture and equipment	104,929	71,379	33,550	96,870	64,293	32,577
Plant equipment	1,145,289	189,848	955,441	1,145,289	120,876	1,024,413
Surface rights	734,128	-	734,128	734,128	-	734,128
Vehicles	346,082	168,352	177,730	331,698	134,703	196,995
	<b>4,305,420</b>	<b>1,176,893</b>	<b>3,128,527</b>	<b>4,128,026</b>	<b>963,553</b>	<b>3,164,473</b>

### 5. Resource Properties

a) Details are as follows:

	September 30 2009	December 31 2008
Zacualpan Mines and Concessions - Mexico		
Acquisition costs	\$ 5,973,794	\$ 5,961,074
Exploration	12,642,150	9,599,708
Future income taxes	1,517,990	1,261,310
Amortization and depletion	(3,107,127)	(2,172,958)
Recoveries	(67,990)	(67,990)
	<b>16,958,817</b>	<b>14,581,144</b>
Zacatecas Properties - Mexico		
Acquisition costs	1,711,913	1,450,945
Exploration	798,041	753,482
Future income taxes	49,550	43,674
Recoveries	(523,949)	(521,107)
	<b>2,035,555</b>	<b>1,726,994</b>
PMSA Concessions – Dominican Republic		
Acquisition	497,000	497,000
Exploration and development	498,599	493,773
	<b>995,599</b>	<b>990,773</b>
MMP Concessions – Dominican Republic		
Acquisition costs	85,000	85,000
Exploration	33,016	30,008
	<b>118,016</b>	<b>115,008</b>
Other Properties		
Exploration	22,464	22,464
Accumulated write-off	(22,464)	(22,464)
	-	-
	<b>\$ 20,107,987</b>	<b>\$ 17,413,919</b>

# IMPACT Silver Corp.

## Notes to Consolidated Financial Statements

September 30, 2009

Canadian Dollars

Unaudited

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### 5. Resource Properties - *continued*

#### b) Zacualpan Agreements

On June 14, 2004, the Company signed two option agreements with third parties in the Royal Mines of Zacualpan Silver District in Central Mexico. These agreements were later amended and in January 2006 the Company, through its 100% Mexican subsidiary MAP, exercised its purchase options and as a result acquired a 100% interest to mineral concessions, surface rights and equipment with no underlying royalties.

In February 2007, 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 was approximately \$215,700 (2,211,990 Pesos), of which \$91,690 (884,796 Pesos) was paid in 2007 and the balance of \$124,010 (1,327,194 Pesos) was paid in February 2008. The Mamatla concession is subject to a 1% NSR.

In February 2008, the Company acquired six concessions directly from the Mexican government through normal staking procedures. These concessions, named the Zacualpan Northwest concessions, cover 140 square kilometers. In June 2008, the Company acquired the 112 hectare Cadena concession and the 161 hectare Zapote concession from private Mexican vendors. The Company spent \$307,236 in concession acquisition costs in the Zacualpan Silver Mining District in the year ended December 31, 2008.

#### c) 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\$1,110,000 (US\$733,450 paid to September 30, 2009) and 500,000 shares (400,000 issued to September 30, 2009) 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. The Company now holds a total of sixteen concessions, three of which are under an option agreement with a third party. No further payments or commitments exist for these concessions.

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. In May 2008 the third party fulfilled its obligations to earn its 65% interest in the four concessions. In June 2008, the Company sold its remaining 35% interest in one of the concessions for US\$325,000 plus a 1% NSR Royalty interest. The Company realized a gain of \$328,249 on the sale of this concession. The Company retained its 35% interest in the other three concessions. In August 2008 the Company entered into a formal joint venture agreement with respect to these three property concessions. Since the signing of the agreement the joint venture partner has incurred expenditures and thereby diluted the Company's interest in these three concessions to 28% at September 30, 2009.

#### d) 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.

#### e) 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.

# IMPACT Silver Corp.

## Notes to Consolidated Financial Statements

September 30, 2009

Canadian Dollars

Unaudited

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### 6. Due to Related Party

At September 30, 2009, an amount of \$387,357 (December 31, 2008 - \$760,054) was due to Energold Drilling Corp., a significant shareholder of the Company. Monies owed to Energold Drilling Corp. 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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### 7. 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 nine months ended September 30, 2009 fees in the amount of \$118,469 (September 30, 2008 - \$101,814) were paid or accrued to three officers and two directors of the Company, of which \$83,069 is recorded in various administrative expenditures on the income statement, and \$35,400 is recorded in resource properties.
- b) During the nine months ended September 30, 2009 fees in the amount of \$1,745,138 (September 30, 2008 - \$1,695,078) were paid or accrued to Energold Drilling Corp., a significant shareholder of the Company, for contract drilling services performed in Mexico at the Zacualpan Mines and Concessions.
- c) On December 1, 2008, the Company entered into a management agreement with one director for fees of \$6,000 per month for a period of 36 months.

