

IMPACT Silver Corp.

Interim Consolidated Financial Statements

March 31, 2010

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 consolidated financial statements which follow this notice have not been reviewed by an auditor.

IMPACT Silver Corp.

Consolidated Balance Sheets

Canadian Dollars

Unaudited

ASSETS	March 31 2010	December 31 2009
Current		
Cash and cash equivalents	\$ 4,157,181	\$ 5,294,881
Accounts receivable and prepaid expenses	2,870,928	1,289,672
Inventories (Note 4)	645,243	919,808
Investments	55,000	82,500
Future income taxes	44,648	44,648
	<u>7,773,000</u>	<u>7,631,509</u>
Property, plant and equipment (Note 5)	4,993,277	3,252,154
Resource properties (Schedule and Note 6)	20,502,220	20,805,894
	<u>\$ 33,268,497</u>	<u>\$ 31,689,557</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 1,101,128	\$ 843,942
Income taxes payable	103,107	236,063
Due to related party (Note 7)	513,552	274,560
	<u>1,717,787</u>	<u>1,354,565</u>
Future income taxes	4,568,409	4,196,399
	<u>6,286,196</u>	<u>5,550,964</u>
SHAREHOLDERS' EQUITY		
Share capital (Note 9a)	27,819,632	27,648,195
Contributed surplus (Note 9b)	1,245,759	1,187,198
Accumulated other comprehensive income (Note 9c)	4,375	28,437
Deficit	(2,087,465)	(2,725,237)
	<u>26,982,301</u>	<u>26,138,593</u>
	<u>\$ 33,268,497</u>	<u>\$ 31,689,557</u>

ON BEHALF OF THE BOARD:

"F.W. Davidson" _____, Director

"G. Gorzynski" _____, Director

IMPACT Silver Corp.

Consolidated Statements of Earnings and Deficit For the Three Months Ended March 31

Canadian Dollars

Unaudited

	2010	2009
Revenues	\$ 3,701,541	\$ 1,456,788
Expenses		
Operating expenses	1,880,177	609,588
Amortization and depletion	315,040	97,525
	2,195,217	707,113
Mine operating earnings	1,506,324	749,675
General and administrative expenses		
Accounting, audit and legal	66,511	38,323
Amortization	5,912	7,140
Investor relations, promotion and travel	25,489	22,611
Management fees and consulting	30,136	11,666
Office, rent, insurance and sundry	100,624	56,095
Office salaries and services	100,285	101,020
Stock-based compensation expense (Note 9d)	82,678	210,515
	411,635	447,370
Earnings before the following	1,094,689	302,305
Other income (expenses)		
Foreign exchange loss	(62,553)	(110,418)
Other income	357	2,801
Gain on resource properties	-	1,074
	(62,196)	(106,543)
Earnings before taxes	1,032,493	195,762
Current income tax expense	103,095	-
Future income tax expense	291,626	127,907
Net earnings	637,772	67,855
Deficit - Beginning of period	(2,725,237)	(3,884,898)
Deficit - End of period	\$ (2,087,465)	\$ (3,817,043)
Earnings per share – Basic	\$ 0.01	\$ 0.00
– Diluted	\$ 0.01	\$ 0.00
Weighted average number of shares outstanding - Basic	48,419,891	48,000,210
Weighted average number of shares outstanding - Diluted	49,789,652	48,257,719

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

IMPACT Silver Corp.

Consolidated Statements of Comprehensive Income For the Three Months Ended March 31

Canadian Dollars

Unaudited

	2010		2009
Net earnings	\$ 637,772	\$	67,855
Other comprehensive income (loss)			
Unrealized gain (loss) on investments held as available-for-sale	(24,062)		10,000
Comprehensive income	\$ 613,710	\$	77,855

