

IMPACT Silver Corp.
(formerly IMPACT Minerals International Inc.)
Form 51-102F1
Management Discussion & Analysis
For the Period Ended September 30, 2006

INTRODUCTION

This Management Discussion and Analysis (“MD&A”) of IMPACT Silver Corp. (“IMPACT” or “the Company”) is dated November 20, 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 September 30, 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 and mining 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. The Company currently operates the Royal Mines of Zacualpan in the State of Mexico producing at a rate of approximately 200tpd. It recently commenced a program of exploration and development with the objective to ultimately bring production to the current rated mill capacity of 500tpd. This long term program consists of upgrading the underground and surface facilities, and an extensive program of exploration and development.

Subsequent to the end of the second quarter, IMPACT announced the optioning of a second small silver project, the “Veta Grande Project”, this one located in the prolific silver district of Zacatecas. The acquisition includes a 200tpd mill and five mineral concessions.

The Company is a reporting issuer in British Columbia and trades on the TSX Venture Exchange as a Tier I Issuer under the symbol IPT.

HIGH LIGHTS YEAR TO DATE

- During the first nine months the Company raised in excess of \$10.0 million Canadian by way of private placements and the exercise of warrants.
- In only its third quarter of operations the Company earned profits of \$214,899 (year to date \$831,683).
- During the nine months IMPACT completed a 4,972m surface drill program on both advanced and early stage exploration targets as well as an underground drill program in the vicinity of the active mine workings.
- In early 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, mineral concessions covering 124.5 km² over most of the silver district, and a lease on a 500-tonne-per-day processing plant and certain leased mining equipment.
- In May 2006, IMPACT exercised an option to purchase the leased mining equipment for US\$500,000.
- On July 19th IMPACT completed the purchase of the leased 500-tonne-per-day processing plant plus certain mineral concessions and surface rights for US\$1,140,000 and 100,000 shares. With these purchases IMPACT now owns 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.
- In July, IMPACT announced the signing of an option agreement allowing it the right to earn a 100% interest in four concessions and a 200 tonne-per-day processing plant in the Zacatecas district, (the "Veta Grande Project").
- September 19th the Company became a Tier One issuer.

Subsequent to the end of the quarter

- October 26th test milling at the Veta Grande mill commences.
- The Company received the first sets of surface drill results which included 2.7m grading 935g/t silver at the Chivo Prospect.
- IMPACT acquired the San Sabino and Salvador concessions in the Zacatecas Silver District and optioned these two concessions plus the San Jose concession to Yale Resources

Very few companies our size have accomplished as much as we have in such a short time. It has been an extremely busy and successful nine months for the Company, during which time it has raised in excess of \$10.0 million, acquired the Royal Mines of Zacualpan, enhanced recoveries and mill through put at Zacualpan, while generating an initial profit of \$831,683 for the period. We have also completed a successful 4,972m surface drill program, with an ongoing underground drill program at Zacualpan and acquired an option on the Veta Grande project which includes a second 200tpd mill located in the historic mining district of Zacatecas. In October the Veta Grande mill started test milling on a custom basis from other mines in the area.

We have set ambitious goals for ourselves in the coming year including:

- Continued upgrading and expanding the Royal Mines of Zacualpan Silver Project with a focus on operations, and carrying out extensive exploration to build mineral inventories for mining.
- At the Veta Grande Silver Project IMPACT plans to leverage itself with the option on the processing plant to become the Zacatecas Silver District's dominant player. IMPACT has begun due diligence,

exploration and engineering work to evaluate the production potential of the properties and the processing plant.

- IMPACT plans to grow into a premier producer of silver through internal growth at the Royal Mines of Zacualpan Silver Project, its newly acquired Veta Grande (Zacatecas) Silver Project and possible further acquisitions.

Royal Mines of Zacualpan Silver Project, Mexico

Introduction

IMPACT owns 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 25km 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 subsequently purchased the previously leased, Guadalupe processing plant and mining equipment and acquired certain mineral concessions and surface rights at Zacualpan.

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 and 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 meters in width. Individual production shoots are often 30 to 150m long and predominantly steeply dipping.

Production and Development

The Royal Mines of Zacualpan Silver Project was purchased by IMPACT on January 16, 2006 and 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 nine months was 192 tpd. Total tonnes mined since January 18th until the end of the year are forecast at approximately 67,000 tonnes or 15,000 tonnes (29%) more than the previous year's total production.