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### 8. Share Capital

- a) Details are as follows:

	Number	Amount
Authorized:		
Unlimited common shares without par value		
Issued and outstanding:		
Balance – December 31, 2007	47,258,710	\$ 27,134,387
Shares issued for resource properties	125,000	120,000
Stock options exercised	616,500	99,080
Value assigned to options exercised	-	83,186
Balance – December 31, 2008	48,000,210	\$ 27,436,653
Shares issued for resource properties	100,000	75,000
Stock options exercised	180,000	29,000
Value assigned to options exercised	-	23,632
Balance – September 30, 2009	<b>48,280,210</b>	<b>\$ 27,564,285</b>

# IMPACT Silver Corp.

## Notes to Consolidated Financial Statements

September 30, 2009

Canadian Dollars

Unaudited

### 8. Share Capital - continued

#### b) Contributed Surplus

Balance - December 31, 2007		568,470
Fair value of stock options granted		309,708
Value assigned to options exercised		(83,186)
Balance – December 31, 2008	\$	794,992
Fair value of stock options granted		370,201
Value assigned to options exercised		(23,632)
Balance – September 30, 2009	\$	<b>1,141,561</b>

#### c) Accumulated Other Comprehensive Loss

Balance - December 31, 2007	\$	-
Unrealized loss on available-for-sale short-term investments		(30,000)
Balance – December 31, 2008	\$	(30,000)
Unrealized gain on available-for-sale short-term investments		10,000
Balance – September 30, 2009	\$	<b>(20,000)</b>

#### d) Stock Options

The Company has established a stock option plan whereby the board of directors may, from time to time, grant options to directors, officers, employees or consultants. Under the stock option plan 9,467,042 options have been authorized for issuance, of which 3,946,000 have been allocated at September 30, 2009. Options granted must be exercised no later than five years from the 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 summary of the Company's stock options at September 30, 2009 and the changes for the periods ended on these dates is as follows:

	Number	Weighted Average Exercise Price
At December 31, 2007	2,507,500	0.80
Granted	35,000	1.44
Exercised	(616,500)	0.16
Expired	(35,000)	1.45
At December 31, 2008	1,891,000	1.01
Granted	2,235,000	0.55
Exercised	(180,000)	0.16
At September 30, 2009	3,946,000	0.79

The following table summarizes information about the stock options outstanding at September 30, 2009:

Exercise Price Per Share	Expiry Date	Options Outstanding	Options Exercisable
\$0.42	April 13, 2010	551,000	551,000
\$1.40	September 5, 2012	1,055,000	1,055,000
\$1.44	February 6, 2010	35,000	35,000
\$1.67	October 22, 2012	75,000	75,000
\$0.55	January 6, 2014	2,230,000	1,112,500
		3,946,000	2,828,500

# IMPACT Silver Corp.

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### 8. Share Capital – continued

#### d) Stock Options - continued

On January 6, 2009, the Company granted stock options under its Stock Option Plan to directors, officers, employees and consultants exercisable for up to 2,235,000 shares of the Company, with an estimated value of \$568,044 on the grant date. The options are exercisable on or before January 6, 2014 at a price of \$0.55 per share.

The Black Scholes Option Pricing Model is used to estimate the fair value of stock options for calculating stock-based compensation expense. The Company recognized a stock-based compensation expense and an increase to contributed surplus based on a graded vesting schedule using the assumptions as follows:

Date Granted	February 6, 2008	January 6, 2009
Number of options granted	35,000	2,235,000
Risk-free interest rate	3.05%	2.03%
Expected dividend yield	NIL	NIL
Expected stock price volatility	60.71%	63.43%
Expected option life in years	2	3

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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### 9. 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, to meet external capital requirements on credit facilities and to support any growth plans.

The capital of the Company consists of the items included in shareholders' equity and cash and cash equivalents net of debt obligations. The Company monitors capital based on the debt to debt-plus-equity ratio. Debt is total debt shown on the balance sheet, less 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 (loss), share capital, contributed surplus and deficit.

