

**IMPACT Silver Corp.**  
**Form 51-102F1**  
**Management's Discussion and Analysis**  
**For the Period Ended March 31, 2009**

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## **INTRODUCTION**

This Management's Discussion and Analysis ("MD&A") of IMPACT Silver Corp. ("IMPACT" or "the Company") is dated May 22, 2009. This MD&A should be read in conjunction with the unaudited interim consolidated financial statements of IMPACT Silver Corp. and the notes thereto for the period ended March 31, 2009, which have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). All amounts referred to herein are in Canadian dollars unless otherwise specified. Additional information relating to the Company including material change notices, certifications of annual and interim filings, and press releases are available on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) at [www.sedar.com](http://www.sedar.com).

This document contains forward-looking statements. Please refer to "NOTE REGARDING FORWARD-LOOKING STATEMENTS."

## **Highlights for the First Quarter Ended March 31, 2009**

### **Financial and Operating Results**

Quarterly silver production reached a record 229,710 oz., up 74% from 131,859 oz. in the first quarter of 2008.

Average mill throughput during the first quarter was 329 tonnes per day ("tpd"), up 23% from 266 tpd during the first quarter of 2008. Higher throughput and higher average silver grades allowed IMPACT's mining operations to be cash flow positive amidst a lower metal price environment.

Sales were disrupted during the quarter due to a strike at the refinery of our largest customer, Penoles. Consequently, the Company only shipped metal concentrates in the first five weeks of the quarter, leaving 59% of first quarter production stockpiled at the end of the quarter.

In March 2009 the Company took action to protect its ongoing operations by entering into alternative sales contract arrangements for its lead and zinc concentrates with Glencore International AG. The first quarter stockpiled finished goods concentrate inventory referred to above was shipped to Glencore in early April. The Penoles strike ended in mid-April and IMPACT has since resumed shipments of concentrates to the Penoles refinery.

As a result of our inability to ship concentrate during the Penoles strike, both our reported revenues and net income were significantly reduced in the first quarter and thus make comparisons to previous quarters less meaningful. Revenues in the first quarter were \$1.5 million, down 46% from \$2.7 million in the first quarter of 2008. Revenues less direct mining costs in the first quarter were \$0.85 million, down 72% from \$1.46 million in the first quarter of 2008. Net income in the first quarter of 2009 was \$68,000, compared to net income of \$845,000 in the first quarter of 2008.

Cash flows from operations in the first quarter were \$1.05 million, up 2% from \$1.02 million in the first quarter of 2008. Cash flows are expected to increase in the second quarter of 2009 due to the sale of the stockpiled metal concentrate inventories from the first quarter.

After \$1.1 million invested in resource properties and exploration in the first quarter of 2009, the Company had cash and cash equivalents of \$5.4 million at March 31, 2009.

### **Exploration Results**

- On January 19, 2009, IMPACT announced extensive drill results from the Aurora I Deposit in the Mamatla Mineral District including 1,164 g/t silver across 1.5m and 196 g/t silver across 9.9m.
- On February 25, 2009, IMPACT announced extensive drill results from the Capire Deposit in the Mamatla Mineral District including 1,016 g/t silver across 1.8m and 338 g/t silver across 4.0m.
- On April 8, 2009, IMPACT announced wide drill intersections of silver mineralization on the Noche Buena Zone including 204 g/t silver across 8.55m true width ("TW") and 280 g/t silver across 4.54m TW.

## **Corporate Overview**

Since inception in 2006, IMPACT has grown from an exploration company into a significant silver producer with production levels increasing year-over-year. The Company has acquired control of almost two entire mineral districts in central Mexico; the 272 km<sup>2</sup> Royal Mines of Zacualpan Silver District and the 200 km<sup>2</sup> Mamatla Mineral District immediately southwest of Zacualpan. The Company also controls the Veta Grande Silver Project in the Zacatecas Silver District, Mexico. IMPACT currently produces concentrates containing silver, lead, zinc and gold at the 500 tonnes per day (“tpd”) Guadalupe Processing Plant. The Company also owns a 200 tpd semi-portable processing plant located at Zacualpan, bringing total throughput capacity to 700 tpd.

IMPACT is currently undertaking a three-part process of exploration and exploitation at the Royal Mines of Zacualpan Silver District. The Company has three specific objectives aligned to each activity area. The first objective is to enhance immediate economically recoverable throughput until the current maximum rated capacity of 500 tpd is achieved. In the first quarter of 2009 the Guadalupe mill processed an average of 329 tpd, up 23% from the first quarter of 2008. The second objective is to continue exploration and prepare for development of the new sources of ore which will justify expansion of our current facility or the construction of new processing plants. The third objective is to continue the reconnaissance exploration program designed to evaluate the longer term potential of this 500-year-old mining district. In the first quarter of 2009 IMPACT continued to make progress towards each of these three objectives.

During the first quarter of 2009, and in response to ongoing depressed commodity prices, IMPACT has continued to pursue its strategy of focusing production on higher grade areas of its mines in order to remain cash flow positive. Accordingly, the Company only marginally increased its throughput during the first quarter of 2009.