-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

Unaudited

Cash resources provided by (used in)	2010	2009
Operating activities		
Net earnings	\$ 637,772	\$ 67,855
Items not affecting cash		
Amortization and depletion	320,952	104,665
Stock-based compensation expense	82,678	210,515
Future income taxes	291,626	127,907
Gain on sale of resource property	-	(1,074)
Unrealized loss on foreign exchange	33,342	13,290
Changes in non-cash working capital		
Accounts receivable and prepaid expenses	(1,595,970)	1,178,479
Inventories	219,274	(917,898)
Accounts payable and accrued liabilities	234,443	54,115
Income taxes payable	(132,956)	-
Due to related party	248,071	210,524
	339,232	1,048,378
Investing activities		
Acquisition of property, plant and equipment	(309,395)	-
Resource property costs	(1,203,893)	(1,133,606)
	(1,513,288)	(1,133,606)
Financing activities		
Share capital issued	41,320	-
	41,320	-
Effect of exchange rate changes on cash and cash equivalents	(4,964)	9,228
Net decrease in cash and cash equivalents	(1,137,700)	(76,000)
Cash and cash equivalents - Beginning of period	5,294,881	5,433,480
Cash and cash equivalents – End of period	\$ 4,157,181	\$ 5,357,480

-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 Months Ended March 31

Canadian Dollars

Unaudited

	2010	2009
Zacualpan Mine and Concessions, Mexico – (Note 6)		
Acquisition costs	\$ -	\$ -
Deferred exploration costs		
Assaying	103,517	51,681
Development	3,465	-
Drilling	607,390	596,080
Field administration, travel and other	165,339	117,214
Future income taxes	83,310	75,226
Wages and consulting	262,475	243,916
	1,225,496	1,084,117
Amortization and depletion	(191,604)	(328,273)
	1,033,892	755,844
Zacatecas Properties, Mexico – (Note 6)		
Acquisition costs	-	100,906
Deferred exploration costs		
Assaying	-	4,994
Field administration, travel and other	10,497	11,272
Future income taxes	514	5,818
Wages and consulting	6,036	11,090
	17,047	33,174
Recoveries	-	(2,474)
Amount allocated to property, plant and equipment	(1,356,496)	-
	(1,339,449)	131,606
Dominican Republic Properties – (Note 6)		
Deferred exploration costs		
Field administration, travel and other	771	-
Wages and consulting	1,112	-
	1,883	-
Costs for the period	1,052,822	887,450
Amount allocated to property, plant and equipment	(1,356,496)	-
Net change for the period	(303,674)	887,450
Balance - Beginning of period	20,805,894	17,413,919
Balance - End of period	\$ 20,502,220	\$ 18,301,369

IMPACT Silver Corp.

Notes to Consolidated Financial Statements

March 31, 2010

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1. Description of business and nature of operations

IMPACT Silver Corp. and its subsidiaries (collectively, "IMPACT" or the "Company") are engaged in silver mining and related activities including exploration, development, extraction and mineral processing. The Company operates the Royal Mines of Zacualpan in the State of Mexico and produces silver, lead, zinc and gold sold in the form of lead and zinc concentrates. The Company is also active in the exploration for silver, precious metals and other mineral resources on its properties located in Mexico and the Dominican Republic.

2. Summary of significant accounting policies

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 3. 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, 2009, as they do not contain all disclosures required by GAAP for annual financial statements. All dollar amounts are disclosed in Canadian currency unless otherwise noted. Certain comparative figures have been reclassified to conform to the presentation adopted for the current period.

a) Principles of consolidation

These consolidated financial statements include the accounts of the Company and all of its subsidiaries, including:

- Jade Oil Corporation ("Jade"), located in Canada;
- Minera Aguila Plateada S.A. de C.V. ("MAP"), Minera Porvenir de Zacualpan S.A. de C.V. ("MPZ") and its wholly owned subsidiary Minera Laureles, S.A. de C.V. each located in Mexico; and
- Proyectos Mineros, S.A. ("PMSA") and Minera Monte Plata, S.A. ("MMP"), both located in the Dominican Republic.

All intercompany transactions and balances have been eliminated.

3. Changes in accounting policies

Adoption of new accounting policies

In January 2009, the Canadian Institute of Chartered Accountants ("CICA") issued Section 1582 – *Business Combinations* to replace Section 1581. Prospective application of the standard is effective January 1, 2011, with early adoption permitted. This new standard effectively harmonizes the business combinations standard under Canadian GAAP with International Financial Reporting Standards ("IFRS"). The new standard revises guidance on the determination of the carrying amount of the assets acquired and liabilities assumed, goodwill and accounting for non-controlling interests at the time of the business combination.

