

IMPACT Silver Corp.
(formerly IMPACT Minerals International Inc.)
Form 51-102F1
Management Discussion & Analysis
For the Period Ended March 31, 2006

INTRODUCTION

This Management Discussion and Analysis (“MD&A”) of IMPACT Silver Corp. (“IMPACT” or “the Company”) is dated May 10, 2006. This MD&A should be read in conjunction with the unaudited consolidated financial statements of IMPACT Silver Corp. and the notes thereto for the quarter ended March 31, 2006 which have been prepared in accordance with Canadian generally accepted accounting principles. 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.

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 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. The Company disclaims any intention and assumes no obligation to update any forward-looking statement contained in this document, even if new information becomes available, as a result of future events or for any other reason.

BUSINESS DESCRIPTION

The Company is a natural resource development stage company, primarily engaged in the acquisition, exploration and development of natural resource properties since its inception. The Company’s principal business activities for the past ten years have been the exploration and development of certain mineral properties located in the Dominican Republic and Mexico. During the first quarter of 2006 the company acquired the Royal Mines of Zacualpan, an operating silver operation in Mexico. This acquisition has resulted in the Company operating a small high grade silver mine and conducting a large reconnaissance program in the historic mining district of Zacualpan. The Company is a reporting issuer in British Columbia and trades on the TSX Venture Exchange under the symbol IPT.

HIGHLIGHTS

- In November 2005, IMPACT announced its intention to raise \$2.5 million Canadian by way of private placement which was fully subscribed and subsequently closed on January 10, 2006.
- On January 16, 2006, IMPACT became the newest TSX silver producer through the purchase of the Royal Mines of Zacualpan Silver Project in central Mexico. The project includes two operating silver mines, a 500-tonne-per-day processing plant lease and mineral concessions covering 124.5 km² over most of the silver district.

- On March 14, 2006, IMPACT announced the signing of an option agreement to purchase the 500-tonne-per-day processing plant plus certain mineral concessions and surface rights for US\$1,140,000 and 100,000 shares at any time before December 2, 2006.
- IMPACT also announced signing an option agreement to purchase certain mining equipment for US\$500,000 any time before July 16, 2006. May 12, 2006, IMPACT exercised that option.
- On April 6, 2006, IMPACT announced the closing of an \$8.03 million financing.
- Subsequent to the end of the quarter, the Company announced the signing of a 2,000m plus core drilling contract.

Future Plans

- It is IMPACT's intention to exercise its option to purchase the processing plant, mining concessions and surface rights in 2006. With these purchases IMPACT will own all the equipment and surface rights related to its Royal Mines of Zacualpan operations and will have a 100% interest with no underlying royalties to 124.5 km² of mineral concessions comprising most of the silver district.
- Extensive exploration is planned for the district with the aim to increase volume and number of sources for production. This work will include surface and underground drill programs.
- IMPACT plans to grow into a premier producer of silver by expanding and upgrading the Royal Mines of Zacualpan operations and through acquisitions.

ROYAL MINES OF ZACUALPAN SILVER PROJECT, MEXICO

Introduction

IMPACT owns and leases assets covering most of the Royal Mines of Zacualpan Silver District in central Mexico, including a 124.5km² land position, two operating mines and a leased mill rated at 500 tonnes per day. The project is located 100km southwest of Mexico City and 25 km 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. The Company has acquired this dominant land position through staking activities and the recent purchase (completed January 16, 2006) of all of the issued and outstanding shares of a local Mexican mining company, Minera El Porvenir de Zacualpan, S.A. de C.V. ("MPZ"). The Company also holds an option to purchase agreement, the Guadalupe processing plant and certain mineral concessions and surface rights at Zacualpan.

