

IMPACT Silver Corp.

Interim Consolidated Financial Statements

March 31, 2007 and 2006
Unaudited

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements have been prepared by management and are in accordance with Canadian generally accepted accounting principles. Other information contained in this document has also been prepared by management and is consistent with the data contained in the consolidated financial statements. A system of internal control is maintained by management to provide reasonable assurance that assets are safeguarded and financial information is accurate and reliable. Any system of internal control over financial reporting, no matter how well designed, has inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Management has a process in place to evaluate internal control over financial reporting. Based on that evaluation, management has concluded that internal control over financial reporting was effective as of March 31, 2007.

The board of directors approves the financial statements and ensures that management discharges its financial responsibilities. The board's review is accomplished principally through the audit committee. The audit committee meets periodically with management and the auditors to review financial reporting and control matters.

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

"R. S. Younker"
Chief Financial Officer

May 25, 2007

IMPACT Silver Corp.
Interim Consolidated Balance Sheets

Statement 1

As at

Canadian Dollars

Unaudited

ASSETS	March 31, 2007	March 31, 2006 <i>Restated</i> <i>(Note 15)</i>	December 31, 2006 <i>Audited</i>
Current			
Cash and term deposits	\$ 4,169,065	\$ 827,452	\$ 3,969,819
Accounts receivable and prepaid expenses	1,856,659	966,604	1,624,260
Inventory	277,051	208,335	330,688
	<u>6,302,775</u>	2,002,391	5,924,767
Property, Plant and Equipment – (Note 5)	2,062,303	31,504	2,113,668
Resource Properties – Schedule (Note 3)	10,030,074	7,647,018	9,684,458
	<u>\$ 18,395,152</u>	9,680,913	\$ 17,722,893
LIABILITIES			
Current			
Accounts payable	\$ 858,868	578,296	\$ 1,059,229
Due to related party – (Note 6)	24,908	762	35,270
Forward sales contract – (Note 4)	-	1,810,802	-
	<u>883,776</u>	2,389,860	1,094,499
Future Income Tax Liability – (Note 11)	1,117,037	869,768	1,075,350
	<u>2,000,813</u>	3,259,628	2,169,849
Commitment – (Note 14)			
SHAREHOLDERS' EQUITY			
Share Capital – (Note 7)	16,295,525	10,170,749	15,382,377
Warrants – (Note 7(b))	3,895,700	1,116,011	4,222,385
Contributed Surplus – (Note 7(c))	303,122	295,724	314,845
Deficit – Statement 2	(4,100,008)	(5,161,199)	(4,366,563)
	<u>16,394,339</u>	6,421,285	15,553,044
	<u>\$ 18,395,152</u>	9,680,913	\$ 17,722,893

ON BEHALF OF THE BOARD:

“F.W. Davidson” _____, Director

“G. Gorzynski” _____, Director

IMPACT Silver Corp.

Statement 2

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

Canadian Dollars
Unaudited

	2007	2006 <i>Restated</i> <i>(Note 15)</i>
Revenue	\$ 1,858,831	\$ 1,146,863
Expenses		
Operating costs	1,164,493	644,946
Amortization and depletion	193,965	83,367
	<u>1,358,458</u>	<u>728,313</u>
Mine Operating Earnings	<u>500,373</u>	<u>418,550</u>
General and Administrative Expenses		
Accounting and audit	21,595	5,735
Amortization	3,581	1,354
Foreign exchange	46,172	(34,242)
Insurance	28,901	3,996
Investor relations	38,763	22,298
Legal	23,516	20,730
Management fees and consulting	20,391	13,200
Office and sundry	11,050	4,985
Office salaries and services	63,954	19,978
Rent	8,885	6,405
Stock-based compensation expense (Note 8(b))	-	36,956
Transfer agent and filing fees	14,862	44,194
Travel and accommodation	13,499	9,787
	<u>295,169</u>	<u>155,376</u>
Income Before the Following	<u>205,204</u>	<u>263,174</u>
Other Income (Expenses)		
Interest income	34,919	2,860
Loss on forward sales contract	-	(87,353)
Other income	27,046	-
Write-off of resource properties	(614)	(495)
	<u>61,351</u>	<u>(84,988)</u>
Net Income (Loss) for the Period	<u>266,555</u>	<u>178,186</u>
Deficit - Beginning of period	<u>(4,366,563)</u>	<u>(5,339,385)</u>
Deficit - End of Period	<u>\$ (4,100,008)</u>	<u>\$ (5,161,199)</u>
Earnings (Loss) Per Share – Basic	<u>0.01</u>	<u>0.01</u>
– Diluted	<u>0.01</u>	<u>0.01</u>
Weighted Average Number of Shares Outstanding - Basic	39,940,394	27,825,163
Weighted Average Numbers of Options Outstanding	1,169,703	1,422,455
Weighted Average Number of warrants outstanding	3,192,874	3,157,357
Weighted Average Number of Shares Outstanding - Diluted	<u>44,302,971</u>	<u>32,434,975</u>

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

IMPACT Silver Corp.