Preliminary results indicate on site operating costs were approximately Cdn. \$59.00 per tonne however we expect these to rise marginally with the inclusion of the costs of a number of the projects we have commenced.

Production and Development

| | Three Months Ended September 30, 2006 | Nine Months Ended September 30, 2006 |
|--------------------------------|--|---|
| Total Tonnes (t) Produced | 18,705 | 49,150 |
| Tonnes Produced per Day | 203 | 192 |
| Silver Production (Oz.) | 117,381 | 307,007 |
| Lead (t) | 103.36 | 267.98 |
| Zinc (t) | 194.21 | 534.74 |
| Cdn. \$ direct costs per tonne | \$53.96 | \$58.63 |

Note: all measurements are in metric and are subject to smelter settlements

Mining

San Ramon

At year end 2005, mining by the previous owner was down to Level 8 at the high grade San Ramon Mine. Since January, 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, levels are 10 to 12m apart. The ramp has reached Level 10 and mining from this area will be completed during the month of November. Material is brought to surface and trucked from the mine to the central processing plant. Once level 10 is finished, further mining from San Ramon will be deferred until next year when a second access is completed.

Guadalupe Mine

During the first quarter, mining of medium grade mineral at the Guadalupe Mine continued on the 195m Level exploiting the Lipton, Lipton del Bajo and Liptonia Veins. More recently the mine has opened up additional workings on another parallel vein, the Paulina Vein. With the addition of a Mine Geologist and Mine Surveyor, the Guadalupe Mine is being extensively remapped and explored. Material from the Guadalupe Mine is brought to surface on a skip and transported approximately only 150m to the plant

La Gallega

Several additional areas on the Company's properties appear to represent possible additional production stopes including the Salvadora vein which is accessed through the previously established La Gallega adit. The mine's underground drill, after being refurbished has been assigned to the area. Mining is expected to commence here in November and material will be transported by truck approximately ½ kilometer to the mill.

Over the next six to nine months, the Company anticipates fluctuating mill grades as it emphasizes the underground program to develop more workings and to access some historic mining stopes. Upon acquisition of the project in January 2006, IMPACT embarked on a 2 year plan to modernize operations, which had not received adequate capital investment for a number of years.

Much of the mining equipment has been upgraded including having rebuilt five of the six scoop-trams. A new mine geologist was hired and the refurbishment of the wholly owned underground drill has expanded underground exploration efforts and lead to the discovery of several intermediate high grade veins in the Guadalupe Mine that are now being mined. New computerized equipment has been installed and additional staff hired, to map and monitor exploration, mining and processing operations. The mine now communicates with the Vancouver head office via new telephone links and a satellite high-speed internet connection.

In the plant metallurgical studies have led to significantly increased metal recoveries. The 7' by 10' ball mill has been refurbished and rebalanced, and both ball mills have been outfitted with new liners. Conveyor belts have been replaced throughout the plant. The zinc concentrate drier has been refurbished and work is now proceeding on the lead-silver concentrate drier. The head grade, concentrates and tailings samplers have been replaced. A full inventory of spare parts for the mining equipment and mill has been purchased. Work continues on the engineering of additional tailings capacity.

The lab at the mine has been retrofitted and upgraded. A new assay furnace and high precision weigh scale have been installed. Laboratory workers have been trained and now operate under quality assurance standards. Recent blind tests on standard samples have demonstrated the high quality of assays now being reported by the mine laboratory. While assays will still be processed through commercial laboratories for the purposes of public disclosure and ongoing performance checks, the availability of next-day accurate onsite assays enables IMPACT to schedule and optimize mining, development and exploration programs in significantly shorter time frames.

IMPACT has hired a safety officer who is conducting an ongoing safety audit of all operations and runs regular safety courses that are required for all mine employees. Safety equipment has now been installed throughout the mine and plant. Safety protocols are now clearly marked and new safety procedures have been implemented. All employees have been outfitted with modern safety equipment. A community relations officer has been added to the mine staff. IMPACT has made an ongoing dialogue with locals a fundamental pillar of its operations. The mine has budgeted for aid destined for local community projects and schools.

In aggregate, the Royal Mines of Zacualpan now employs a proactive approach to operations and maintenance. Immediate results from the changes include improved worker morale, stronger community

support, a significant decrease in operating downtime as well as overall improvements in operating costs and metal recoveries. For 2007, an additional US\$1 million has been budgeted to be used towards further upgrades, new equipment purchases and expansion of the operations.

