

IMPACT Silver Corp.

Interim Consolidated Financial Statements

September 30, 2008

Unaudited

IMPACT Silver Corp.

Consolidated Balance Sheets

Canadian Dollars

Unaudited

Statement 1

	September 30, 2008	December 31, 2007 <i>Audited</i>
ASSETS		
Current		
Cash and cash equivalents	\$ 7,091,248	\$ 10,144,831
Accounts receivable and prepaid expenses	2,261,855	2,200,292
Inventory	609,088	344,977
Investments	37,500	50,000
Future income tax asset	455,716	415,257
	10,455,407	13,155,357
Property, Plant and Equipment – (Note 4)	3,191,865	1,948,076
Resource Properties – Schedule (Note 3)	16,411,186	12,574,547
	\$ 30,058,458	\$ 27,677,980
LIABILITIES		
Current		
Accounts payable	\$ 893,940	\$ 1,159,185
Income tax payable	24,210	64,718
Due to related party – (Note 5)	1,131,325	582,081
	2,049,475	1,805,984
Future Income Tax Liability	3,511,848	2,716,137
	5,561,323	4,522,121
SHAREHOLDERS' EQUITY		
Share Capital - (Note 6)	27,404,624	27,134,387
Contributed Surplus - (Note 6(c))	733,899	568,470
Accumulated Other Comprehensive Income	(12,500)	-
Deficit - Statement 2	(3,628,888)	(4,546,998)
	24,497,135	23,155,859
	\$ 30,058,458	\$ 27,677,980

ON BEHALF OF THE BOARD:

“F.W. Davidson” _____, Director

“G. Gorzynski” _____, Director

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

IMPACT Silver Corp.
Consolidated Statements of Income,
Comprehensive Income and Deficit

Canadian Dollars
Unaudited

Statement 2

	Three Months Ended September 30		Nine Months Ended September 30	
	2008	2007	2008	2007
Revenue	\$ 2,243,848	\$ 1,603,907	\$ 6,686,756	\$ 5,139,634
Expenses				
Operating costs	1,666,308	1,045,678	3,950,151	3,314,339
Amortization and depletion	376,046	200,112	816,988	593,940
	2,042,354	1,245,790	4,767,139	3,908,279
Mine Operating Earnings	201,494	358,117	1,919,617	1,231,355
General and Administrative Expenses				
Accounting, audit and legal	33,998	41,186	119,394	123,648
Amortization	6,695	3,384	19,479	10,514
Investor relations, promotion and travel	32,204	17,432	127,515	127,225
Management fees and consulting	9,704	50,026	40,545	89,451
Office, rent, insurance and sundry	65,816	62,556	209,751	185,950
Office salaries and services	138,110	64,178	369,552	240,628
Stock-based compensation expense (Note7(b))	76,871	140,986	232,836	140,986
	363,398	379,748	1,119,072	918,402
Income Before the Following	(161,904)	(21,631)	800,545	312,953
Other Income (Expenses)				
Foreign exchange (loss) gain	(14,005)	(175,608)	105,245	(394,086)
Interest income	37,798	38,450	158,959	99,025
Other income	-	(128,533)	10,299	(85,352)
Gain on sale of resource properties	-	-	328,249	-
Write-off of resource properties	(3,000)	-	(3,000)	(614)
	20,793	(265,691)	599,752	(381,027)
Income (loss) before Taxes	(141,111)	(287,322)	1,400,297	(68,074)
Current income tax (expense) recovery	69,159	-	(24,975)	(270)
Future income tax (expense) recovery	(160,818)	-	(457,212)	-
Net Income (loss)	(232,770)	(287,322)	918,110	(68,344)
Deficit - Beginning of period	(3,396,118)	(4,614,747)	(4,546,998)	(4,833,725)
Deficit - End of Period	\$ (3,628,888)	\$ (4,902,069)	\$ (3,628,888)	\$ (4,902,069)
Earnings (Loss) Per Share – Basic	(0.00)	(0.01)	0.02	(0.00)
– Diluted	(0.00)	(0.01)	0.02	(0.00)
Weighted Average Number of Shares Outstanding – Basic	47,560,427	43,053,392	47,389,458	41,325,087
Weighted Average Number of Shares Outstanding - Diluted	48,014,442	45,017,310	48,002,267	43,567,371
Net Income (loss)	\$ (232,770)	\$ (287,322)	\$ 918,110	\$ (68,344)
Other comprehensive income (loss)				
Unrealized gain (loss) on investments	(70,000)	-	(12,500)	-
Total Comprehensive Income (Loss)	\$ (302,770)	\$ (287,322)	\$ 905,610	\$ (68,344)

