

**IMPACT Minerals International Inc.**  
*(A Development Stage Company)*  
**Interim Consolidated Financial Statements**  
**March 31, 2005 and 2004**  
*Unaudited*

**NOTICE**

These interim consolidated financial statements for the three months ended March 31, 2005 of IMPACT Minerals International Inc. have been prepared by management and have not been subject to review by the Company's auditors.

**Interim Consolidated Balance Sheets**

**As at**  
Canadian Funds  
Unaudited

<b>ASSETS</b>	<b>March 31, 2005</b>	<b>March 31, 2004</b>	<b>December 31, 2004 <i>Audited</i></b>
<b>Current</b>			
Cash and term deposits	\$ 745,986	\$ 128,722	\$ 718,451
Accounts receivable and prepaid expenses	22,181	7,675	13,407
	<b>768,167</b>	<b>136,397</b>	<b>731,858</b>
<b>Property, Plant and Equipment</b>	<b>12,198</b>	<b>-</b>	<b>2,570</b>
<b>Resource Properties - Schedule (Note 3)</b>	<b>1,594,756</b>	<b>943,872</b>	<b>1,270,003</b>
	<b>\$ 2,375,121</b>	<b>\$ 1,080,269</b>	<b>\$ 2,004,431</b>

**LIABILITIES**

<b>Current</b>			
Accounts payable	\$ 118,056	\$ 148,858	\$ 83,944
Due to parent company (Note 4)	72,262	97,838	13,046
	<b>190,318</b>	<b>246,696</b>	<b>96,990</b>

**SHAREHOLDERS' EQUITY**

<b>Share Capital (Note 5)</b>	<b>7,144,804</b>	<b>5,428,364</b>	<b>6,760,556</b>
<b>Deficit - Statement 2</b>	<b>(4,960,001)</b>	<b>(4,594,791)</b>	<b>(4,853,115)</b>
	<b>2,184,803</b>	<b>833,573</b>	<b>1,907,441</b>
	<b>\$ 2,375,121</b>	<b>\$ 1,080,269</b>	<b>\$ 2,004,431</b>

ON BEHALF OF THE BOARD:

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

"G. Gorzynski" \_\_\_\_\_, Director

**IMPACT Minerals International Inc.***(A Development Stage Company)*Statement 2**Interim Consolidated Statements of Loss and Deficit****For the Three Months Ended March 31***Canadian Funds**Unaudited*

	2005	2004
<b>General and Administrative Expenses</b>		
Accounting and audit	\$ 2,854	\$ 1,500
Amortization	378	-
Foreign exchange	(4,068)	630
Investor relations	25,260	259
Legal	26,387	11,031
Management fees and consulting	7,500	9,000
Office and sundry	2,522	274
Office salaries and services	9,581	2,231
Rent	2,250	750
Stock-based compensation expense (Note 6b)	26,473	24,614
Travel and accommodation	4,338	-
Transfer agent and filing fees	6,151	6,184
	<hr/>	<hr/>
<b>Loss Before the Following</b>	<b>109,626</b>	<b>56,473</b>
<b>Other Expenses (Income)</b>		
Interest Income	(2,740)	64
Write-off of resource properties	-	5,390
	<hr/>	<hr/>
	<b>(2,740)</b>	<b>5,454</b>
	<hr/>	<hr/>
<b>Loss for the Period</b>	<b>106,886</b>	<b>61,927</b>
	<hr/>	<hr/>
Deficit - Beginning of period	4,853,115	4,532,864
<b>Deficit - End of Period</b>	<b>\$ 4,960,001</b>	<b>\$ 4,594,791</b>
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<b>Loss Per Share – Basic and diluted</b>	<b>\$ 0.01</b>	<b>\$ 0.01</b>

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

**IMPACT Minerals International Inc.***(A Development Stage Company)*Statement 3**Interim Consolidated Statements of Cash Flows****For the Three Months Ended March 31***Canadian Funds**Unaudited*