Exploration

Exploration was active on several fronts during the quarter. IMPACT began a 5,000m surface drill program in May 2006 designed to test both extensions of known areas of mining and new early stage exploration targets. Underground IMPACT has refurbished its wholly owned underground core drill to the point where it now operates almost continuously testing targets close to active mining areas. Fieldwork continued with mapping and sampling on surface and in historic underground workings.

Surface drilling during the quarter completed testing of downdip extension of the San Ramon silver shoot and the recently identified Chivo prospect.

At San Ramon five holes successfully tested the economic boundaries of the San Ramon Mine. These holes were drilled to determine the size of the San Ramon Mine and to plan for future mining. The holes were drilled to depths of between 85m to 180m below Level 10 of the San Ramon zone, the area of current mining. Mining has been progressing at a rate of approximately one 10-meter level every two months at San Ramon. It appears the deepest of the five holes cut the roots of the San Ramon mineralization. The most significant results returned:

SAN RAMON DRILL HOLES

| Drill Hole | Top of Intercept (m) | Est. True Width (m) | Silver (g/t) | Silver (oz/t) | Gold (g/t) | Zinc (%) | Lead (%) |
|------------|----------------------|---------------------|--------------|---------------|------------|----------|----------|
| 1 | 243.6 | 0.9 | 279 | 8.1 | 0.11 | 2.52 | 1.47 |
| | including | 0.2 | 957 | 27.9 | 0.04 | 2.66 | 1.02 |
| 4 | 133.8 | 0.9 | 746 | 21.8 | 0.36 | 3.08 | 1.08 |

The Chivo Silver Shoot is located in the southern part of the Zacualpan silver district and represents a new zone of high grade silver mineralization at the Zacualpan Project. Following up on previous high grade underground sampling (1,095g/t Silver over 1.25m TW) and surface sampling (2,640 g/t Silver over 0.85m TW), IMPACT drilled an initial eight holes on the Chivo Shoot. The holes tested the Chivo zone over a length of 60m and a downdip depth of 190m. The boundaries of the Shoot are not known and the zone remains open in all directions for expansion. Results included the following:

CHIVO SHOOT DRILL HOLES

| Drill Hole | Top of Intercept (m) | Est. True Width (m) | Silver (g/t) | Silver (oz/t) | Gold (g/t) | Zinc (%) | Lead (%) |
|------------|----------------------|---------------------|--------------|---------------|------------|----------|----------|
| 7 | 44.4 | 1.1 | 841 | 24.5 | 0.63 | 0.43 | 0.32 |
| 8 | 50.5 | 2.4 | 422 | 12.3 | 0.25 | 1.54 | 0.69 |
| | including | 0.9 | 783 | 22.8 | 0.38 | 1.37 | 0.56 |
| 9 | 51.4 | 0.9 | 122 | 3.6 | 0.35 | 0.59 | 0.38 |
| 10 | 59.1 | 2.7 | 937 | 27.3 | 0.35 | 1.88 | 0.75 |
| | including | 0.7 | 2,380 | 69.4 | 0.43 | 4.83 | 1.85 |
| 11 | 55.1 | 0.9 | 153 | 4.5 | 1.07 | 0.85 | 0.22 |
| 12 | 63.7 | 0.9 | 460 | 13.4 | 0.53 | 0.45 | 0.36 |
| 13 | 80.2 | 3.5 | 249 | 7.3 | 0.15 | 2.27 | 0.93 |
| | including | 0.4 | 1,170 | 34.1 | 0.26 | 9.65 | 3.90 |
| 14 | 40.6 | 1.3 | 274 | 8.0 | 0.55 | 4.40 | 1.02 |

The Pino Prospect, the Salvador Prospect and some reconnaissance targets were drilled subsequent to quarter end and assay results are still pending.

Veta Grande (Zacatecas) Silver Project, Mexico

Introduction

On July 10, 2006, IMPACT announced a Letter Option Agreement to acquire the Veta Grande Silver Project in the historic Zacatecas Silver District of Mexico. On September 28 IMPACT announced the signing of a Comprehensive Agreement under effectively the same terms to purchase the Veta Grande Silver Project over a maximum of four years for US\$1,120,000. The project includes a 200 tonne-per-day processing plant, four mineral concessions and certain surface rights. The project is located 500 km 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.