Statement 3

Interim Consolidated Statements of Cash Flows For the Three Months Ended March 31

Canadian Dollars
Unaudited

Cash Resources Provided By (Used In)	2007	2006 Restated (Note 15)
Operating Activities		
Income (loss) for the period	\$ 266,555	\$ 178,186
Items not affecting cash		
Amortization and depletion	197,546	84,721
Loss on forward sales contract	-	87,353
Stock-based compensation expense	-	36,956
Write-off of resource properties	614	495
Changes in non-cash working capital	(379,123)	(931,632)
	85,592	(543,921)
Investing Activities		
Acquisition of Minera El Porvenir de Zacualpan, net of cash acquired (Note 4)	-	(2,260,200)
Acquisition of Property, plant and equipment	(1,525)	(15,907)
Acquisition of Resource properties	(449,199)	(64,328)
	(450,724)	(2,340,435)
Financing Activities		
Advances (repayments) from related party	(10,362)	(44)
Share capital issued	574,740	2,514,920
	564,378	2,514,876
Net Increase (Decrease) in Cash	199,246	(369,480)
Cash position - Beginning of period	3,969,819	1,196,932
Cash Position – End of Period	\$ 4,169,065	\$ 827,452

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

IMPACT Silver Corp.

Schedule

Interim Consolidated Schedules of Resource Properties For the Three Months Ended March 31

Canadian Dollars
Unaudited

	2007	2006 Restated (Note 15)
Zacatecas Properties, Mexico – (Note 3(e))		
Acquisition cost	\$ 112,254	\$ -
Deferred exploration costs		
Assaying	6,644	-
Field administration and expenses	5,357	-
Future income taxes – (Note 12)	21,678	-
Travel and accommodation	4,302	-
Vehicles	566	-
Wages and consulting	22,854	-
	<u>61,401</u>	-
	<u>173,655</u>	-
Zacualpan Mine and Concessions, Mexico – (Note 3(d))		
Acquisition cost	65,180	4,917,744
Deferred exploration costs		
Assaying	25,200	19,745
Development	-	112,968
Drilling	60,634	-
Field administration , legal and expenses	45,619	51,679
Future income taxes – (Note 11)	20,010	(1,378)
Travel and accommodation	12,735	18,426
Vehicles	4,968	11,609
Wages and consulting	72,628	68,896
	<u>241,794</u>	281,945
Amortization and depletion	<u>(144,656)</u>	<u>(83,367)</u>
	<u>162,318</u>	5,116,322
Other Properties, Dominican Republic and Mexico– (Notes 3(b)(c))		
Deferred exploration costs		
Field administration	1,404	295
Travel and accommodation	947	-
Vehicles	55	-
Wages and consulting	7,851	200
	<u>10,257</u>	495
Write-off of resource properties	<u>(614)</u>	<u>(495)</u>
	<u>9,643</u>	-
Costs for the Period	345,616	5,116,322
Balance - Beginning of period	<u>9,684,458</u>	2,530,696
Balance - End of Period	\$ 10,030,074	\$ 7,647,018

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

IMPACT Silver Corp.

Notes to Interim Consolidated Financial Statements

March 31, 2007 and 2006

Canadian Dollars

Unaudited

1. Significant Accounting Policies

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, 2006.

2. Fair Value of Financial Assets

The Company's financial assets consist of cash and term deposits, accounts receivable, accounts payable and amounts due to related party. As at March 31, 2007, the Company holds an equivalent of CAD\$2,186,967 in net financial assets held in U.S. and other foreign currencies which is exposed to currency risk based on fluctuations in the prevailing foreign currency exchange rates. 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 assets. The carrying value of these financial assets approximates their fair value, unless otherwise noted.