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 to a minimal level, 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 Directors approves management's annual capital expenditure plans and reviews and approves any material debt borrowing plans proposed by the Company's management.

To effectively manage the entity's capital requirements, the Company has in place a planning and budgeting process to help determine the funds required to ensure the Company has the appropriate liquidity to meet its operating and growth objectives. The Company ensures that there are sufficient cash and cash equivalents to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents.

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### 10. Financial Instruments

#### Financial Assets and Liabilities

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, investments, accounts payable and accrued liabilities, and due to related parties. For cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, and due to related parties, carrying value is considered to be fair value due to the short-term nature of these instruments. The fair value of investments represents the market value of quoted investments.

#### Financial Instrument Risk Exposure

The Company's financial instruments are exposed to a number of financial and market risks including credit, liquidity, currency, 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 is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk include cash and cash equivalents, accounts receivable and investments. The Company deposits its cash and cash equivalents with high credit quality financial institutions as determined by ratings agencies, with the majority deposited with a Canadian Tier 1 Bank. As is typical within the mining industry the Company relies on sales to two refiners for the processing of all of its mineral concentrates. The Company may have a significant concentration of credit risk exposure to the refining and smelting companies Met-Mex Penoles, S.A. de C.V. and Glencore International AG at any one time but is satisfied that these companies have adequate credit ratings as determined by Standard and Poor's. The Company's maximum exposure to credit risk at the reporting date is the carrying value of its cash and cash equivalents, accounts receivable and investments.

##### 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 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. The Company has in place a planning and budgeting process to help determine the funds required to support the Company's normal operating requirements on an ongoing basis and its growth plans. At September 30, 2009 the Company did not have any significant future debt obligations.

##### Interest Rate Risk

The Company is exposed to interest rate risk on its cash and cash equivalents. Generally, the Company's interest income will be reduced during sustained periods of lower interest rates as higher yielding cash equivalents and any short term investments mature and the proceeds are invested at lower interest rates.

##### Currency risk

Foreign exchange rate fluctuations may affect the costs that the Company incurs in its operations. Silver, lead, zinc and gold are sold in U.S. dollars and the Company's costs are principally in Mexican pesos and Canadian dollars. At September 30, 2009 the Company is exposed to currency risk through the cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, and due to related party held in U.S. dollars and Mexican pesos. Based on these foreign currency exposures at September 30, 2009, a 5% depreciation or appreciation of all the above currencies against the Canadian dollar would result in an approximate \$80,000 decrease or increase in the Company's net income for the three months ended September 30, 2009.

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### 10. Financial Instruments - continued

#### 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 its exposure to metal prices at this time.

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### 11. Segmented Information

The Company has three reportable segments based on geographic area: Mexico, Caribbean, and Canada (Corporate).

Details are as follows:

	Three months ended September 30		Nine months ended September 30	
	2009	2008	2009	2008
Revenue by geographic area				
Mexico	\$ 4,982,569	\$ 2,243,848	\$ 9,842,963	\$ 6,686,756
Net income (loss) by geographic area				
Mexico	\$ 1,194,836	\$ (129,476)	\$ 1,900,593	\$ 845,723
Canada	(409,374)	(103,294)	(856,503)	72,387
	\$ 785,462	\$ (232,770)	\$ 1,044,090	\$ 918,110
			<b>September 30</b>	December 31
			<b>2009</b>	2008
Assets by geographic area				
Mexico	\$ 25,451,474	\$ 22,814,089		
Canada	4,850,048	5,354,414		
Caribbean	1,113,615	1,105,781		
	\$ 31,415,137	\$ 29,274,284		
Property, plant and equipment by geographic area				
Mexico	\$ 3,113,032	\$ 3,150,843		
Canada	15,495	13,630		
	\$ 3,128,527	\$ 3,164,473		

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### 12. Economic Dependence

As is customary in the mining industry, the Company had entered into a single contract with a Mexican refining and smelting company, for the refining and sale of its silver, lead, zinc and gold contained in its lead and zinc concentrates. This contract with Met-Mex Penoles, S.A. de C.V. ("Penoles") accounted for 100% of the sales of the Company until February 8, 2009 when employees at the Penoles refinery went on strike. The Company then entered into a short term contract for the sale of its lead and zinc concentrates with Glencore International AG in March 2009. In April and May 2009 the Company shipped concentrates to Glencore and in May 2009 recommenced shipping all concentrates to Penoles.

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