In the Mamatla Mineral District the Company announced extensive drill assays from the Capire and Aurora Zones (see following pages for details) and continues to develop drill targets in other areas of the district.

IMPACT has an option on a 200 tpd processing plant at the Veta Grande Silver Project and thus the Company has the potential to become a significant participant in the Zacatecas Silver District. During the quarter, IMPACT continued due diligence and engineering work to evaluate the production potential of the purchased properties and upgrading of the processing plant.

The Company is a reporting issuer in British Columbia and Alberta and trades on the TSX Venture Exchange as a Tier 1 Issuer under the symbol IPT and on the Frankfurt Stock Exchange under the symbol IKL. As of March 31, 2009, the Company had cash and cash equivalents of \$5.4 million held with a Canadian Tier 1 Bank. The Company has not invested in any short term commercial paper or asset-backed securities.

## Royal Mines of Zacualpan Silver Project (Zacualpan Mining District), Mexico

### Introduction

IMPACT owns concessions covering most of the Royal Mines of Zacualpan silver District in central Mexico, including a 272-square-kilometer land position, operating mines and a mill rated at 500 tpd. The project is located 100 kilometers southwest of Mexico City and 25 kilometers northwest of the well-known Taxco Silver Mine. Access is by paved highway that runs through the middle of the district. Infrastructure is good throughout the district with gravel road networks, electric power, ample water supplies and a trained work force.

Production for the three months ended March 31, 2009:

	Three months ended				Three months ended		
	March 31 2009	March 31 2008	% Change		March 31 2009	Dec 31 2008	% Change
Total tonnes (t) produced	29,569	24,247	+22%		29,569	26,343	+12%
Tonnes produced per day	329	266	+23%		329	286	+15%
Silver production (oz)	229,710	131,859	+74%		229,710	213,876	+7%
Lead production (t)	276	162	+71%		276	257	+7%
Zinc production (t)	343	275	+25%		343	300	+14%
Revenue per production tonne sold	\$129.69	\$110.81	+17%		\$129.69	\$86.03	+51%
Direct costs per tonne produced	\$53.19	\$50.63	+5%		\$53.19	\$56.82	-6%

Note: all measurements are metric (other than silver) and are subject to smelter settlements.

### Mining

#### Royal Mines of Zacualpan

The Royal Mines of Zacualpan Silver Project was purchased by the Company on January 16, 2006 and the Company's first full day of production was January 18, 2006. The majority of the ore mined at that time was from the high grade San Ramon Mine. Later in 2006, as underground mining and haulage costs rose at the San Ramon Mine, the Company started to principally source its ore supply from the Guadalupe Mine, where base metal grades are higher and silver grades lower. In the fourth quarter of 2007 development at the new Chivo Mine raised silver grades and continued to do so in 2008. The much higher silver grades resulted in a higher contribution margin per tonne in 2008. In early 2008 the San Ramon Mine was brought back into production on a selective mining basis.

The Company continues to budget funds and manpower to undertake its plans to modernize operations and increase production. Since its acquisition in 2006, much of the mining equipment has been upgraded, including rebuilding a number of the mine's scoop-trams and underground trucks.

The Company intends to further increase throughput at its current Guadalupe mill to ultimately reach its rated capacity of 500 tpd. This involves some additional expenditure for underground equipment, certain equipment replacements and upgrades in the plant and expansion of the tailings dam (now begun). While plant and facilities may at times limit capacity, sourcing mill feed from the Company's mines remains the critical factor for increased throughput. The process of finding, permitting, developing mines and production stopes takes an intensive contribution of resources of manpower, equipment and time. With current lower metal price environment the rate of expansion will be slowed to ensure cash flows remain positive.

In prior years the Company had seen fluctuations in grades due to the limited number of working faces available for mining. As a result of the exploration and development done over the last two years, the Company now has the ability to balance the grade of mill feed by drawing from a larger number of mine stopes to achieve a more blended overall grade for optimum metal recovery. Metal price weakness in the last half of 2008 negatively impacted the return on concentrate shipments and as a result caused the company to revisit cut-off grades in certain stopes. This resulted in the shutdown of mining in certain marginal areas and expansion of production in higher grade silver mines at Chivo and San Ramon.

### Chivo Mine

During the first quarter of 2009, Chivo provided 85% (Q1 2008 – 41%) of the ore and the majority of the high grade silver feed from production stopes in the upper levels. Ore from Chivo is the principal reason that silver production increased in 2009 over 2008. A second adit approximately 60 meters vertically lower on the structure reached the main vein in the fourth quarter of 2008 and has been providing high grade development muck to the mill. The first full production stope from the lower adit is scheduled to come on stream during the second quarter of 2009. The Chivo Mine is the newest addition to the Company's production profile. It was discovered in 2005, first drilled in late 2006 and then quickly developed, first commencing limited production from development muck in November 2007.

Chivo is the fourth producing mine at the Royal Mines of Zacualpan Silver Project and the second put into production by the IMPACT team. The Chivo Mine is located in the La Virgen Valley Camp in the central part of the Zacualpan District and as exploration and development continues, it is providing the majority of the higher grade feed to the Guadalupe processing plant.