3. Resource Properties

a) Details are as follows:

	2007	2006
PMSA Concessions - Dominican Republic		
Acquisition	\$ 497,000	\$ 497,000
Exploration and development	365,945	356,458
	<u>862,945</u>	<u>853,458</u>
MMP Concessions - Dominican Republic		
Acquisition costs	85,000	85,000
Exploration	28,485	28,121
	<u>113,485</u>	<u>113,121</u>
Zacualpan Concessions - Mexico		
Acquisition costs	5,382,637	5,137,264
Exploration	2,093,659	1,274,347
Future income taxes	483,082	268,828
	<u>7,959,378</u>	<u>6,680,439</u>
Zacatecas Properties - Mexico		
Acquisition costs	893,963	-
Exploration	167,287	-
Future income taxes	33,016	-
	<u>1,094,266</u>	<u>-</u>
Other Properties		
Exploration	614	495
Accumulated write-off	(614)	(495)
	<u>-</u>	<u>-</u>
	<u>\$ 10,030,074</u>	<u>\$ 7,647,018</u>

IMPACT Silver Corp.

Notes to Interim Consolidated Financial Statements

March 31, 2007 and 2006

Canadian Dollars

Unaudited

3. Resource Properties - continued

b) PMSA Agreement

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

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

c) MMP Agreement

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

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

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

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 Minera Aguila Plateada S.A. de C.V. ("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.

IMPACT Silver Corp.

Notes to Interim Consolidated Financial Statements

March 31, 2007 and 2006

Canadian Dollars

Unaudited

3. Resource Properties - continued

d) Zacualpan Agreements - continued

In February 2007, the Company was awarded a 100% exploration interest in a 200 square kilometre mineral concession in the Mamatla Mining District. This district is immediately southwest of and adjacent to the Company's Zacualpan property. The Company is required to pay US\$200,000 over two years, of which US\$40,000 was paid in February 2007, and further payments of US\$40,000 each are required every six months thereafter. In addition, the Company is required to pay a 1% NSR to the Mexican Geological Survey.

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 has acquired fifteen mineral concessions in the Zacatecas area since August 2006. No further payments or commitments exist for these concessions. Four of these concessions have been optioned to a third party under a letter agreement dated October 2, 2006. Under the terms of the joint venture agreement, the Company may recover all of its property costs and the first US\$100,000 of exploration expenditures on each property prior to the third party earning a 65% interest in each property. The third party may increase its interest by paying the Company, at the Company's discretion, either US\$125,000 or the equivalent value in shares in the third party.

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

On January 16, 2006, the Company completed the acquisition, through its wholly owned subsidiary MAP, of all the issued and outstanding shares of MPZ. The total consideration paid to the shareholders of MPZ was the issuance of 300,000 shares of the Company and the payment of the equivalent of US\$1,741,778, as well as the assumption of certain liabilities in MPZ. These liabilities included approximately US\$465,000 pertaining to forward sales contract losses realized to December 31, 2005, under a smelter contract commitment obligation entered into in April 2004 by MPZ. 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\$ prices established in 2004 of \$7.00 per ounce silver, \$400.00 per ounce gold, \$720.00 per ton lead, and \$1,100.00 per ton zinc. Indirectly, MAP also assumed both the real and the contingent liability for 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. Historically, MPZ had fallen significantly short on its contractual delivery commitments on all but silver throughout 2005, and it was not expected that it would meet its shortfall in 2006 as the areas the Company was currently mining were relatively low in lead, zinc and gold realizations.

This was, for accounting purposes, a business combination. The Company must therefore recognize the assets acquired and liabilities assumed from the date of acquisition, including any assets and liabilities that may not have been recognized on the balance sheet of the acquired enterprise. As applied to our acquisition of MPZ this theory required that we recognize the opportunity loss in MPZ of 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 in 2004, 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 must be taken into account as part of the purchase consideration.

IMPACT Silver Corp.

Notes to Interim Consolidated Financial Statements

March 31, 2007 and 2006

Canadian Dollars

Unaudited

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

The CICA handbook section 1581.22 indicates that the cost of the purchase to the acquirer should be determined by the fair value of the consideration given or the acquirer's share of the fair value of the net assets or equity interests acquired, whichever is more reliably measurable. The acquirer's share of the fair value of the net assets or equity interest acquired and the consideration paid are assumed to be equal, unless there is evidence to the contrary.

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 is summarized in the table below, and the residual purchase price of \$4,858,212 has been allocated to Zacualpan resource property acquisition costs.