<b>Cash Resources Provided By (Used In)</b>	<b>2005</b>	<b>2004</b>
<b>Operating Activities</b>		
Loss for the period	\$ (106,886)	\$ (61,927)
Items not affecting cash		
Amortization	378	-
Stock-based compensation expense	26,473	24,614
Write-off of resource properties	-	5,390
Changes in non-cash working capital	25,338	140,013
	<u>(54,697)</u>	<u>108,090</u>
<b>Investing Activities</b>		
Property, plant and equipment	(10,006)	-
Resource property costs	(324,753)	(15,518)
	<u>(334,759)</u>	<u>(15,518)</u>
<b>Financing Activities</b>		
Due to parent company	59,216	31,773
Share capital issued	357,775	-
	<u>416,991</u>	<u>31,773</u>
<b>Net Increase in Cash</b>	<b>27,535</b>	<b>124,345</b>
Cash position - Beginning of period	<u>718,451</u>	<u>4,377</u>
<b>Cash Position - End of Period</b>	<b>\$ 745,986</b>	<b>\$ 128,722</b>
<b>Non-Cash Financing Activities</b>		
Stock-based compensation included in share capital	\$ 26,473	\$ 24,614

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

**Interim Consolidated Schedules of Resource Properties**

**For the Three Months Ended March 31**

*Canadian Funds*

*Unaudited*

	2005	2004
<b>Proyectos Mineros, S.A. Concessions, Dominican Republic</b>		
<b>Deferred exploration costs</b>		
Field administration	\$ -	\$ 1,321
Field expenses	-	57
Wages and consulting	-	8,750
	<u>-</u>	<u>10,128</u>
<b>Zacualpan Concessions, Mexico</b>		
<b>Acquisition costs</b>		
	<u>38,021</u>	-
<b>Deferred exploration costs</b>		
Assaying	41,163	-
Drilling	102,664	-
Field expenses	17,645	-
Travel and accommodation	15,951	-
Vehicles	10,593	-
Wages and consulting	98,716	-
	<u>286,732</u>	-
	<u>324,753</u>	-
<b>Other Properties</b>		
<b>Deferred exploration costs</b>		
Field expenses	-	-
Wages and consulting	-	5,390
	<u>-</u>	<u>5,390</u>
Write-off of resource properties	-	(5,390)
	<u>-</u>	<u>-</u>
<b>Costs for the Period</b>	<b>324,753</b>	<b>10,128</b>
Balance - Beginning of period	<u>1,270,003</u>	<u>933,744</u>
<b>Balance - End of Period</b>	<b>\$ 1,594,756</b>	<b>\$ 943,872</b>

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

**IMPACT Minerals International Inc.***(A Development Stage Company)***Notes to Interim Consolidated Financial Statements****March 31, 2005 and 2004***Canadian Funds*

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**1. Significant Accounting Policies****a) Basis of Presentation**

These interim financial statements follow the same accounting policies and methods of their application of the most recent annual financial statements. These financial statements should be read in conjunction with the audited financial statements as at December 31, 2004.

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**2. Fair Value of Financial Instruments**

The Company's financial instruments consist of cash and term deposits, accounts receivable and prepaid expenses, accounts payable and amounts due to parent company. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from the financial instruments. The carrying value of these financial instruments approximates their fair value due to their short-term maturity or capacity of prompt liquidation.

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

	Acquisition Costs	Exploration	Accumulated Write-Off	2005	2004
PMSA concessions	\$ 497,000	336,268	-	<b>833,268</b>	\$ 831,905
MMP concessions	85,000	28,012	-	<b>113,012</b>	111,967
Zacualpan concessions	148,510	499,966	-	<b>648,476</b>	-
Other properties	-	6,679	(6,679)	-	-
	<u>\$ 730,510</u>	<u>870,925</u>	<u>(6,679)</u>	<b>1,594,756</b>	<u>\$ 943,872</u>

**b) Proyectos Mineros, S.A. ("PMSA")**

By various agreements dated October 22, 1996 to July 15, 1999 and effective August 20, 1999, the Company acquired 100% of the shares of the Dominican Republic registered company PMSA. PMSA has exploration concessions located in various parts of the Cordillera Oriental in the Dominican Republic, including the El Brujo concession.