### San Ramon Mine

Approximately 15% (Q1 2008 – 5%) of mill feed in 2008 was from mining of medium and high grade mineral at the San Ramon Mine. In 2006, San Ramon, located in the La Virgen Valley Camp and 1.3 kilometers south of the Chivo Mine, generated the majority of the high grade feed for the Zacualpan mill; however, operating costs were substantially rising and ore delineation became increasingly more complex due to the nature of the mine access and the Company temporarily ceased mining there. After redesigning the mining plan, the Company recommenced mining at San Ramon in early 2008 on a selective basis with an emphasis on higher grade ores.

### Guadalupe and Gallega Mines

During the fourth quarter of 2008 production was suspended at the Guadalupe and Gallega mines to maximize mining efforts on higher grade zones at Chivo and San Ramon. Approximately 54% of the mill feed in the first quarter of 2008 was from mining of medium grade mineral at the Guadalupe and nearby Gallega Mines. Material from the Guadalupe Mine was brought to surface on a skip and transported by truck approximately 100 meters to the plant and it remains the lowest cost producer of the mines supplying the mill. The nearby Gallega Mine is accessed by a surface adit and intermittently supplements production from Guadalupe. The Company will recommence mining at the Guadalupe and Gallega mines when increased silver, lead and zinc prices allow for profitable mining in these areas.

### Processing Plant

At the Guadalupe processing plant the ongoing program of upgrades designed to enhance recoveries and improve processing economics is continuing. In June 2008, one of the secondary crushers was replaced by a new more efficient crusher which has improved the overall throughput of the crushing circuit. Further plans have been approved to expand the flotation circuit capacity and improve efficiencies as well as increase the thickener capacity. The zinc concentrate dryer was also rebuilt to better reduce moisture in concentrates.

The Company is continuing work to increase tailings capacity and enhance the current dam. Construction of the dam expansion commenced in the second quarter of 2008 and is anticipated to be completed in 2009.

### **Zacualpan Exploration**

During the first quarter of 2009, exploration was active on several fronts. Surface and underground drilling continued without interruption. Field work included extensive mapping, sampling of old mines and surface rock, and soil sampling. A summary of exploration work carried out during the quarter is described below.

### Data Compilation

Since 2004 the Company has been reporting results from a large number of old mine prospects at Zacualpan. To put the results of this extensive field work, historical information and assays in context and prioritize exploration targets, the Company hired a senior geological database expert to compile a computer Geographic Information System ("GIS") database encompassing all past mining and exploration data in the Zacualpan and neighbouring Mamatla Districts. To quarter end, over 1,000 old mine workings have been entered into the database, of which the Company's exploration crews have sampled 256 in detail. IMPACT geologists continue to systematically drill test these targets on a priority basis.

### Noche Buena and Carlos Pacheco Mining Camp

In the fourth quarter of 2008 IMPACT announced the commencement of a large drill program in the Noche Buena and Carlos Pacheco Mining Camp located 4 kilometers southwest of the Guadalupe processing plant. The Noche Buena and Carlos Pacheco Zones are subparallel vein systems 200 meters apart with the Noche Buena being a silver system and the Carlos Pacheco being a gold-copper system at lower elevations and becoming more silver rich at higher elevations. A variety of both silver and gold-copper targets consisting of old mine workings, past drill intersections and outcropping veins are being drill tested.

During and subsequent to the first quarter IMPACT announced significant assays from drilling at Noche Buena as follows:

NOCHE BUENA VEIN					
DRILL HOLE	FROM (m)	TO (m)	INTERSECTION (m)	SILVER (g/t)	GOLD (g/t)
SECTION 1100N					
Z09-06	134.32	135.62	1.30	332	0.67
Including	134.32	134.72	0.40	872	1.20
Z09-05	125.00	126.45	1.45	123	0.15
SECTION 1150N					
Z08-70	21.80	30.35	8.55	204	0.24
Z08-71	108.30	112.63	4.33	233	0.70
Z09-10	119.85	121.86	2.01	167	0.38
SECTION 1200N					
Z09-72	118.70	119.49	0.79	243	0.49
Z09-11	No significant assays				
SECTION 1250N					
Z09-12	51.98	55.94	3.96	319	2.03
Including	54.54	54.81	0.27	3,600	15.50

Holes were drilled on an approximate 50 meter x 50 meter grid. Drilling continues on this zone and nearby veins subsequent to quarter end. One drill hole on the nearby Del Pulpo Vein assayed 560 g/t silver over 2.06m (true width). Exploration of this and other nearby veins is planned.

In late 2008 IMPACT announced high grade gold assays from drilling on the Carlos Pacheco Zone including 19.7 g/t gold over 2.9m and 11.3 g/t gold over 2.1m. During the quarter additional drilling intersected low gold values. Interpretation of these results indicates that the Carlos Pacheco Vein System is prone to producing very high grade gold zones albeit the two discovered so far have limited size. IMPACT geologists are continuing to explore this vein system along its trend to determine the potential for larger high grade gold zones.