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

IMPACT Silver Corp.
Consolidated Statements of Cash Flows
Canadian Dollars
Unaudited

Statement 3

Cash Resources Provided By (Used In)	Three Months Ended		Nine Months Ended	
	2008	2007	2008	2007
Operating Activities				
Income for the period	\$ (232,770)	\$ (287,322)	\$ 918,110	\$ (68,344)
Items not affecting cash				
Amortization and depletion	382,741	203,496	836,467	604,454
Stock-based compensation expense	76,871	140,986	232,836	140,986
Future Income taxes	160,818	-	457,212	-
Write-off of resource properties	3,000	-	3,000	614
Changes in non-cash working capital				
Accounts receivable and prepaid expenses	(117,784)	445,309	(61,563)	(36,750)
Inventory	33,324	19,762	(226,930)	13,589
Accounts payable	(133,098)	(252,628)	(265,245)	(341,061)
Income tax payable	(69,159)	-	(40,508)	-
Due to related party	227,564	54,575	549,244	63,132
	331,507	324,178	2,402,623	376,620
Investing Activities				
Acquisition of property, plant and equipment	(67,152)	(8,874)	(1,440,946)	(27,151)
Resource property costs	(1,518,831)	(803,384)	(4,098,090)	(2,168,086)
	(1,585,983)	(812,258)	(5,539,036)	(2,195,237)
Financing Activities				
Share capital issued	61,200	1,485,541	82,830	2,695,924
	61,200	1,485,541	82,830	2,695,924
Net Decrease in cash and cash equivalents	(1,193,276)	997,461	(3,053,583)	877,307
Cash and cash equivalents – Beginning of period	8,284,524	3,849,665	10,144,831	3,969,819
Cash and cash equivalents – End of Period	\$ 7,091,248	\$ 4,847,126	\$ 7,091,248	\$ 4,847,126

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

IMPACT Silver Corp.
Consolidated Schedules of Resource Properties
Canadian Dollars
Unaudited

Schedule

	Three Months Ended September 30		Nine Months Ended September 30	
	2008	2007	2008	2007
Zacualpan Mine and Concessions, Mexico – <i>(Note 3(b))</i>				
Acquisition cost	\$ 180,025	\$ 42,183	\$ 307,236	\$ 113,027
Deferred exploration costs				
Assaying	69,814	45,734	289,173	93,802
Development	215,060	44,496	215,060	76,068
Drilling	567,355	225,041	1,729,066	764,840
Field administration, legal and expenses	71,363	45,522	278,923	118,764
Future income taxes	69,565	46,512	292,227	102,875
Travel and accommodation	39,250	53,501	146,332	86,760
Vehicles	19,339	7,395	68,367	23,673
Wages and consulting	260,699	138,658	732,321	378,995
	1,312,445	606,859	3,751,469	1,645,777
Amortization and depletion	(295,965)	(155,420)	(676,492)	(453,357)
	1,196,505	493,622	3,382,213	1,305,447
Zacatecas Properties, Mexico – <i>(Notes 3(c))</i>				
Acquisition cost	166,306	269,723	206,346	462,890
Deferred exploration costs				
Assaying	-	119	-	22,514
Drilling	-	(101)	-	285,516
Field administration and expenses	2,034	15,378	1,271	52,922
Future income taxes	233	1,129	5,813	47,177
Travel and accommodation	1,146	2,889	2,338	23,671
Vehicles	138	1,666	137	9,590
Wages and consulting	2,304	24,396	23,543	188,884
	5,855	45,476	33,102	630,274
Recoveries	-	(115,694)	118,329	(547,504)
	172,161	199,505	357,777	545,660
Other Properties, Dominican Republic – <i>(Notes 3(d)(e))</i>				
Deferred exploration costs				
Field administration	-	570	-	2,298
Travel and accommodation	-	1,908	-	3,283
Vehicles	-	-	-	55
Wages and consulting	3,000	-	99,649	8,038
	3,000	2,478	99,649	13,674
Write-off of resource properties	(3,000)	-	(3,000)	(614)
	-	2,478	96,649	13,060
Costs for the Period	1,368,666	695,605	3,836,639	1,864,167
Balance - Beginning of period	15,042,520	11,197,411	12,574,547	10,028,849
Balance - End of Period	\$ 16,411,186	\$ 11,893,016	\$ 16,411,186	\$ 11,893,016

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

IMPACT Silver Corp.