Production and Development

The Royal Mines of Zacualpan Silver Project was purchased by IMPACT on January 16, 2006. IMPACT's first full day of production was January 18, 2006. The first mineral shipments (one silver-lead concentrate, one zinc concentrate and one shipment of high grade silver direct shipping ore) were made on January 31, 2006. Average mill throughput in the first quarter was 180 tpd. In spite of the majority of the production being from development muck the average recovered grade for the quarter was over 320 grams/tonne silver equivalent. During the period under IMPACT's ownership (January 16 – March 31, 2006), production totaled 134,375 ounces silver equivalent comprised of 92,950 ounces silver, 55.10 ounces gold, 69.55 tonnes lead, and 139.86 tonnes zinc, from 12,959 tonnes of ore processed. On site operating costs were approximately Cdn\$50.00 per tonne.

At year end 2005, mining by the previous owner was down to Level 8 at the high grade San Ramon Mine. Levels are about 10 to 12m apart. Subsequent to the purchase, IMPACT continued mining remnant high grade (2000g/t+ silver) mineral on Level 8 and continued mining medium grade mineral from both Levels 7 and 8. As of quarter end, the ramp has reached Level 9. During the quarter, mining of medium grade mineral at the Guadalupe Mine continued on the 195m Level exploiting the Lipton, Lipton del Bajo and Liptonia Veins. Material is trucked from the operating mines to the central processing plant.

Subsequent to the recent financing, IMPACT began upgrading the operations with the objective of increasing metal production and recoveries, and bringing the operations up to modern standards over the next eighteen to twenty-four months. Management has also initiated safety programs and a program of rehabilitation and preventative maintenance for mobile equipment.

Engineering Studies

During 2005, IMPACT carried out preliminary engineering studies to evaluate the active mining and metallurgical operations at Zacualpan. A preliminary engineering study was received assessing sites for expansion of tailings facilities and two reports were received on metallurgical test work to improve metal recoveries. These programs are ongoing during the first quarter.

Field Work

During 2005, fieldwork focused on mapping and sampling on surface and in historic underground workings.

In April 2006, the Company signed a drill contract for a first phase minimum 2000m surface core drilling program. The program commenced at the end of April and will initially test three priority targets: San Ramon extension, Chivo Prospect and Pino Prospect.

San Ramon mine extension

The first holes will be drilled to outline the extension of the San Ramon high grade silver shoot at depth. Plans are to drill holes up to 80m below the deepest mine workings presently at Level 9 (about 90m below the mine entrance). Currently, mining of remnant second class mineral (200-500g/t silver) is occurring on Levels 7 and 8. Mining of first class mineral (2,500g/t+ silver) has just begun on Level 9 from the Concepcion Vein. Also found on Level 9 was the hole left by IMPACT's drill hole 2005-02 which intersected 6,013g/t silver and 2.31g/t gold across a true width of 0.8m. (see IMPACT news release dated May 16, 2005). Mine staff report assays from underground sampling of the first class mineral on Level 9 to be similar.

Chivo Prospect

The Chivo Prospect is on the San Ramon vein system and at this early stage displays some of the same high grade mineralization found at the San Ramon Mine 1300m to the southeast. As reported in a news release on September 7, 2005, IMPACT personnel found two parallel veins in old mine workings here. Samples from the western vein assayed 1,095g/t silver and 0.38g/t gold across 1.25m true width in the workings and 2,640g/t silver and 1.36g/t gold across 0.85m on surface. The wall rock beside the vein contained numerous small veinlets and assayed 463g/t silver and 0.477g/t gold across 2.2m true width. The eastern vein averaged 175g/t silver and 0.92g/t gold across 1.54m true width. This program will drill the first holes in the Chivo Prospect and are designed to test the potential strike and dip extent of the mineralization.

Pino Prospect

The Pino Prospect is on the Lipton Vein system. It is located 700m south of the Guadalupe Mine which has historically produced 10 million ounces of silver predominantly from the Lipton Vein. IMPACT continues to mine the Lipton Vein in the Guadalupe Mine today. The Pino Prospect area is marked by a large gold-in-soil anomaly and sparse old small mine workings. Sampling of some of these workings by IMPACT personnel returned variable assays including 337g/t silver over 1.5m true width, 243g/t silver over 1.4m true width and 2,050g/t silver over 0.25m true width. Drilling will target the potential at depth on the Pino section of the Lipton Vein.