### Zacualpan Early Stage Exploration

The Company employs field crews dedicated to early stage exploration throughout the District. These crews have been sampling some of the 1,000+ old mine workings on the project area and have been carrying out extensive soil sampling on 100 meter x 25 meter grids. During the first quarter of 2009, this work included mapping and sampling of soils and rocks in the Santa Lucia, Mirasol, Coronas and Nido de Oro areas with the objective of defining additional near-term drill targets.

## Mamatla Silver and Base Metals Project (Mamatla Mineral District), Mexico

The Company won the 200-square-kilometer Mamatla Mineral District in a government auction in February 2007 and a field crew has been working there developing drill targets. The District is located immediately adjacent to and southwest of Zacualpan. Mamatla is host to epithermal silver and base metal veins as well as volcanogenic massive sulphide (“VMS”) base and precious metal mineralization.

### Mamatla VMS Prospects

The Mamatla VMS mineralization varies from copper and gold-rich systems to zinc, lead, gold and silver-rich systems. The Mamatla project covers the same stratigraphy as the Campo Morado VMS belt, where Farallon Resources Ltd. (TSE: FAN) recently began production on the G-9 VMS deposit (5.57 million tonnes grading 7.3% zinc, 1.0% lead, 1.3% copper, 186 g/t silver and 2.8g/t gold). The G-9 VMS deposit is located along trend, 45 kilometers southwest of Mamatla.

### Capire-Aurora VMS Project

The most advanced exploration targets at Mamatla are the Capire and Aurora 1 VMS deposits, which were discovered less than one kilometer apart and drilled by prior operators in the 1990s. During the quarter IMPACT announced assays from a 5,080 meter program of detailed core drilling on the two deposits.

Highlights from the 24 hole (1,324 meter) drill program on Aurora 1 included the following:

AURORA 1 ZONE							
DRILL	TOP OF	TRUE WIDTH	SILVER	GOLD	COPPER	LEAD	ZINC
HOLE No.	INTERCEPT (m)	(m)	(g/t)	(g/t)	(%)	(%)	(%)
Mo8-01	9.2	9.9	196	0.5	0.2	1.7	3.0
	Including:	0.6	103	0.3	0.6	11.1	18.9
	Including:	0.6	789	0.2	0.4	0.9	1.5
	Including:	0.6	1,345	3.2	0.7	2.7	5.0
And	48.6	2.4	303	2.1	0.4	1.4	2.7
	Including:	1.1	420	0.5	0.6	2.4	4.8
Mo8-02	45.6	2.2	389	2.3	0.2	0.6	1.0
	Including:	0.5	1,745	9.4	0.8	2.1	3.5
Mo8-07	8.6	9.2	125	0.5	0.2	1.6	3.0
	Including:	0.4	770	5.9	0.7	2.8	5.6
	Including:	2.1	219	0.3	0.4	2.9	5.2
Mo8-08	8.2	6.9	317	1.1	0.1	0.3	0.7
	Including:	1.5	1,164	3.2	0.1	0.6	1.2
	Including:	0.3	2,060	5.4	0.3	1.6	2.7
And	60.7	2.3	136	1.6	0.4	1.9	4.7
	Including:	0.3	612	4.1	1.0	6.1	11.2
Mo8-11	32.1	4.1	320	1.3	0.3	2.3	4.2
	Including:	1.5	626	2.9	0.8	5.5	10.1
Mo8-13	23.9	2.2	383	1.0	0.9	1.5	2.6
	Including:	0.7	1,155	2.5	2.9	4.5	7.6
Mo8-24	27.6	4.6	214	0.6	0.3	1.7	3.9
	Including:	0.5	683	1.9	0.9	2.7	5.6
	Including:	2.4	226	0.5	0.3	2.4	5.4

The holes were drilled over an area of 200 meters x 200 meters on a 25 meter x 50 meter drill grid. Other holes delimited the zone to the north and west. The zone remains open to the south and east for expansion. A map of the drill grid can be found on the company website at [www.IMPACTSilver.com](http://www.IMPACTSilver.com). The shallow depth below surface and orientation of the mineralization indicate that the zone has potential for low cost open pit mining.

Highlights from the 54 hole (3,756 meter) drill program on Capire include the following:

CAPIRE ZONE							
DRILL	TOP OF	TRUE WIDTH	SILVER	GOLD	COPPER	LEAD	ZINC
HOLE No.	INTERCEPT (m)	(m)	(g/t)	(g/t)	(%)	(%)	(%)
Mo7-02	33.5	4.0	338	0.8	0.6	3.1	7.1
	Including:	1.4	861	1.9	1.4	7.2	15.7
Mo8-29	6.1	2.2	185	0.8	0.3	1.4	4.6
	Including:	1.2	219	0.6	0.3	1.7	5.9
Mo8-30	7.7	2.7	385	1.0	0.1	1.0	2.1
	Including:	0.2	4,210	9.5	0.9	9.0	18.6
Mo8-41	22.5	3.5	127	0.2	0.2	1.3	3.5
	Including:	0.7	302	0.4	0.3	2.6	5.7
Mo8-42	8.4	9.2	98	0.3	0.2	1.5	3.6
Mo8-46	6.0	2.8	159	0.9	0.2	0.8	1.9
	Including:	0.6	470	3.2	0.3	1.4	3.1
Mo8-48	33.6	2.6	168	0.3	0.2	0.9	2.2
	Including:	1.7	230	0.3	0.2	1.0	2.7
Mo8-50	43.3	4.0	485	0.7	0.2	2.4	4.9
	Including:	1.8	1,016	1.2	0.4	5.0	10.2
Mo8-52	58.1	11.7	136	1.1	0.1	0.7	1.9
	Including:	1.1	141	0.3	0.2	2.4	5.0
Mo8-55	41.0	5.9	127	0.5	0.2	1.0	2.3
	Including:	1.3	351	1.3	0.5	2.1	5.2