The CICA concurrently issued Section 1601 – *Consolidated Financial Statements* and Section 1602 – *Non-Controlling Interests*, which replace Section 1600 – *Consolidated Financial Statements*. Section 1601 provides revised guidance on the preparation of consolidated financial statements and Section 1602 addresses accounting for non-controlling interests in consolidated financial statements subsequent to a business combination. These standards are effective January 1, 2011, unless they are early adopted at the same time as Section 1582 – *Business Combinations*. We have chosen to early adopt Sections 1582, 1601 and 1602 effective January 1, 2010. There is no effect on previous business combinations.

IMPACT Silver Corp.

Notes to Consolidated Financial Statements

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4. Inventories

The following table details the composition of inventories at:

		March 31 2010		December 31 2009
Materials and supplies	\$	471,951	\$	410,720
Finished goods – lead and zinc concentrates		173,292		509,088
Total inventories	\$	645,243	\$	919,808

The amount of inventories recognized as an expense during the three months ended March 31, 2010 was \$2,195,217 (March 31, 2009 - \$707,113).

5. Property, plant and equipment

	March 31 2010			December 31 2009		
	Cost \$	Accumulated amortization \$	Net Book Value \$	Cost \$	Accumulated amortization \$	Net Book Value \$
Land	1,266,622	-	1,266,622	734,128	-	734,128
Mine equipment	1,649,536	351,218	1,298,318	1,579,727	316,446	1,263,281
Mobile equipment	532,913	470,898	62,015	532,913	467,226	65,687
Plant equipment	2,355,503	231,248	2,124,255	1,145,289	211,550	933,739
Vehicles	390,206	180,281	209,925	390,206	166,344	223,862
Office furniture and equipment	105,437	73,295	32,142	102,775	71,318	31,457
	6,300,217	1,306,940	4,993,277	4,485,038	1,232,884	3,252,154

IMPACT Silver Corp.

Notes to Consolidated Financial Statements

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6. Resource properties

a) Details are as follows:

	March 31 2010	December 31 2009
Zacualpan Mines and Concessions - Mexico		
Acquisition costs	\$ 5,973,794	\$ 5,973,794
Exploration	14,627,329	13,485,143
Future income taxes	1,683,603	1,600,293
Amortization and depletion	(3,534,376)	(3,342,772)
Recoveries	(67,990)	(67,990)
	18,682,360	17,648,468
Zacatecas Properties - Mexico		
Acquisition costs	1,711,913	1,711,913
Exploration	818,541	802,008
Future income taxes	50,123	49,609
Amount allocated to property, plant and equipment	(1,356,496)	-
Recoveries	(523,949)	(523,949)
	700,132	2,039,581
Dominican Republic Properties		
Acquisition	582,000	582,000
Exploration and development	537,728	535,845
	1,119,728	1,117,845
Resource properties	\$ 20,502,220	\$ 20,805,894

b) On March 17, 2010 the Company exercised its option to purchase the 200 tonne-per-day Veta Grande processing plant in Zacatecas, Mexico. Cash paid and IMPACT common shares issued as option payments in 2006 through 2009 were originally assigned to resource properties. With the completion of this purchase IMPACT reallocated the costs originally assigned to resource properties as follows:

Land	\$ 532,494
Plant equipment	824,002
Resource properties	\$ (1,356,496)

7. Due to related party

At March 31, 2010, an amount of \$513,552 (December 31, 2009 - \$274,560) 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.

IMPACT Silver Corp.

Notes to Consolidated Financial Statements

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8. Related party transactions

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, 2010 fees in the amount of \$607,390 (March 31, 2009 – \$591,546) were paid to Energold Drilling Corp., a significant shareholder of the Company, for contract drilling services performed in Mexico at the Zacualpan Mines and Concessions.