History

Zacualpan is one of the oldest mining districts in North America with Spanish Colonial mining dating back to at least 1527. In 1531, it was the first mining district in the Americas to be bestowed the title of 'Royal Mines' of Zacualpan by proclamation under the Spanish Crown. Zacualpan is a classic Mexican epithermal silver district with an abundance of veins that have seen historic production. Statistics for the early centuries of production are sporadic, but in modern times recorded production between 1975-2004 was about 17 million ounces of silver (26 million ounces silver equivalent with by-product gold, lead and zinc credits). Veins presently being mined on the property typically vary from 2 to 5 metres in width. Individual production shoots are often 30 to 150m long and predominantly steeply dipping.

Zacualpan Project Acquisition

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 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 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 is not expected that it will meet its shortfall in 2006 as the areas the Company is currently mining are relatively low in lead, zinc and gold realizations.

Modern Canadian accounting theory recommends that the purchase method of accounting be used to account for all business combinations and that the acquirer, in a business combination, should 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 requires that we recognize the opportunity loss in MPZ of the difference between our estimate of current metal market prices 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. While this lost opportunity cost was significant at January 16, 2006 it has become even more significant since that date because of the substantial increase in metal prices that have occurred since the beginning of 2006. Our best estimate is that had MPZ not entered into forward sales commitments in 2004 for the seven months from January 1, 2006 to July 31, 2006, in the delivery quantities and prices that it had agreed to and had been able to sell the same quantity at current market prices it would realize approximately US\$2.428 million more than it will do under its forward sales delivery contractual commitments. This revenue, and MPZ's obligation to make good on the delivery obligation represents contingent consideration which we must take into account as part of the purchase consideration.

The CICA handbook 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 acquisition of MPZ was accounted for using the purchase method with MAP being identified as the acquirer. The results of operations of MPZ, and its wholly owned subsidiary Minera Laureles, from January 17th, 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 \$5,559,350 has been allocated to Zacualpan resource property acquisition costs.

Canadian \$

Purchase Price	
Net share consideration at market value at date of issue (300,000 shares)	\$ 296,500
Cash payment to vendors	2,031,244
	<u>2,327,744</u>
Identifiable Net Assets Acquired	
Cash	-
Other current assets	533,239
Other assets	133,187
	<u>666,426</u>
Current liabilities	(505,135)
Forward sales contract liability	(3,372,897)
	<u>(3,878,032)</u>
Net Identifiable Assets and Liabilities	<u>(3,211,606)</u>
Residual Purchase Price Allocated to Resource Properties	<u>\$ 5,559,350</u>

Future Plans

IMPACT's plans for the Royal Mines of Zacualpan Silver Project in 2006 focus on consolidating its position in the district, upgrading and expanding operations, and carrying out extensive exploration. It is IMPACT's intention to complete the purchases of both the processing plant and mining equipment in 2006. With these purchases IMPACT will own all the equipment and surface rights related to its Zacualpan operations and will have a 100% interest with no underlying royalties to 124.5 km² of mineral concessions comprising most of the Zacualpan silver district.

In regard to operations, IMPACT has begun upgrading equipment in the mines along with the processing plant which combined with engineering and metallurgical studies are expected to improve metal recoveries and set the stage for expansion of production. IMPACT anticipates that its program of upgrades and expansion, utilizing funds from the recent financing, will span 12 to 18 months.

IMPACT plans an extensive exploration program in 2006 that will include drill programs designed to expand the active mining areas and test high priority exploration targets for new zones of mineralization. Exploration targets slated for drilling include the high grade Chivo Prospect described above. Drilling will be done both from surface using a contractor and from underground using a drill owned by the mine.

On the corporate level IMPACT plans to grow into a premier producer of silver through internal growth at the Royal Mines of Zacualpan Silver Project and through acquisitions. As a result of the Company's strategy to increase production and operating efficiencies through the previously mentioned initiatives, considerable expenditures will be incurred over the next couple of quarters. While the Company will be affected by these substantial expenses and their corresponding effects to profitability in the short-term, subsequent quarters should reflect the implemented operating efficiencies as well as lower costs of production.