The holes were drilled over an area of 350 meters x 150 meters on a 25 meter x 50 meter drill grid. The remaining holes delineated the zone and its edges. The Capire's shallow depth and the orientation of its mineralization, indicate that the zone has the potential for low cost open pit mining.

Work has now begun to bring these deposits into Mineral Resource categories compliant with Canadian NI 43-101 standards as well as preliminary mining engineering and metallurgical studies to determine the viability of bringing these potential open pit deposits into production.

#### Mamatla Epithermal Vein Prospects

Since acquisition of the Mamatla project in February 2007 IMPACT field crews have discovered over 70 new epithermal vein prospects and old mines. This work is continuing with the objective of defining drill targets.

#### Veta Grande (Zacatecas) Silver Project, Mexico

On September 28, 2006 the Company announced the signing of a Comprehensive Agreement to purchase the Veta Grande Silver Project in the historic Zacatecas Silver District of Mexico over a maximum of four years for US\$1,110,000 and 500,000 shares (US\$733,450 paid and 300,000 shares issued to date). The project includes a 200 tpd processing plant, several mineral concessions and certain surface rights. The project is located 500 kilometers northwest of Mexico City. Access is by paved highways that run through the District. Infrastructure is good throughout the District with road networks, electric power and a trained work force. Over the past two years exploration focused on some of the 17 mineral concessions located within this District, four of which are in a joint venture with Yale Resources. During the quarter IMPACT carried out a small program of sampling old mine dumps on the Nueva Granada and Asturias concessions as possible sources of future feed for the processing plant.

#### Zacatecas Processing Plant

The 200 tpd processing plant began operations during the third quarter of 2006. It is now operating on a custom milling basis by the vendor, processing ore for local small scale miners. The Company engineers are carrying out an assessment of the plant and associated facilities as part of the Company's due diligence work toward a decision to finalize the purchase.

## **Future Exploration Plans**

During the first quarter of 2009, exploration continued at a high level in order to put some of the more than 1,000 known prospects in the Zacualpan and Mamatla Districts on a faster track to potential production and build mineral inventories for mining. To date this has succeeded in detailing mineralization in the Capire and Aurora 1 Zones for potential production and has begun to outline a zone of potentially economic mineralization at Noche Buena. The exploration program is being funded through existing cash balances. Two dedicated field crews each led by a senior geologist continue to work on various project areas in the Zacualpan and Mamatla Districts. Two geologists are overseeing both surface and underground drilling operations at Zacualpan. The GIS database compilation continues with an emphasis put on potential near term production targets.

*George Gorzynski, P. Eng., a Qualified Person under the meaning of Canadian NI 43-101, is responsible for the technical information described in this MD&A for the Royal Mines of Zacualpan Silver Project, the Mamatla Mineral District and the Veta Grande (Zacatecas) Silver Project. Details on sampling methods and other information on the projects can be found in the Company's news releases.*

## **The Dominican Republic**

The Dominican Republic continues to attract interest from the industry with the ongoing activities of Barrick Gold Corporation ("Barrick") and Xstrata plc, as well as a number of juniors. The exploration concessions in the Dominican Republic held by the Company constitute a block covering highly favourable stratigraphy in the eastern part of the Los Ranchos formation. The area has been tectonically active in the past with numerous faults and cross-faults, which the Company believes offers the opportunity for mineralization. The Company's block of concessions is located some 100 kilometers east of Barrick's large Pueblo Viejo gold deposit with over 12 million ounces of proven and probable gold reserves reported and is hosted in the same rock formation. During the quarter the Company did not carry out any work on the Dominican Republic properties.

*Nigel Hulme, P. Geo., a Qualified Person under the meaning of Canadian NI 43-101, is responsible for the technical information described in this MD&A for the Dominican Republic Projects.*

## **Safety, Social and Environmental Policy**

Exploration and mining create a physical change within the area of work. The Company believes in its responsibility to ensure that it minimizes the environmental impact of its efforts.

Our employees and contract personnel are aware and continually reminded that environmental issues and safety cannot be compromised. The Company has social, environmental and other policies related to its operations.

We work as part of a community, whose members must be kept informed of our activities and their concerns addressed. The Company retains a Community Relations Officer to ensure open communications. Wherever possible, the local community should participate in the benefits that may flow from the Company's activities. The use of local personnel and other workers fosters direct involvement in the operations conducted by the Company.