PMSA's only asset, recorded on its books at a nominal value, as at August 20, 1999 was the mineral concessions and therefore consideration for the purchase of PMSA has been recorded under resource properties.

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

**c) Jade Oil Corporation ("Jade")**

By agreement dated July 15, 1999, the Company acquired 100% of the shares of the Canadian company, Jade, which owns 100% of the shares of the Dominican Republic registered company, Minera Monte Plata, S.A. ("MMP"). MMP holds the Baritina exploration concession located in the Cordillera Oriental in the Dominican Republic.

Under the terms of the agreements, the Company issued 425,000 shares for a value of \$85,000. MMP's only asset, recorded on its books at a nominal value, as at August 20, 1999 was the mineral concessions and therefore consideration for the purchase of Jade has been recorded under resource properties.

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

**IMPACT Minerals International Inc.**

*(A Development Stage Company)*

**Notes to Interim Consolidated Financial Statements**

**March 31, 2005 and 2004**

*Canadian Funds*

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**3. Resource Properties - Continued**

**d) Option Agreement**

By agreement dated January 2, 2002, the Company optioned to a third party certain concessions in the Dominican Republic. The third party, at its option, was to incur exploration expenditures of US\$1,000,000, US\$500,000 and US\$200,000 on the El Brujo, La Bruja and Rey Croesus concessions respectively, to earn a 51% interest in each concession. The La Bruja expenditures were to be made by March 2004, and El Brujo and Rey Croesus by October 2003.

In October 2003, the Company was advised that the third party did not meet the threshold expenditures prior to the expiry of its option, and as a result returned all the concessions to the Company.

**e) Zacualpan Agreements**

On June 14, 2004, the Company signed two option agreements with third parties in the Zacualpan Silver Mining District in Central Mexico.

The first option agreement is a three-year lease with an option to purchase mining leases and concessions, including the producing Cuchara Mine. Under terms of this agreement, the Company is required to make payments of US\$3,000 per month for three years (US\$24,000 paid), and issue 100,000 shares per year (100,000 issued) to the third party, as well as incur work commitments totalling US\$1,000,000 over three years covering the properties in both agreements. The Company has also agreed to pay in advance US\$45,000 against the US\$3,000 per month payments for years two and three, of which US\$45,000 has been paid. The Company shall have the option at any time before the end of the third year to purchase 100% interest in the mining leases and concessions for US\$1,000,000.

The second is a three-year agreement for mining leases and concessions including the producing Alacran Mine, and a 500-tonne-per-day processing plant with associated facilities. The assets in this second agreement are presently under lease by a third party, and the Company has an option to purchase all the lease rights to the assets for US\$500,000.

If the Company terminates the agreement before the end of the third year, the balance of the 300,000 shares is to be issued as a cancellation penalty.

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**4. Due to Parent Company**

As at March 31, 2005, an amount of \$72,262 (2004 - \$97,838) was due to the parent company. Monies owed to the parent company are unsecured, non-interest bearing and without specific repayment terms. Management anticipates that the amount will be repaid within one year and accordingly it has been classified as current.