George Gorzynski, P.Eng., a Qualified Person under the meaning of Canadian National Instrument 43-101, is responsible for the technical information described in this Management Discussion and Analysis for the Royal Mines of Zacualpan Silver Project.

LOS RANCHOS PROJECTS, DOMINICAN REPUBLIC

The Dominican Republic continues to attract interest from the industry with the ongoing activities of Barrick Resources, and Falconbridge as well as a number of juniors including Unigold, Globestar, Linear, Energold and Everton.

The exploration concessions in the Dominican Republic held by IMPACT 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 IMPACT believes offers the opportunity for mineralization. IMPACT's block of concessions is located some 100km east of Barrick and Goldcorp's Pueblo Viejo gold deposit and hosted in the same rock formation. The block of concessions includes El Brujo and La

Bruja located on a distinctive Northwest trending structure. South of El Brujo, separated by another of IMPACT's concessions, is the Baritina concession where previous work identified at least two zones of gold mineralization. No work was conducted on the property in the first quarter; however a limited program has been initiated for the La Bruja concession in the second quarter.

Nigel Hulme, P. Geo., a Qualified Person under the meaning of Canadian National Instrument 43-101, is responsible for the technical information described in this Management Discussion and Analysis for the Dominican Republic Projects.

INVESTOR RELATIONS

IMPACT attended a number of investors' conferences in Canada along with engaging the services of an investor relations representative for a four-month period for a monthly consideration of \$1,500 per month plus the granting of 35,000 stock options at \$1.45 per share for a two-year term. Energold Drilling Corp. a significant shareholder in the Company provided additional services including personnel.

FINANCIAL DISCUSSION

Risk Factors

Mineral exploration is a speculative venture. There is no certainty that the money spent on exploration and development on the Company's mineral projects will result in any discoveries of commercial bodies of ore. The long-term profitability of IMPACT's operations will in part be related to the success of its exploration programs, which may be affected by a number of factors that are beyond the control of the Company.

IMPACT is also very dependent upon the personnel efforts and commitment of its existing management who devote only a portion of their time to the Company's affairs. To the extent that management's services would be unavailable for any reason, a disruption to the operations of IMPACT could result, and other persons would be required to manage and operate the Company.

The mineral industry is intensely competitive in all its phases. IMPACT competes with many other mineral exploration companies who have greater financial resources and experience.

The market price of precious metals and other minerals is volatile and cannot be controlled.

IMPACT has no history of profitable operations and its mineral projects are at an early stage. Therefore, it is subject to many risks common to comparable companies, including under-capitalization, cash shortages and limitations with respect to personnel, financial and other resources as well as a lack of revenues.

The consolidated financial statements for the period ended March 31, 2006 have been prepared on the basis of accounting principles applicable to a going concern. This assumes that IMPACT will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. IMPACT has incurred operating losses over the last several fiscal years, has limited financial resources, no established and proven source of operating cash flow, and no assurance that sufficient funding, including adequate financing, will be available to further explore its mineral projects and to cover the overhead costs necessary to maintain a public company in good standing.

IMPACT's financial statements do not reflect adjustments that would be necessary if the going concern assumption was not appropriate because management believes that the recent private placement financings completed by the Company mitigate the adverse conditions and events that might raise doubt about the validity of the going concern assumption used for these financial statements. If the going concern assumption was not appropriate for these financial statements, then adjustments would be necessary in the carrying values of assets, liabilities, the reported income and expenses and the balance sheet classifications used.