The Company has formulated specific policies and regulations to address the above, as well as our ongoing concern for safety. Work being conducted by or on behalf of the Company should be well planned, safe and with a concern for the environment and communities surrounding us. The Company has established a Mine Safety Committee and employs a Senior Manager to implement and supervise our safety program.

## **Investor Relations**

During the quarter, IMPACT had booth displays promoting the Company at two industry and investor conferences in Canada. The Company plans to continue these activities throughout 2009. Energold (a significant shareholder) also assists IMPACT with its day-to-day investor relations.

## **FINANCIAL DISCUSSION**

### **Mine Operating Earnings for the three months ended March 31, 2009**

Revenues (net smelter returns) in the first quarter were \$1,457,000 down 46% from \$2,687,000 in the first quarter of 2008. Revenues were down substantially as a result of a strike at the Penoles refinery (IMPACT's main customer) which began on February 8, 2009 and lasted until April 14, 2009. As a result of the strike the Company only sold approximately 41% of its lead concentrate production in the first quarter of 2009. Zinc concentrate continued to be inventoried because of the low prices for zinc. In March 2009 the Company entered into a short term contract for the sale of its lead and zinc concentrates to Glencore International AG. Shipments of lead and zinc concentrate to Glencore commenced in April 2009. The Penoles refinery reopened in April 2009 and the Company has also recommenced shipments of concentrates to Penoles.

The Company has not been able to realize the full benefit of its significantly higher contained metal production in the first quarter of 2009 as compared to the first quarter of 2008 due to declining silver, zinc and lead prices and higher smelting costs. Average metal prices in the first quarter of 2009 were lower by approximately 29% for silver, 60% for lead and 52% for zinc as compared to average prices in the first quarter of 2008. Revenues were also negatively impacted by higher refining charges per tonne of concentrate processed in the first quarter of 2009 as compared to the first quarter of 2008.

Revenues per production tonne sold increased in the first quarter of 2009 to \$129.69, up 51% from \$86.03 in the first quarter of 2008. The increase is attributed to mining higher grade silver zones in the Chivo and San Ramon mines in the first quarter of 2009 as compared to the greater amount of ore from the Guadalupe mine which was processed in the first quarter of 2008.

Reported earnings during the quarter are based on smelter settlements received during the quarter and metal prices in effect at the end of the quarter. Sales of metals in concentrate are recognized in revenue on a provisional pricing basis when title transfers and the rights and obligations of ownership pass to the smelter. However, final pricing is not determined until a subsequent date and is often based on a formula such as the average metal exchange traded price in the month following delivery. Pricing adjustments result in additional revenues in a rising price environment and reductions to revenues in a declining price environment. These adjustments are reflected in the following quarter's earnings. In the first quarter of 2009 the Company had positive pricing adjustments of \$45,000 before taxes.

Mine operating costs in the first quarter of 2009 were \$610,000, down 50% from \$1,228,000 in the first quarter of 2008. Amortization and depletion in the first quarter of 2009 were \$98,000, down 47% from \$185,000 in the first quarter of 2008. The lower operating costs, amortization and depletion are a direct result of the inventorying of production from February 8, 2009 to the end of the quarter.

Mine operating costs per tonne in the first quarter of 2009 were \$53.19, up 5% from \$50.63 in the first quarter of 2008. Mine operating costs were higher as lower cost bulk mining was used in the first quarter of 2008 to recover higher grade zinc and lead ore from the Guadalupe mine to take advantage of higher prices prevailing for these metals in early 2008. Throughout 2008, we shifted our principal ore reliance to recover higher grade silver ore from the Chivo mine, which we are now accessing through the two new mine adits that were developed. Ore recovered from the Chivo mine incurs higher trucking, mining and amortization costs than ore recovered from the Guadalupe mine which is immediately adjacent to the mill.

Average mill throughput during the quarter was 329 tpd, up 23% from 266 tpd during the first quarter in 2008. Higher throughput and higher average grades allowed the Company's mining operations to be cash flow positive amidst the lower metal price environment.

Mine operating earnings in the first quarter of 2009 were \$750,000, down 41% from \$1,274,000 in the first quarter of 2008. Net income in the first quarter of 2009 was \$68,000, down from net income of \$845,000 in the first quarter of 2008. This lower net income was the direct result of the delayed shipments and sales caused by the Penoles refinery strike.

### **General, Administrative and Other Expenses for the three months ended March 31, 2009**

General and administrative expenses in the first quarter of 2009 were \$447,000, up 30% from \$345,000 in the first quarter of 2008. Non-cash stock based compensation expense increased to \$211,000 in the first quarter of 2009 up from \$79,000 in the first quarter of 2008 as a result of stock options granted on January 6, 2009 and the vesting of previously granted options. Stock-based compensation expense is a non-cash expense which is calculated using the Black-Scholes method to estimate fair value. Excluding stock-based compensation expense, general and administrative expenses in the first quarter of 2009 were consistent with the first quarter of 2008.