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**IMPACT Minerals International Inc.***(A Development Stage Company)***Notes to Interim Consolidated Financial Statements****March 31, 2005 and 2004***Canadian Funds*

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**5. Share Capital**

- a) Details are as follows:

	Number		Amount
Authorized:			
100,000,000 common shares without par value			
20,000,000 non-voting preferred shares without par value			
Issued and outstanding:			
Balance – March 31, 2004	10,730,022	\$	5,403,750
Private placements	5,705,000		1,261,500
Shares issued for resource properties	100,000		22,000
Share purchase options exercised	435,000		43,500
Share purchase warrants exercised	195,000		29,700
Fair value of stock options issued and vested			95,797
Share issue costs			(95,691)
Balance – December 31, 2004	17,165,022		6,760,556
Share purchase warrants exercised	2,114,000		357,775
Fair value of stock options issued and vested			26,473
Balance – March 31, 2005	19,279,022	\$	7,144,804

- b) As at March 31, 2005, the Company has 375,000 shares in escrow. These shares may not be released without the consent of the regulatory authorities.
- c) In April 2004, the Company issued a private placement of 3.0 million units at a price of \$0.15 per unit, of which 393,334 units were sold to the parent company. Each unit consists of one common share and one share purchase warrant. One share purchase warrant entitles the holder to acquire one common share at a price of \$0.165 per share for 2.5 million units and \$0.185 per share for 500,000 units. The Company granted a further 214,166 warrants at \$0.165 as a finder's fee. As of March 31, 2005, 2,259,000 warrants had been exercised, and the balance of the warrants were exercised subsequent to the end of the quarter.
- d) In October 2004, the Company issued a private placement of 2.5 million units at a price of \$0.30 per unit, of which 405,000 units were sold to the parent company. The Company granted a further 205,000 units as a finder's fee. Each unit consists of one common share and one share purchase warrant. One share purchase warrant entitles the holder to acquire one common share at a price of \$0.30 for the first year and \$0.35 per share in the second year up to December 9, 2006.

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**6. Share Purchase Options**

The Company has established a share purchase option plan whereby the board of directors may, from time to time, grant options to directors, officers, employees or consultants. Options granted must be exercised no later than five years from date of grant or such lesser period as determined by the Company's board of directors. The exercise price of an option is not less than the closing price on the Exchange on the last trading day preceding the grant. Options vest 25% on the date granted and 12 1/2% every quarter thereafter.

**IMPACT Minerals International Inc.***(A Development Stage Company)***Notes to Interim Consolidated Financial Statements****March 31, 2005 and 2004***Canadian Funds***6. Share Purchase Options – Continued**

- a) A summary of the Company's options at March 31, 2005 and the changes for the period are as follows:

Number Outstanding March 31 2004	Issued	Exercised	Forfeited	Expired	Number Outstanding March 31 2005	Exercise Price Per Share	Expiry Date
620,000	-	(435,000)	-	(185,000)	-	\$0.10	October 20, 2004
780,000	-	-	-	-	780,000	\$0.13	October 20, 2008
-	300,000	-	-	-	300,000	\$0.20	August 31, 2006
-	475,000	-	-	-	475,000	\$0.15	May 12, 2009
-	50,000	-	-	-	50,000	\$0.31	January 10, 2007
1,400,000	825,000	(435,000)	-	(185,000)	1,605,000	\$0.13- \$0.31	October 20, 2008- May 12, 2009

- i) In October 2003, the Company granted additional stock options under its Stock Option Plan to directors and employees exercisable for up to 780,000 shares of the Company, with an estimated value of \$98,457 on the grant date. The options are exercisable on or before October 20, 2008 at a price of \$0.13 per share.
- ii) In May 2004, the Company granted additional stock options under its Stock Option Plan to directors and employees exercisable for up to 475,000 shares of the Company, with an estimated value of \$60,696 on the grant date. The options are exercisable on or before May 12, 2009 at a price of \$0.15 per share.
- iii) In August 2004, the Company granted additional stock options under its Stock Option Plan to a consultant exercisable for up to 300,000 shares of the Company, with an estimated value of \$29,156 on the grant date. The options are exercisable on or before August 31, 2006 at a price of \$0.20 per share.
- iv) In January 2005, the Company granted additional stock options under its Stock Option Plan to a consultant exercisable for up to 50,000 shares of the Company, with an estimated value of \$8,125 on the grant date. The options are exercisable on or before January 10, 2007 at a price of \$0.31 per share.
- b) The fair value of stock options used to calculate compensation for employees is estimated using the Black Scholes Option Pricing Model. The Company recognized a stock option expense and an increase to share capital of \$26,473 for the three months ended March 31, 2005, based on a grading vesting schedule as follows:

Number of options granted	780,000	475,000	300,000	50,000
Risk-free interest rate	4.14%	3.73%	2.97%	2.81%
Expected dividend yield	NIL	NIL	NIL	NIL
Expected stock price volatility	191.6%	124.7%	117.3%	138%
Expected option life in years	5	5	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 Minerals International Inc.**

*(A Development Stage Company)*

**Notes to Interim Consolidated Financial Statements**

**March 31, 2005 and 2004**

*Canadian Funds*

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**7. Related Party Transactions**

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

- a) During the three months ended March 31, 2005, fees in the amount of \$24,990 (2004 - \$9,000) were paid or accrued to two directors of the Company, of which \$11,240 is shown in various administrative expenditures on the income statement, and \$13,750 is shown in mineral properties.
- b) During the three months ended March 31, 2005, an administrative fee of \$1,371 (2004 - \$1,321) was paid to the parent company for management of the Company's administrative and exploration programs.
- c) In April 2004, as part of a private placement, the Company sold 393,334 units to the parent company, at a price of \$0.15 per unit. Each unit consists of one common share and one share purchase warrant. One share purchase warrant entitles the holder to acquire one common share at a price of \$0.185 per share until April 14, 2005. In March 2005, the parent company exercised 393,334 warrants.
- d) In October 2004, as part of a private placement, the Company sold 405,000 units to the parent company at a price of \$0.30 per unit. Each unit consists of one common share and one share purchase warrant. One share purchase warrant entitles the holder to acquire one common share at a price of \$0.30 per share for the first year and \$0.35 per share in the second year up to December 9, 2006.
- e) During the three months ended March 31, 2005, fees in the amount of \$88,114 were paid to the parent company for contract drilling services performed in Mexico at the Zacualpan concessions.

The above transactions, occurring in the normal course of operations, are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

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**8. Management Agreements**

The Company had entered into management and consulting agreements with two directors for fees totalling \$3,000 (\$1,500 each) per month until May 2004, and thereafter with one director for fees totalling \$1,500 per month. On November 1, 2004, the Company entered into a management agreement with one director for fees of \$2,500 per month for a period of twenty-four months, renewing automatically on a month by month basis for one year thereafter. This replaces the previous agreement.

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**IMPACT Minerals International Inc.***(A Development Stage Company)***Notes to Interim Consolidated Financial Statements****March 31, 2005 and 2004***Canadian Funds*

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**9. Income Taxes**

The Company has incurred non-capital losses for tax purposes of approximately \$530,000. They may be carried forward and used to reduce taxable income of future years. These losses expire as follows:

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

The Company has incurred certain exploration and development expenses of approximately \$2,789,000 which may be carried forward indefinitely.

The potential future tax benefits have not been recognized in these financial statements.

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**10. Segmented Information**

The Company has one operating segment, which is the exploration and development of mineral properties. The Company's principal operations were primarily carried out in Canada, the Dominican Republic and Mexico. All of the investment income is earned in Canada. Details are as follows:

	<u>2005</u>	<u>2004</u>
Assets by geographic area		
Caribbean	\$ 946,280	\$ 943,872
Canada	744,343	136,397
Mexico	684,498	-
	<u>\$ 2,375,121</u>	<u>\$ 1,080,269</u>
Net loss by geographic area		
Canada	\$ 88,175	\$ 61,927
Mexico	18,711	-
	<u>\$ 106,886</u>	<u>\$ 61,927</u>

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**11. Subsequent Event**

Subsequent to the end of the quarter, the Company granted 710,000 stock options to directors, employees and consultants exercisable for up to 710,000 common shares on or before April 13, 2010 at an exercise price of \$0.42 per share.

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