Notes to Consolidated Financial Statements

September 30, 2008

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1. Significant Accounting Policies

a) Basis of Presentation

These unaudited interim consolidated financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles ("GAAP"). The preparation of financial data is based on accounting policies and practices consistent with those used in the preparation of the 2007 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 consolidated financial statements for the year ended December 31, 2007, as they do not contain all disclosures required by Canadian GAAP for annual financial statements. Certain comparative figures have been reclassified to conform to the presentation adopted for the current period.

2. Changes in Accounting Policies

On January 1, 2008, the Company adopted three new presentation and disclosure standards issued by the Canadian Institute of Chartered Accountants: Handbook Sections 3862 *Financial Instruments – Disclosure*, and 3863 *Financial Instruments – Presentation*, have replaced Section 3861, *Financial Instruments – Disclosure and Presentation*. These new sections incorporate many of the disclosure requirements of Section 3861, but place an emphasis on disclosure about risk, including both qualitative and quantitative information about the risk exposures arising from financial instruments (Note 10). Section 1535, *Capital Disclosures*, establishes disclosure requirements about the Company's objectives, policies and processes for managing capital, quantitative data about what the Company regards as capital, whether the Company has complied with capital requirements and, if the entity has not complied, the consequences of such non-compliance (Note 9).

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

IMPACT Silver Corp.

Notes to Consolidated Financial Statements

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3. Resource Properties

a) Details are as follows:

	September 30, 2008	December 31, 2007
Zacualpan Concessions - Mexico		
Acquisition costs	\$ 5,745,345	\$ 5,438,109
Exploration	8,289,247	4,830,005
Future income taxes	1,312,448	1,020,221
Amortization and depletion	(1,722,197)	(1,045,705)
Recoveries	(67,990)	(67,990)
	13,556,853	10,174,640
Zacatecas Properties - Mexico		
Acquisition costs	1,450,945	1,244,599
Exploration	738,765	711,476
Future income taxes	69,011	63,198
Recoveries	(507,367)	(625,696)
	1,751,354	1,393,577
PMSA Concessions – Dominican Republic		
Acquisition	497,000	497,000
Exploration and development	491,929	395,280
	988,929	892,280
MMP Concessions – Dominican Republic		
Acquisition costs	85,000	85,000
Exploration	29,050	29,050
	114,050	114,050
Other Properties		
Exploration	13,185	10,185
Accumulated write -off	(13,185)	(10,185)
	-	-
	\$ 16,411,186	\$ 12,574,547

b) 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.

IMPACT Silver Corp.

Notes to Consolidated Financial Statements

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3. Resource Properties - continued

b) Zacualpan Agreements – continued

In December 2005, the Company amended the terms of the agreements for the purchase of the Royal Mines from an asset purchase to a share purchase. Under the amending agreement, the Company, through its 100% subsidiary MAP, was to purchase all the issued and outstanding shares of Minera El Porvenir de Zacualpan, S.A. de C.V. (MPZ), which owns the Royal Mines, including the Capela Assets of Zacualpan Mines (mining concessions and surface rights). On January 16, 2006, this transaction was completed.

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.

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 concession is subject to a 1% NSR.

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\$1,120,000 (US\$653,450 paid) and 500,000 shares (300,000 issued to September 30, 2008) in stages, plus commit to US\$700,000 in work expenditures (US\$350,000 in each of the first two years). In May 2008, this agreement was amended to extend the time for completion of the required work expenditures.

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 who has now earned a 65% interest in these three concessions. 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 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 property concessions.

IMPACT Silver Corp.

Notes to Consolidated Financial Statements

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3. Resource Properties – continued

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.

4. Property, Plant and Equipment

	September 30, 2008			December 31, 2007		
	Cost \$	Accumulated amortization \$	Net Book Value \$	Cost \$	Accumulated amortization \$	Net Book Value \$
Mine equipment	1,240,212	168,178	1,072,034	744,090	103,783	640,307
Mobile equipment	532,913	429,505	103,408	532,913	387,839	145,074
Office furniture and equipment	95,341	61,661	33,680	90,385	54,257	36,128
Plant equipment	1,145,289	104,331	1,040,958	342,389	52,518	289,871
Surface rights	734,128	-	734,128	734,128	-	734,128
Vehicles	331,698	124,041	207,657	194,729	92,161	102,568
	4,079,581	887,716	3,191,865	2,638,634	690,558	1,948,076

5. Due to Related Party

As at September 30, 2008, an amount of \$1,131,325 (December 31, 2007 - \$582,081) 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.