The Company earns its revenues paid under its smelter contracts in U.S. dollars and incurs its costs in Mexican pesos and Canadian dollars. Because the Company reports its earnings in Canadian dollars, under Canadian GAAP it must translate its revenues and expenses into Canadian dollars for financial statement purposes using the temporal method. The Company incurred a foreign exchange loss of \$110,000 in the first quarter of 2009 as compared to a foreign exchange gain of \$152,000 in the first quarter of 2008. Fluctuations in the exchange rates between the U.S. dollar, Mexican peso and Canadian dollar may have a significant impact on future net income.

Income taxes expense in the first quarter of 2009 was \$128,000, down from \$303,000 in the first quarter of 2008. The lower income taxes expense is a direct result of the delayed shipments of lead and zinc concentrate in the first quarter of 2009 which were a result of the strike at our main customer's refinery.

## OTHER FINANCIAL INFORMATION

### Summary of Quarterly Results

The following table presents our unaudited quarterly results of operations for each of the last eight quarters. All figures are in thousands of Canadian dollars except earnings (loss) per share:

	For the three months ended							
	Mar 31 2009	Dec 31 2008	Sept 30 2008	Jun 30 2008	Mar 31 2008	Dec 31 2007	Sept 30 2007	Jun 30 2007
Revenues	1,457	2,221	2,244	1,756	2,687	2,110	1,604	1,677
Net income (loss)	68	(256)	(233)	305	845	356	(287)	(48)
Earnings (loss) per share - Basic*	0.00	(0.01)	(0.00)	0.01	0.02	0.01	(0.01)	0.00
Earnings (loss) per share - Diluted*	0.00	(0.01)	(0.00)	0.01	0.02	0.01	(0.01)	0.00
Cash and cash equivalents	5,357	5,433	7,091	8,285	8,851	10,145	4,847	3,850
Total assets	30,065	29,274	30,058	29,848	28,795	27,678	20,364	19,175
Total liabilities	5,460	4,958	5,561	5,265	4,652	4,522	2,042	2,192

\* Per share numbers have been rounded to two decimal places

### Liquidity and Capital Resources

#### Working Capital and Cash Flow

IMPACT's financial position at March 31, 2009 remained strong with \$5.4 million in cash and cash equivalents (December 31, 2008 - \$5.4 million) and net working capital of \$7.0 million (December 31, 2008 - \$7.3 million). Cash and cash equivalents remained unchanged as \$1.1 million in resource property investments was funded with the \$1.0 million in positive cash flow from mining operations achieved during the first quarter of 2009.

The Company's working capital position is expected to remain strong through 2009 as cash flow from mining operations should be sufficient to fund the Company's planned 2009 resource property costs, exploration expenditures and acquisition of property, plant and equipment.

#### Resource Property Expenditures

Exploration expenditures and property acquisition costs related to Zacualpan in the first quarter of 2009 were \$1.1 million compared to \$1.4 million in the first quarter of 2008. Expenditures on drilling increased slightly and property acquisition costs decreased slightly in the first quarter of 2009 as compared to the first quarter of 2008.

IMPACT has also committed additional resources and has hired geological support staff to lead two separate teams to accelerate the early exploration and mapping of its properties and prospective drill targets. The Company expects that its 2009 exploration expenditures in the Zacualpan and Mamatla Districts will continue at levels similar to 2008 as it proceeds to explore some of the more promising exploration targets. However, the Company will continue to closely monitor its cash and cash equivalents balance and may adjust exploration expenditures as required.

## Share Capital Transactions

On January 6, 2009, the Company announced that 2,235,000 incentive stock options were granted to directors, officers, employees and consultants exercisable on or before January 6, 2014 at a price of \$0.55 per share.

## Outstanding Share Data

The following common shares and convertible securities were outstanding at May 22, 2009:

	# of Shares	Exercise Price	Expiry Date
Issued and outstanding common shares at May 22, 2009	48,175,210		
Employee stock options	35,000	\$1.44	February 6, 2010
	551,000	\$0.42	April 13, 2010
	1,055,000	\$1.40	September 5, 2012
	75,000	\$1.67	October 22, 2012
	<u>2,235,000</u>	<u>\$0.55</u>	<u>January 6, 2014</u>
Fully Diluted at May 22, 2009	<u>52,126,210</u>		

Of the 3,951,000 options outstanding, 2,549,750 have vested as at May 22, 2009.

## Related Party Transactions

Energold Drilling Corp. ("Energold") owns 6,650,001 shares of the Company and due to management and directors in common, it is considered a related party.

Under a management services agreement, Energold recovers direct labour costs for administrative support and public relations. Investor relations' activities are assisted by Energold's staff and consist of dissemination of information to shareholders and prospective investors through brochures, quarterly reports, industry conventions, annual reports and press releases.

During the three months ended March 31, 2009, fees in the amount of \$591,546 (March 31, 2008- \$579,520) were paid to Energold for contract drilling services performed in Mexico at Zacualpan. These services were provided in the normal course of business operations at similar rates that would be offered to any other mining company. As at March 31, 2009, the balance owed to Energold was \$995,020 (December 31, 2008 -\$760,054).

During the three months ended March 31, 2009, fees in the amount of \$42,400 (March 31, 2008 - \$33,206) were paid or accrued to two directors and officers of the Company, of which \$28,750 is recorded in various administrative expenditures on the income statement, and \$13,650 is recorded in resource properties.