THE AGREEMENT

IMPACT has acquired a four-year option from a private Mexican vendor to purchase four mining concessions, a 200 tpd processing plant and associated surface rights. Under the agreement, IMPACT may purchase the assets for US\$1,120,000 and 500,000 shares in stages, as follows, plus commit to US\$700,000 in work expenditures (US\$350,000 in each of the first two years).

IMPACT paid US\$10,000 on signing of the Letter Option Agreement. On signing of the Comprehensive Agreement and receipt of regulatory approvals, IMPACT paid US\$370,000 and 100,000 shares to the vendor, for which IMPACT will acquire a 25% interest in any Net Revenues from material processed through the plant. Of this amount, US\$330,000 has been used to pay off existing debt on the processing plant. After 18 months, additional payments of US\$200,000 and 100,000 shares will earn IMPACT a total 40% interest in any Net Revenues from material processed through the plant. After 36 months, further payments of US\$240,000 and 200,000 shares will earn IMPACT a total 60% interest in any Net Revenues from material processed through the plant. After 48 months, additional payments of US\$300,000 and 100,000 shares will earn IMPACT a 100% interest in the project with no underlying royalties. IMPACT may accelerate the payments and work commitments at any time after the first 18 months and upon completion of the cash and share payments will earn a 100% interest in the project. Under the agreement, the Mexican vendor may mine and process material from the properties until IMPACT exercises its purchase option.

THE PROJECT

The Veta Grande Project consists of mining concessions, surface rights and a 200 tpd processing plant. The last production through the plant was in 2003.

Four mining concessions and one concession application comprise the mineral rights. Two of the initial targets on the concessions are the Cristian and San Pascual Mines. The Cristian Mine was last in production on a small scale in 2003. The shaft was flooded and IMPACT could not access the workings, but samples from surface dumps returned 310g/t silver, 24.2% lead and 8.0% zinc from a high grade stockpile and 93g/t silver, 0.43% lead and 1.4% zinc from a low grade waste dump. The San Pascual Mine last saw production about 20 years ago. The shaft was flooded, but a representative sample of the dump around the shaft assayed 875g/t silver. A representative sample from the dump beside the nearby Pirul shaft assayed 525g/t silver. Planned work at these and other sites controlled by IMPACT will consist of exploration and evaluation, followed by drilling. The 200 tpd processing plant was built in 2000 and last operated in 2003. IMPACT engineers will make a full assessment of the plant and associated facilities as part of IMPACT's due diligence work. The surface rights to the area around the plant are also included in the agreement.

Zacatecas Joint Venture

Subsequent to quarter end in October, IMPACT announced a new joint venture with Yale Resources for three projects (San Sabino, Salvador and San Jose) in the Zacatecas district. This agreement allows Yale to acquire a 65% interest in the properties by reimbursing to IMPACT the property purchase costs and spending a minimum of US\$100,000 on exploration including a 500-meter drill program on each property within 18 months. Yale will then have an option to increase its interest to 80% in each property by paying IMPACT US\$125,000 in either cash or shares, at IMPACT's discretion. IMPACT will be the operator and retain a 20% working interest in each project.

IMPACT is currently developing a base of operations surrounding the Veta Grande processing plant in

Zacatecas. By partnering with others to take on work commitments, IMPACT is significantly accelerating its growth strategy in Zacatecas while still retaining significant interests in a continuously growing portfolio of projects.

FUTURE PLANS

The Zacatecas Silver District is one of the largest historic silver districts in the world with past production estimated at 1.2 billion ounces. The Veta Grande Silver Project represents an initial foothold in the core of the district from which IMPACT plans to leverage itself to become the district's dominant player. IMPACT has begun due diligence, exploration and engineering work to evaluate the production potential of the properties and the processing plant. IMPACT has also begun evaluating and acquiring other concessions in the district. IMPACT expects to announce additional acquisitions in the district, some of which will remain entirely in the IMPACT portfolio while others will be offered for joint venture.

Management is pleased to have acquired a foothold position in one of the great historic silver mining districts of Mexico. It anticipates that the Zacatecas Silver District will grow to become an important part of IMPACT's silver profile that in time may add significantly to the Company's ongoing silver production from the Royal Mines of Zacualpan Silver Project in central Mexico.

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 and the Veta Grande (Zacatecas) Silver Project.