IMPACT Silver Corp.

Notes to Consolidated Financial Statements

September 30, 2008

Canadian Dollars

Unaudited

6. Share Capital

a) Details are as follows:

	Number		Amount
Authorized:			
Unlimited common shares without par value			
Issued and outstanding:			
Balance – December 31, 2006	39,480,188	\$	15,382,377
Shares issued for resource properties	100,000		190,000
Share purchase options exercised	74,250		23,935
Share purchase warrants exercised	7,604,272		7,351,154
Value assigned to options exercised			19,077
Value assigned to warrants exercised			4,167,844
Balance – December 31, 2007	47,258,710	\$	27,134,387
Shares issued for resource properties	125,000		120,000
Share purchase options exercised	491,500		82,830
Value assigned to options exercised			67,407
Balance – September 30, 2008	47,875,210		27,404,624

b) Warrants

A summary of the transactions in the warrants account is as follows:

	Number		Amount
Balance – December 31, 2006	7,766,000		4,222,385
Exercise of warrants	(7,604,272)		(4,167,844)
Expiry of warrants	(161,728)		(54,541)
Balance – December 31, 2007 and September 30, 2008	-	\$	-

c) Contributed Surplus

Balance – December 31, 2006	\$	314,845
Fair value of stock options issued		218,161
Value assigned to options exercised		(19,077)
Value assigned to expired warrants		54,541
Balance - December 31, 2007		568,470
Fair value of stock options issued		232,836
Value assigned to options exercised		(67,407)
Balance – September 30, 2008	\$	733,899

IMPACT Silver Corp.

Notes to Consolidated Financial Statements

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7. Share Purchase Options

The Company has established a share purchase option plan whereby the board of directors may, from time to time, grant options to directors, officers, employees or consultants. Options granted must be exercised no later than five years from date of grant or such lesser period as determined by the Company's board of directors. The exercise price of an option is not less than the closing price on the Exchange on the last trading day preceding the grant. Options vest 25% on the date granted and 12.5% every quarter thereafter.

- a) A summary of the Company's stock option plan at September 30, 2008 and the changes for the periods ended on these dates is as follows:

	Number	Weighted Average Exercise Price
At December 31, 2006	1,453,750	0.30
Granted	1,130,000	1.42
Exercised	(76,250)	0.32
At December 31, 2007	2,507,500	0.80
Granted	35,000	1.44
Exercised	(491,500)	0.17
Expired	(35,000)	1.45
At September 30, 2008	2,016,000	0.96

The following table summarizes information about the stock options outstanding at September 30, 2008:

Exercise Price Per Share	Expiry Date	Options Outstanding	Options Exercisable
\$0.13	October 20, 2008	125,000	125,000
\$0.15	May 12, 2009	175,000	175,000
\$0.42	April 13, 2010	551,000	551,000
\$1.40	September 5, 2012	1,055,000	791,250
\$1.44	February 6, 2010	35,000	17,500
\$1.67	October 22, 2012	75,000	46,875
		2,016,000	1,706,625

In February 2008, the Company granted stock options under its Stock Option Plan to a consultant exercisable for up to 35,000 shares of the Company, with an estimated value of \$17,774 on the grant date. The options are exercisable on or before February 6, 2010 at a price of \$1.44 per share.

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7. Share Purchase Options - *continued*

- 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-based compensation expense and an increase to contributed surplus based on a grading vesting schedule using the assumptions as follows:

Date Granted	September 5, 2007	October 22, 2007	February 2, 2008
Number of options granted	1,055,000	75,000	35,000
Risk-free interest rate	4.28%	4.17%	3.05%
Expected dividend yield	NIL	NIL	NIL
Expected stock price volatility	63.19%	62.67%	60.71%
Expected option life in years	2	2	2

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options.

8. 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:

- During the nine months ended September 30, 2008, fees in the amount of \$101,814 (September 2007 - \$215,287) were paid or accrued to directors and officers of the Company, of which \$74,664 is shown in various administrative expenditures on the income statement, and \$27,150 is shown in mineral properties.
 - During the nine months ended September 30, 2008, an administrative fee of \$12,846 (September 2007 - \$3,347) was paid to a shareholder for management of the Company's administrative and exploration programs.
 - During the nine months ended September 30, 2008, fees in the amount of \$1,695,078 (September 2007 - \$1,140,690) were paid to a significant shareholder of the Company for contract drilling services performed in Mexico.
 - The Company entered into a management agreement with one director for fees of \$5,000 per month for a period of thirty six months on May 1, 2006.
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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, and to meet external capital requirements on our debt and credit facilities.