9. Share capital

- a) Details are as follows:

	Number	Amount
Authorized:		
Unlimited common shares without par value		
Issued and outstanding:		
Balance – December 31, 2008	48,000,210	\$ 27,436,653
Shares issued for property, plant and equipment and resource properties	100,000	75,000
Stock options exercised	289,375	82,656
Value assigned to options exercised	-	53,886
Balance – December 31, 2009	48,389,585	\$ 27,648,195
Shares issued for property, plant and equipment and resource properties	100,000	106,000
Stock options exercised	86,000	41,320
Value assigned to options exercised	-	24,117
Balance – March 31, 2010	48,575,585	\$ 27,819,632

- b) **Contributed surplus**

Balance – December 31, 2008	\$	794,992
Fair value of stock options vested		446,092
Value assigned to options exercised		(53,886)
Balance – December 31, 2009	\$	1,187,198
Fair value of stock options vested		82,678
Value assigned to options exercised		(24,117)
Balance – March 31, 2010	\$	1,245,759

- c) **Accumulated other comprehensive income (loss)**

Balance - December 31, 2008	\$	(30,000)
Unrealized loss on available-for-sale short-term investments		58,437
Balance – December 31, 2009	\$	28,437
Unrealized loss on available-for-sale short-term investments		(24,062)
Balance – March 31, 2010	\$	4,375

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Notes to Consolidated Financial Statements

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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 9,620,042 options have been authorized for issuance, of which 3,579,375 have been allocated as at March 31, 2010. 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 summary of the Company's stock options at March 31, 2010 and the changes for the periods ended on these dates is as follows:

	Number	Weighted Average Exercise Price (\$)
At December 31, 2008	1,891,000	1.01
Granted	2,235,000	0.55
Exercised	(289,375)	0.29
Cancelled	(83,750)	0.85
At December 31, 2009	3,752,875	0.80
Granted	-	-
Exercised	(86,000)	0.48
Cancelled	(52,500)	1.20
Expired	(35,000)	1.44
At March 31, 2010	3,579,375	0.79

The following table summarizes information about the stock options outstanding at March 31, 2010:

Exercise Price Per Share (\$)	Expiry Date	Options Outstanding	Options Exercisable
0.42	April 13, 2010	455,000	455,000
1.40	September 5, 2012	985,000	985,000
1.67	October 22, 2012	75,000	75,000
0.55	January 6, 2014	2,064,375	1,533,125
		3,579,375	3,048,125

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 \$534,573 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 grading vesting schedule using the assumptions as follows:

Date Granted	January 6, 2009
Number of options granted	2,235,000
Risk-free interest rate	2.03%
Expected dividend yield	NIL
Expected stock price volatility	63.43%
Expected option life in years	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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10. 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 retained earnings or 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 Director's approves management's annual capital expenditures 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.

11. 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 is determined by quoted prices in active markets for identical assets at the balance sheet date. At March 31, 2010 all equity investments held were classified as Level 1 and cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities were classified as Level 2 on the fair value hierarchy of Handbook Section 3862 – *Financial Instruments - Disclosures*.

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. The Company's maximum exposure to credit risk at the reporting date is the carrying value of its cash and cash equivalents (\$4.2 million), accounts receivable (\$2.9 million) and investments (\$0.1 million).

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11. Financial instruments - *continued*

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 March 31, 2010 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 March 31, 2010 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 March 31, 2010, a 10% depreciation or appreciation of all the above currencies against the Canadian dollar would result in an approximate \$90,000 (March 31, 2009 - \$9,000) decrease or increase in the Company's net earnings for the period ended March 31, 2010.

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.

IMPACT Silver Corp.

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12. Segmented information

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

Details are as follows:

	Three months ended	
	March 31 2010	March 31 2009
Revenues by geographic area		
Mexico	\$ 3,701,541	\$ 1,456,788
Net earnings (loss) by geographic area		
Mexico	\$ 774,881	\$ 185,357
Canada	(137,109)	(117,502)
	\$ 637,772	\$ 67,855
	March 31 2010	December 31 2009
Assets by geographic area		
Mexico	\$ 28,055,707	\$ 25,401,617
Canada	4,093,062	5,170,095
Caribbean	1,119,728	1,117,845
	\$ 33,268,497	\$ 31,689,557
Property, plant and equipment by geographic area		
Mexico	\$ 4,977,279	\$ 3,237,742
Canada	15,998	14,412
	\$ 4,993,277	\$ 3,252,154