LOS RANCHOS PROJECTS, DOMINICAN REPUBLIC

The Dominican Republic continues to attract interest from the industry with the ongoing activities of Barrick Gold, 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 Gold's Pueblo Viejo gold deposit and hosted in the same rock formation. No field work was carried out on the Los Ranchos Projects during the quarter ended September 30, 2006.

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 has regularly attended a number of investors' conferences in Canada along with engaging the services of an investor relations representative to assist in developing the Company's profile. In October, the Company provided its first tour of operations of the Zacualpan project, a program it intends to repeat over the course of the next year. Energold Drilling Corp. a significant shareholder in the Company provided additional services including personnel to assist in the investor relations activities.

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 dependent upon the personal 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 only has a short history of profitable operations. 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 September 30, 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'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 any 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.

Accounting for the Zacualpan 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 tonnes of lead and 100 tonnes 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.

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 the acquisition of MPZ this theory requires that the Company 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. The Company's best estimate was 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 have realized 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 the Company took 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 |
| Total Purchase Price | | <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> |

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 * | Diluted Net Income (Loss) Per Share * | Total Assets | Total Long-term Liabilities |
|----------------------|----------|-------------------|-------------------------------|---------------------------------------|--------------|-----------------------------|
| 3 rd 2006 | 1,873 | 215 | 0.01 | 0.00 | 16,738 | 470 |
| 2 nd | 1,965 | 428 | 0.01 | 0.01 | 17,793 | 363 |
| 1 st | 1,143 | 188 | 0.01 | 0.01 | 10,141 | 269 |
| 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 |

* 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 since January 16th, 2006, as a result the comparison to the prior year's quarters 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 each of its first three quarters 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 means incurring significant expenditures at present and experiencing lower grades as development muck is put through the mill for future benefit.

Mine Operating Earnings for the Nine Months ended September 30, 2006

Average mill throughput during the quarter was 203 tpd and in the first nine months was 192 tpd. Gross sales as calculated under GAAP were \$4,980,703. The Company recorded a gain for the quarter on the capitalized forward sale of \$37,393 and an overall gain of \$212,999 for the first nine months of 2006. Depreciation and depletion related to the mine and its' acquisition cost was \$369,396 for the quarter and \$996,353 for the nine months. On site operating costs were approximately \$59.00 per tonne of ore processed through the mill. Mine operating earnings for the third quarter were \$546,959 and \$1,315,724 for the first nine months of the year.

General, Administrative and Other Expenses

Administrative expenses for the first nine months were \$584,303 compared to \$361,849 for the similar period in 2005. This comparison is not necessarily appropriate however, since in 2005 the Company was not involved in active mining operations. The total general, administrative and other expenses for the third quarter of 2006 were impacted by foreign exchange fluctuations in the translation of the Company's Mexican owned assets into Canadian dollars. These exchange rate translation fluctuations will continue each quarter and may have a significant impact on quarterly reported general and administrative expenses. Total general and administrative expenses reported for the quarter were \$381,520 including \$141,181 with respect to foreign exchange. Excluding foreign exchange, our G&A expenses are currently running at approximately \$225,000 per quarter. Some comments with respect to specific items of costs for the first nine months are as follows:

Accounting and audit costs charged to general and administrative expense have increased by \$89,546 from 2005. 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. We had underestimated our actual 2005 audit costs and have made a higher accrual provision for audit costs for 2006 which accounts for the significant change in our reported costs.

Legal costs charged to general and administrative expenses in the first nine months of 2006 were \$86,948 compared to \$38,245 in 2005. These costs include costs associated with the initial financing and acquisition of the Zacualpan Mine as well as the recent financings, and purchase acquisitions that the Company has carried out in exercising its various options on its lease to purchase agreements. It also includes legal costs associated with our Zacatecas option Agreement.

Office salaries and services costs increased by \$88,884 and management fees by \$17,834 in 2006 compared to 2005 as a result of the increased level of staff and services support required in connection with the operation of the Zacualpan silver property and our other exploration efforts in Mexico.

Transfer agent and filing fees increased by \$47,199 primarily due to higher activity levels in shareholder transactions and recent financings which have increased the total number of shares outstanding. These costs will likely continue to increase as outstanding share options and warrants are exercised over the next six to twelve months.

The cost related to maintaining investor relations declined by \$20,023. Costs in 2006 included the services of one consultant and expenditures related to investor conventions and mail-outs. We expect to significantly increase our expenditures in the fourth quarter and the first half of 2007 as we highlight our achievements to the investment community.