Results of Operations

Summary of Quarterly Results (CDN \$ 000's except income loss per share)

Quarter	Revenues	Net Income (loss)	Net Income (Loss) per Share *	Fully diluted Net Income (Loss) Per Share *	Total Assets	Total Long-term Liabilities
1 st 2006	1,142	188	0.01	0.01	10,141	268
4 th 2005	Nil	(131)	(0.01)	(0.01)	3,767	270
3 rd	Nil	(66)	(0.00)	(0.00)	2,349	Nil
2 nd	Nil	(182)	(0.01)	(0.01)	2,439	Nil
1 st	Nil	(107)	(0.01)	(0.01)	2,375	Nil
4 th 2004	Nil	(125)	(0.01)	(0.01)	2,102	97
3 rd	Nil	(76)	(0.01)	(0.01)	1,293	Nil
2 nd	Nil	(57)	(0.01)	(0.01)	1,283	Nil
1 st	Nil	(62)	(0.01)	(0.01)	1,080	Nil

* These numbers have been rounded to two decimal places

The Company's income statement includes the consolidation of operations of the Zacualpan mine in Mexico. As a result the comparison to the prior years quarter, while required, may not be appropriate.

The Company completed the acquisition of the Zacualpan mine in January, the details of which are described more completely above. In addition to the cash and share outlays, MPZ had a smelter contract that included fixed pricing for the delivery of specific quantities of certain metals for a period expiring July 31, 2006. Under Canadian Generally Accepted Accounting Principals ("GAAP") in an acquisition the difference between the fixed prices and the market price as well as any projected shortfalls in delivery are deemed part of the acquisition price and are to be capitalized. This resulted in a write-up of the initial purchase price by \$3,211,606 attributed to resource assets, and the set-up of a forward sales contract liability for \$3,372,897. The acquisition cost will be amortized over the expected life of the mine, whereas the liability will be amortized over the remaining contract life resulting in a timing differential.

The results of this treatment meant the company enjoyed a small profit in its first quarter despite the extensive restructuring of the underground and surface workings. The current programs underway are designed to develop immediate mining targets and to enhance future production. This will mean incurring significant expenditures at present and experiencing lower grades as development muck is put through the mill for future benefit.

Mine Operating Earnings

Average mill throughput in the first quarter was 180 tpd. In spite of the majority of the production being from development muck the average recovered grade for the quarter was over 320 grams/tonne silver equivalent. Gross sales as calculated under GAAP were \$1,142,916, with a corresponding gain for the quarter on the capitalized forward sale of \$107,678. Depreciation and depletion related to the mine and its' acquisition cost was \$264,361. On site operating costs were approximately \$50.00 per tonne of ore processed through the mill. Mine operating earnings for the quarter were \$341,287.

General, Administrative and Other Expenses

Administrative expenses for the first quarter were \$155,376 compared to \$109,626 in 2005. Due to recent changes in requirements for reporting the cost of stock options granted, the Company recorded a stock based compensation expense of \$36,956 for the quarter compared to \$26,473 in 2005. This has resulted in a significant expense for the period and a corresponding adjustment to shareholder's equity for the deemed value of the options granted.

Accounting and audit costs charged to general and administrative expense have increased by \$2,881 from \$2,854 in 2005 to \$5,735 in 2006. This relates to increased audit services and support work in connection

with activities related to the Zacualpan purchase as well as higher overall audit costs related to changing audit regulations and governance practices.

Legal costs charged to general and administrative expenses in the first quarter of 2006 were \$20,730 compared to \$26,387 in 2005. These costs were primarily connected to the initial financing and acquisition of the Zacualpan Mine. We anticipate that legal costs will remain high for the at least the next two quarters in part because of the recent financings and in part as the Company exercised its various options on its lease to purchase agreements.

Office salaries and services costs increased by \$10,397 in 2006 compared to 2005 as a result of the increased level of staff and services support required in connection with the acquisition of the Zacualpan silver property.

Transfer agent's fees and filing fees increased by \$39,856 primarily due to higher activity levels in shareholder transactions and recent financings.

The cost related to maintaining investor relations declined slightly to \$22,298 (2005-\$25,260). Costs in 2006 included the services of one consultant and expenditures related to investor conventions and mail-outs. We expect that this category will remain at a higher level of expenditure for the balance of 2006 as we attempt to identify the Company's focus for the investment community.

With the increase in activity related to the Zacualpan exploration and regulatory requirements, other administrative costs including management fees and consulting, office and sundry, and rent were \$16,314 higher than the comparative quarter and are expected to increase further in 2006. Further, administrative related travel costs of \$9,787 (2005- \$6,151) are also anticipated to continue to rise.