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>

Identifiable Net Assets Acquired

Accounts receivable and prepaid expenses	126,676
Inventory	174,701
Property, plant and equipment	240,087
Resource properties	180,093
	<u>721,557</u>

Accounts payable	(374,356)
Forward sales contract liability	(2,164,773)
	<u>(2,539,129)</u>

Net Identifiable Assets and Liabilities	<u>(1,817,572)</u>
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Future income tax assets	<u>(600,940)</u>
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Residual Purchase Price Allocated to Resource Properties	\$	<u>4,858,212</u>
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5. Property, Plant and Equipment

	<u>2007</u>	<u>2006</u>
Mine equipment	\$ 717,943	\$ 5,017
Mobile equipment	532,913	-
Office furniture and equipment	84,881	43,183
Plant equipment	342,389	-
Surface rights	734,128	-
Vehicles	194,730	10,007
	<u>2,606,984</u>	58,207
Accumulated amortization	(544,681)	(26,703)
Net Book Value	\$ <u>2,062,303</u>	\$ 31,504

IMPACT Silver Corp.

Notes to Interim Consolidated Financial Statements

March 31, 2007 and 2006

Canadian Dollars

Unaudited

6. Due to Related Party

As at March 31, 2007, an amount of \$24,908 (2006 - \$762) 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, 2006	29,937,268	\$ 10,170,749
Private placements	6,736,545	8,052,599
Shares issued for resource properties	100,000	115,000
Shares issued for property, plant and equipment	100,000	122,000
Share purchase options exercised	351,375	62,477
Share purchase warrants exercised	1,671,000	680,100
Fair value of warrants issued	-	(3,011,765)
Shares issue costs – shares issued for finders' fees	584,000	(642,400)
Share issue costs - other	-	(399,020)
Value assigned to options exercised	-	49,755
Value assigned to warrants exercised	-	182,882
Balance – December 31, 2006	39,480,188	15,382,377
Share purchase options exercised	50,000	13,750
Share purchase warrants exercised	748,454	560,990
Value assigned to options exercised	-	11,723
Value assigned to warrants exercised	-	326,685
Balance – March 31, 2007	40,278,642	\$ 16,295,525

b) Warrants

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

	Number of warrants	Amount
Balance, March 31, 2006 (i)	3,875,000	\$ 1,116,011
Private placement (ii)	3,650,000	2,788,671
Agent compensation warrants (ii)	292,000	223,094
Issue costs (ii)	584,000	277,491
Exercise of warrants	(1,383,454)	(509,567)
Balance, December 31, 2006 and March 31, 2007	7,017,546	\$ 3,895,700

IMPACT Silver Corp.

Notes to Interim Consolidated Financial Statements

March 31, 2007 and 2006

Canadian Dollars

Unaudited

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, 2006 | \$ | 295,724 |
| Fair value of stock options issued | | 68,875 |
| Value assigned to options exercised | | (49,754) |
| Balance, December 31, 2006 | | 314,845 |
| Value assigned to options exercised | | (11,723) |
| Balance, March 31, 2007 | \$ | 303,122 |
- d) On February 8, 2007, the TSXV Exchange consented to the full release of 375,000 shares of the Company that had been held in escrow.
- 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. In 2005, 440,000 warrants were exercised and the balance of the warrants were exercised in 2006.
- 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, 2007, 1,150,000 of these warrants had been exercised.
- 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, 2007, 233,454 of these warrants had been exercised.
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IMPACT Silver Corp.

Notes to Interim Consolidated Financial Statements

March 31, 2007 and 2006

Canadian Dollars

Unaudited

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 1/2% every quarter thereafter.

- a) A summary of the Company's stock option plan at March 31, 2007 and the changes for the periods ended on these dates is as follows:

	Number	Weighted Average Exercise Price
At March 31, 2006	1,804,375	0.27
Exercised	(349,375)	0.18
Forfeited	(1,250)	0.42
At December 31, 2006	1,453,750	0.30
Exercised	(52,000)	0.28
At March 31, 2007	1,401,750	0.30

The following table summarizes information about the stock options outstanding at December 31, 2006:

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
75,000	-	(75,000)	-	-	\$0.20	August 31, 2006
425,000	-	(50,000)	-	375,000	\$0.15	May 12, 2009
689,375	-	(61,375)	(1,250)	626,750	\$0.42	April 13, 2010
35,000	-	-	-	35,000	\$1.45	February 6, 2008
1,804,375	-	(401,375)	(1,250)	1,401,750	\$0.13- \$1.45	February 6, 2007- April 13, 2010

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

- i) In October 2003, the Company granted 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 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 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 April 2005, the Company granted stock options under its Stock Option Plan to directors and employees exercisable for up to 710,000 shares of the Company, with an estimated value of \$215,322 on the grant date. The options are exercisable on or before April 13, 2010 at a price of \$0.42 per share.

IMPACT Silver Corp.