With the increase in activity related to the Zacualpan operations including meeting financial regulatory reporting requirements, other administrative costs including office and sundry, rent, and administrative travel

costs were \$92,143 more than the comparative nine month period in 2005. These costs are also anticipated to continue to rise over the next six months.

Resource Property Expenditures

Exploration expenditures related to Zacualpan for the first nine months of 2006 were \$1,500,977 compared to \$865,111 in 2005. This included an amount of \$342,538 spent during the third quarter related to exploratory drilling as well as new mine development expenditures. Year to date over \$533,000 has been spent on exploration drilling and \$222,000 on mine development. Exploration drilling activity in the fourth quarter may be at reduced levels awaiting the availability of a diamond drill to start on a new drill program. The Company capitalizes surface exploration and amortizes it on a mine by mine basis. Underground exploration primarily in active mining areas is expensed as incurred.

The Company has recorded as part of its deferred exploration costs a provision for future income taxes of \$199,451 for the nine months ended September 30, 2006, compared to \$152,614 during the same time period in the prior year. The Company expects that its 2006 exploration expenditures on the Zacualpan property will continue at their current rate exceeding its 2005 expenditures as it proceeds to explore some of its initial more promising exploration targets.

During the third quarter of 2006, the Company also recorded \$140,512 in deferred exploration costs with respect to its newly acquired Zacatecas property option agreement.

Liquidity and Capital Resources

At September 30, 2006, the Company had working capital of \$3,787,562 compared to \$1,117,282 at December 31, 2005. During the nine months the Company completed two private placements raising a total of \$10,377,278, net of expenses, of which \$1,046,000 was recorded in 2005. The funds from the first private placement were used as part of the purchase of the Zacualpan mines and the leasehold interests. In the second quarter, IMPACT completed an additional private placement of \$8.03 million. These funds were used to acquire the leased mill facility, certain mining and mobile equipment, to upgrade current operations, to conduct exploration and to increase the Company's overall working capital position. Funds raised from the private placements were augmented by the exercise of options and share purchase warrants by Company shareholders. During the first nine months, the Company also raised \$101,700 on the exercise of 615,000 share purchase options and \$697,250 on the exercise of 1,847,500 share purchase warrants. In total, 165,000 new shares were issued upon the exercise of warrants and stock options to raise \$67,700 in new share capital during the quarter.

Subsequent to the third quarter end, in October 2006, the Company settled in full its outstanding forward sales contract liability for cash. All forward sales contract commitments ended as of July 31, 2006, with the termination of the contract.

Outstanding Share Data

The following common shares and convertible securities were outstanding at November 20, 2006.

| | # of Shares | Exercise Price | Expiry Date |
|---|-------------|----------------|-------------------|
| Issued and outstanding common shares at November 20, 2006 | 38,794,438 | | |
| Employee stock options | 390,000 | \$ 0.13 | October 20, 2008 |
| | 375,000 | \$ 0.15 | May 12, 2009 |
| | 658,750 | \$ 0.42 | April 13, 2010 |
| | 35,000 | \$ 1.45 | February 6, 2008 |
| Warrants | 710,000 | \$ 0.35 | December 09, 2006 |
| | 3,208,750 | \$ 0.50 | July 05, 2007 |
| | 584,000 | \$ 1.20 | October 6, 2007 |
| | 3,942,000 | \$ 1.30 | October 6, 2007 |
| Fully Diluted at November 20, 2006 | 48,697,938 | | |

Transactions with Related Parties

Energold Drilling Corp. 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 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. Administrative services fees of \$4,407 (2005 - \$6,156) were charged by Energold for the year to date.

During the year IMPACT signed an agreement with Energold, for the latter to provide diamond drilling services to IMPACT. Energold received fees in the amount of \$533,554 during the first nine months of 2006 (2005 - \$183,020) 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 any other mining company. As at September 30, 2006, the balance owed to Energold was \$30,121 (2005 - \$346).

During the nine months ended September 30, 2006, fees in the amount of \$101,093 (2005 - \$71,114) were paid or accrued to two directors and one officer of the Company, of which \$42,243 is shown in various administrative expenditures on the income statement, and \$58,850 is shown in resource properties.

Changes in Accounting Policies

The consolidated financial statements for the period ended September 30, 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 September 30, 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, CEO

November 20, 2006