Resource Property Expenditures

Exploration and payment expenditures related to Zacualpan in 2006 were \$281,945 compared to \$349,899 in 2005. Exploration activity in the first quarter was at reduced levels because of issues related to the closing of the property agreements and the need to await the closing of our private placement in order to fund the exploration program.

The Company has recorded a provision for future income taxes amounting to \$268,828 at March 31, 2006, compared to \$63,167 at March 31, 2005. The Company expects that its 2006 exploration expenditures on the Zacualpan property will exceed its 2005 expenditures as it proceeds to explore some of its more promising exploration targets.

Liquidity and Capital Resources

At March 31, 2006, the Company had a working capital deficit of \$1,438,931 compared to positive balance of \$1,117,282 at December 31, 2005. During the quarter the Company completed a private placement raising a total of \$2,500,000. These funds were used as part of the purchase of the Zacualpan mines and the leasehold interests. Subsequent to the end of the quarter, IMPACT completed a second private placement of \$8.03 million, the funds raised are to be used to acquire the leased mill facility, mobile equipment, to upgrade current operations, conduct exploration and to provide working capital.

Funds raised from the private placements were augmented by the exercise of options and share purchase warrants by Company shareholders. During the quarter the Company raised \$42,163 on the exercise of share purchase options and \$430,150 on the exercise of share purchase warrants.

Outstanding Share Data

The following common shares and convertible securities were outstanding at May 10, 2006.

	# of Shares	Exercise Price	Expiry Date
Issued and outstanding common shares at May -10, 2006	37,777,438		
Employee stock options	430,000	\$ 0.13	October 20, 2008
	75,000	\$ 0.20	August 31, 2006
	425,000	\$ 0.15	May 12, 2009
	660,000	\$ 0.42	April 13, 2010
	35,000	\$ 1.45	February 6, 2008
Warrants	1,036,000	\$ 0.35	December 09, 2006
	3,818,750	\$ 0.50	July 05, 2007
	584,000	\$ 1.20	October 6, 2007
	3,942,000	\$ 1.30	October 6, 2007
Fully Diluted at May 10, 2006	48,499,188		

Transactions with Related Parties

Energold Drilling Corp. now owns 6,610,001 shares of IMPACT and due to management and directors in common, it is considered a related party.

Under a management services agreement dated October 2004, Energold recovers direct labour costs like mineral exploration or public relations at specified daily charge-out rates plus 15% overheads. Energold also recovers miscellaneous charges plus 15%, on the basis of IMPACT's actual usage. Investor relations' activities are carried out 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. Administrative services fees of \$2,425 (2005 - \$1,371) were charged by Energold in the quarter. As at March 31, 2006, the balance owed to Energold was \$762, which was non-interest bearing.

During the period ended March 31, 2006, fees in the amount of \$33,440 (2005 - \$24,990) were paid or accrued to two directors of the Company, of which \$13,200 is shown as management fees and consulting and investor relations on the income statement, and \$20,020 is shown in mineral properties. Recently IMPACT signed an agreement with Energold, for the latter to provide diamond drilling services, for a minimum of 2,000m of core drilling. Energold received fees in the amount of \$88,114 during the first quarter of 2005 for contract drilling services performed in Mexico at the Zacualpan concessions. These services were provided in the normal course of business operations at similar rates that would be offered to or attainable from any other similarly qualified drilling services company.

Changes in Accounting Policies

The consolidated financial statements for the period ended March 31, 2006 followed the same accounting policies and methods of application as in the prior year's annual financial statements.

Off-balance Sheet Arrangements

The Company had no off-balance sheet arrangements in place as at March 31, 2006.

Financial Instruments and Other Instruments

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

Approval

The Board of Directors of IMPACT has approved the disclosure contained in this MD&A. A copy of this MD&A will be provided to anyone who requests it.

Additional Information

Additional information relating to IMPACT is on SEDAR at www.sedar.com.

On Behalf of the Board of Directors,

"Frederick W. Davidson"
President

May 10, 2006