Notes to Interim Consolidated Financial Statements

March 31, 2007 and 2006

Canadian Dollars

Unaudited

8. Share Purchase Options - *continued*

- v) In February 2006, 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 \$19,056 on the grant date. The options are exercisable on or before February 6, 2008 at a price of \$1.45 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 \$nil (2006 - \$36,956) for the period ended March 31, 2007, based on a grading vesting schedule using the assumptions as follows:

Number of options granted	780,000	475,000	300,000	50,000	710,000	35,000
Risk-free interest rate	4.14%	3.73%	2.97%	2.81%	3.30%	3.98%
Expected dividend yield	NIL	NIL	NIL	NIL	NIL	NIL
Expected stock price volatility	191.6%	124.7%	117.3%	138%	206%	89%
Expected option life in years	5	5	2	2	5	1

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.

9. 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, 2007, fees in the amount of \$33,113 (2006 - \$33,400) were paid or accrued to two directors of the Company, of which \$20,050 is shown in various administrative expenditures on the income statement, and \$13,063 is shown in mineral properties.
- b) During the three months ended March 31, 2007, an administrative fee of \$1,564 (2006 - \$2,425) was paid to a shareholder for management of the Company's administrative and exploration programs.
- c) During the three months ended March 31, 2007 fees in the amount of \$221,653 (2006 - \$nil) were paid to a significant shareholder of the 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.

10. Management Agreements

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. On May 1, 2006, this agreement was replaced by a three-year employment agreement for compensation of \$5,000 per month.

IMPACT Silver Corp.

Notes to Interim ated Financial Statements

March 2007 and 2006

Canadian Dollars

Unaudited

11. Segmented Information

Details at March are as follows:

	2007	2006
Revenue by geographic area		
Mexico	\$ 1,858,831	\$ 1,146,863
Net income (loss) by geographic area		
Canada	(187,638)	(234,729)
Mexico	454,193	412,915
	\$ 266,555	\$ 178,186
Assets by geographic area		
Caribbean	\$ 976,431	\$ 966,580
Canada	5,825,940	821,303
Mexico	11,592,781	7,893,030
	\$ 18,395,152	\$ 9,680,913
Property, plant and equipment by geographic area		
Canada	\$ 19,088	\$ 17,903
Mexico	2,043,215	13,601
	\$ 2,062,303	\$ 31,504

12. 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 by terms of the refining and smelting contract which sets out the agreed settlement terms and concentrate treatment charges.

13. Commitment

The Company has signed a lease for office premises which commenced March 1, 2006 and ends May 14, 2007. Lease obligations, net of operating costs, are \$33,833 during this period. Subsequent to the year end, the Company signed a new lease which will commence June 1, 2007 and end May 21, 2010. Lease obligations, net of operating costs, will be \$40,800 per year during the new agreement.

IMPACT Silver Corp.

Notes to Interim Consolidated Financial Statements

March 31, 2007 and 2006

Canadian Dollars

Unaudited

14. Comparative Figures

Certain of the prior year's figures have been reclassified to conform to the current year's presentation.

15. Restatement

In the process of completing its 2006 year end audited financial statements, management determined that it should revise the metal market prices used to establish the estimated forward sales contract liability and hence the residual purchase price allocated to resource properties in connection with its acquisition of Minera el Porvenir de Zacualpan S.A. de C.V. Previously management used its best estimate of future metal prices during the term of the forward sales contract to July 31, 2006. Management subsequently determined that it should have used the spot prices in effect on January 16, 2006, the date of closing its purchase transaction, to establish the value of its forward sales contract liability. The Company has retrospectively restated its 2006 first quarter comparative amounts in accordance with the recommendations contained in CICA handbook 1506.42. The effect of the restatement on the March 31, 2006 consolidated statement amounts is as follows:

	As previously reported	As restated
Resource properties	\$ 8,107,630	\$ 7,647,018
Accounts payable	\$ 612,718	\$ 578,296
Forward sales contract liability	\$ 2,827,842	\$ 1,810,802
Future income tax liability	\$ 268,828	\$ 869,768
Revenue	\$ 1,142,916	\$ 1,146,863
Amortization and depletion	\$ 264,361	\$ 83,367
Loss (gain) on forward sales contract	\$ (107,678)	\$ 87,353
Net income for the period	\$ 188,276	\$ 178,186
Deficit	\$ (5,151,109)	\$ (5,161,199)
Earnings per share - basic	\$ 0.01	\$ 0.01
Earnings per share - diluted	\$ 0.01	\$ 0.01