## Financial Instruments and Management of Financial Risk

### Financial Assets and Liabilities

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

### Financial Instrument Risk Exposure

The Company's financial instruments are exposed to a number of financial and market risks including credit, liquidity, currency, interest rate and price risks. The Company may, or may not, establish from time to time active policies to manage these risks. The Company does not currently have in place any active hedging or derivative trading policies to manage these risks since the Company's management does not believe that the current size, scale and pattern of cash flow of its operations would warrant such hedging activities.

### Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk include cash and cash equivalents, accounts receivable and investments. The Company deposits its cash and cash equivalents with

high credit quality financial institutions as determined by ratings agencies, with the majority deposited with a Canadian Tier 1 Bank. As is typical within the mining industry the Company relies on sales to two refiners for the processing of all of its mineral concentrates. The Company may have a significant concentration of credit risk exposure to the refining and smelting companies Met-Mex Penoles, S.A. de C.V. and Glencore International AG at any one time but is satisfied that these companies have adequate credit ratings as determined by Standard and Poor's. The Company's maximum exposure to credit risk at the reporting date is the carrying value of its cash and cash equivalents, accounts receivable and investments.

#### Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due. The Company manages liquidity by maintaining cash and cash equivalent balances available to meet its anticipated operational needs. The Company has not been required to establish committed credit facilities but will do so as necessary. Liquidity requirements are managed based on expected cash flow to ensure that there is adequate capital to meet short-term and long-term obligations. The Company has in place a planning and budgeting process to help determine the funds required to support the Company's normal operating requirements on an ongoing basis and its growth plans. As at March 31, 2009 the Company did not have any significant future debt obligations.

#### Currency Risk

Foreign exchange rate fluctuations may affect the costs that the Company incurs in its operations. Silver, zinc, lead, and gold are sold in U.S. dollars and the Company's costs are principally in Mexican pesos and Canadian dollars.

#### 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.

### **Changes in Accounting Policies – Adoption of New Accounting Policies**

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

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

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

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

### **International Financial Reporting Standards (“IFRS”)**

In February 2008, the Canadian Accounting Standards Board confirmed that IFRS will replace current Canadian GAAP for publicly-accountable, profit-oriented enterprises effective January 1, 2011. The transition date of January 1, 2011 will require the restatement, for comparative purposes, of amounts reported for the year ended December 31, 2010.

The Company is currently in the process of identifying the differences between Canadian GAAP and IFRS and identifying how these differences may affect the reporting of the Company’s financial results. A project plan is being developed and resource and training requirements are being assessed. Over the next two years changes will be implemented and work performed to ensure the accuracy and effectiveness of the transition to IFRS. At this time it is not possible to determine how reporting according to IFRS will affect future financial statements.

### **Management’s Report on Internal Control over Financial Reporting**

The Company’s management is responsible for establishing and maintaining adequate internal control over financial reporting. Any system of internal control over financial reporting, no matter how well designed, has inherent limitations and may not prevent or detect misstatements. Therefore even those systems determined to be effective can only provide reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

Management believes that the Company has designed, established and is operating reasonable overall controls and systems to meet the needs of the Company, its shareholders, and other stakeholders who rely on the Company’s financial information and reporting systems.

### **Changes in Internal Control over Financial Reporting**

There have been no changes in the Company’s internal control over financial reporting during the three months ended March 31, 2009 that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

#### **Approval**

The Board of Directors oversees management’s responsibility for financial reporting and internal control systems through an Audit Committee. This Committee meets periodically with management and annually with the independent auditors to review the scope and results of the annual audit and to review the financial statements before the financial statements are approved by the Board of Directors and submitted to the shareholders of the Company. The Board of Directors of IMPACT has approved the financial statements and the disclosure contained in this MD&A. A copy of this MD&A will be provided to anyone who requests it.

## **NOTE REGARDING FORWARD-LOOKING STATEMENTS**

Except for historical information, this MD&A may contain forward-looking statements. These statements involve known and unknown risks, uncertainties, and other factors that may cause the Company's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievement expressed or implied by these forward looking statements.

The factors that could cause actual results to differ materially include, but are not limited to, the following: general economic conditions; changes in financial markets; the impact of exchange rates; political conditions and developments in countries in which the Company operates; changes in the supply, demand and pricing of the metal commodities which the Company mines or hopes to find and successfully mine; changes in regulatory requirements impacting the Company's operations; the ability to properly and efficiently staff the Company's operations; the sufficiency of current working capital and the estimated cost and availability of funding for the continued exploration and development of the Company's exploration properties.

This list is not exhaustive and these and other factors should be considered carefully, and readers should not place undue reliance on the Company's forward-looking statements. As a result of the foregoing and other factors, no assurance can be given as to any such future results, levels of activity or achievements and neither the Company nor any other person assumes responsibility for the accuracy and completeness of these forward-looking statements.

Additional information relating to IMPACT is on SEDAR at [www.sedar.com](http://www.sedar.com).

On Behalf of the Board of Directors,

"Frederick W. Davidson"  
President and Chief Executive Officer

May 22, 2009