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

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

10. Financial Instruments and Management of Financial Risk

Financial assets and liabilities

The Company's financial instruments primarily consist of cash, equity investments, accounts receivable and accounts payable. For cash, accounts receivable, and accounts payable, carrying value is considered to be a reasonable approximation of fair value due to the short-term nature of these instruments. The fair value of other financial assets 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, foreign exchange rate, interest rate, and commodity price risk. 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 warrant such hedging activities.

Credit risk

Credit risk arises from the non-performance by counterparties of contractual financial obligations. The Company's credit risk is primarily attributable to cash deposits and accounts receivable. Credit risk exposure is limited through maintaining cash and cash equivalents with high credit quality financial institutions. As is typical within the mining industry the Company deals with one refiner for the processing of all of its mineral concentrates. The Company has a significant concentration of credit risk exposure to its Mexican refining and smelting company Met-Mex Penoles, S.A. de C.V. at any one time but is satisfied that this company follows sound business practices. The Company's maximum exposure to credit risk at the reporting date is the carrying value of our receivables and cash and cash equivalents.

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10. Financial Instruments and Management of Financial Risk - *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 available or committed credit facilities but will do so as necessary. Liquidity requirements are managed based on expected cash flow to ensure that there is adequate capital to meet short term and long term obligations.

Foreign exchange rate risk

Exchange rate fluctuations may affect the costs that the Company incurs in its operations. Silver, zinc, lead, and gold are sold in US dollars and the Company's costs are principally in Canadian dollars and Mexican pesos. The Company is exposed to exchange rate risk through the following financial assets and liabilities denominated in currencies other than Canadian dollars:

	September 30, 2008		December 31, 2007	
	US Dollar	Mexican Peso	US Dollar	Mexican Peso
Cash and cash equivalents	140,000	1,408,000	1,274,000	995,000
Accounts Receivable	982,000	11,544,000	1,001,000	10,077,000
Accounts Payable	-	(7,574,000)	(10,000)	(11,017,000)
Due to Related Party	(926,000)	(200,000)	(539,000)	(26,000)
Total	196,000	5,178,000	1,726,000	29,000
Canadian dollar exchange rate	1.0642	0.09658	0.9913	0.0949
Balance sheet exposure in Canadian \$	209,000	500,000	1,711,000	3,000

Based on the above net exposures at September 30, 2008, a 10% depreciation or appreciation of the above currencies against the Canadian dollar would result in a \$71,000 decrease or increase in the Company's net income before taxes.

Interest Rate Risk

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

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.

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10. Financial Instruments and Management of Financial Risk - continued

Assuming the same rate of production, a 10% change in commodity prices would have impacted the Company's net income before tax in each period as follows:

	Three Months Ended September 30			Nine Months ended September 30		
	2008	2007		2008	2007	
Silver price	\$ 199,000	\$ 99,000	\$	\$ 566,000	\$ 317,000	\$
Zinc price	30,000	38,000		87,000	164,000	
Lead price	40,000	38,000		95,000	108,000	
Gold price	10,000	3,000		22,000	6,000	

11. Segmented Information

Details are as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2008	2007	2008	2007
Revenue by geographic area				
Mexico	\$ 2,243,848	\$ 1,603,907	\$ 6,686,756	\$ 5,139,634
Net income (loss) by geographic area				
Canada	(103,294)	(1,019,162)	72,387	(2,190,976)
Mexico	(129,476)	731,840	845,723	2,122,632
	\$ (232,770)	\$ (287,322)	\$ 918,110	\$ (68,344)
			As at September 30, 2008	As at December 31, 2007
Assets by geographic area				
Dominican Republic	\$ 1,102,979	\$ 1,006,330		
Canada	7,005,375	9,023,976		
Mexico	21,950,104	17,647,674		
	\$ 30,058,458	\$ 27,677,980		
Property, plant and equipment by geographic area				
Canada	\$ 14,721	\$ 15,232		
Mexico	3,177,144	1,932,844		
	\$ 3,191,865	\$ 1,948,076		

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Canadian Dollars

Unaudited

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