IMPACT Silver Corp.
Form 51-102F1
Management's Discussion and Analysis
For the Period Ended September 30, 2008

INTRODUCTION

This Management's Discussion and Analysis ("MD&A") of IMPACT Silver Corp. ("IMPACT" or "the Company") is dated November 17, 2008. 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 three and nine-month periods ended September 30, 2008, 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.

This document contains forward-looking statements. Please refer to the cautionary language on page 14.

The Company

The Company is a natural resource mining and development company, primarily engaged in the acquisition, exploration and development of natural resource properties. The Company's principal business activities for the past ten years have been the exploration, development and mining of certain mineral properties located in Mexico and the Dominican Republic. The Company currently produces silver, lead and zinc at the Royal Mines of Zacualpan in the State of Mexico with a mill rated at 500 tonnes per day ("tpd"). In the first quarter of 2008, the Company acquired a semi-portable 200 tpd mill for potential use at its projects in the Mamatla and Zacualpan mining districts and in the second quarter it was moved to storage in Zacualpan. It also holds an option on a third mill with a capacity of 200 tpd at the "Veta Grande Project" in Zacatecas.

Over the last three years, the Company has grown from an exploration company into a significant silver producer with levels of production continuing to rise. As importantly, the Company has managed to acquire control of almost two entire mineral districts in Central Mexico, the Royal Mines of Zacualpan Silver District and the Mamatla Mineral District immediately to the southwest of Zacualpan. It also owns the Veta Grande Silver Project in the Zacatecas Silver District, Mexico.

The Company's objective for the next two to three years at the Royal Mines of Zacualpan Silver District includes a three-stage program of exploration and exploitation. The first stage is designed to enhance immediate throughput until we achieve our current maximum rated capacity of 500 tpd at the Guadalupe mill. The second stage is to continue exploration and to prepare for development of new sources of ore that will justify expansion of our current facility or the construction of new processing plants within the overall district. Finally, to continue a reconnaissance program designed to evaluate the longer term potential of this almost 500-year-old mining district.

During the quarter, a dramatic change in commodity prices has affected our industry and the stock market. Because of our work over the last two years, the Company's mine in Zacualpan has the flexibility to address lower prices by shifting production to higher grade areas. While the third quarter results reflect the declining price of metals the rescheduling of production did not occur until the four quarter. In order to maintain profitability some of the scheduled increase in throughput has been delayed to avoid processing non economic material at this time. The Company maintains it primary objective to remain cash flow positive during this moment of fiscal challenge.

At the Veta Grande Silver Project, the Company plans to leverage itself with the option on the 200 tpd processing plant to become a significant participant in the Zacatecas Silver District. The Company is continuing due diligence and engineering work to evaluate the production potential of the purchased properties and upgrading of the processing plant.

In the Mamatla Mineral District the Company has been vetting the immense quantity of information available on the District with the objective of establishing and prioritizing exploration targets on this exciting new District. During the second quarter 2008, the Company completed a 5,000-metre drill program on two of the Mamatla targets. The Company also acquired access to additional technical data for the Mamatla District which should accelerate our knowledge of this highly prospective area.

We have an exceptional opportunity to continue to grow with minimal capital investment and with the potential to develop two historic mineral districts in Central Mexico.

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 Frankfurt as IKL.

As at September 30, 2008, the Company had cash reserves in excess of $7.0 million held with a large Canadian commercial bank. The Company has not invested in any short term commercial paper or asset-backed securities.

Highlights for the Third Quarter and Nine Months Ended September 30:

Highlights for the Third Quarter and Nine Months Ended September 30:

- Quarterly silver production reached a record of 169,273 oz. (2007 – 85,610 oz.) and production for the nine-month period equalled 421,792 oz. (2007 – 245,177 oz.) in addition to significant lead and zinc production.

- Gross revenues for the quarter exceeded $2.2 million (2007 - $1.6 million) and for the nine-month period were $6.7 million (2007 - $5.1 million).

- Cash flows from operations for the quarter increased to $332,000, up from $324,000 in 2007. Cash flows from operations for the nine-month period increased to $2,403,000, up from $377,000 from in 2007.

- After $1.4 million invested in plant and equipment, as well as $4.1 million on resource properties and exploration at the end of the nine months, the Company had cash and cash equivalents of $7.1 million.

- Drilling continues to expand the mineral zone at the Chivo Mine. During the quarter, the Company announced additional high grade drill intercepts on the south extension of the Chivo Mine, including 3,902 g/t silver, 3.96% zinc, 2.16% lead over 1.9 meters true width (“TW”) and on the north extension, including 1,118 g/t silver, 5.45% zinc, 1.5% lead over 1.4 meters TW.

- During the quarter, IMPACT announced the acquisition of several new concessions more than doubling the Company’s mineral concession holdings in the Royal Mines of Zacualpan District from 125 square kilometers to 272 square kilometers.

- Subsequent to quarter end, IMPACT announced the commencement of a 5,000-meter drill program to test numerous silver and gold-copper targets in the Noche Buena-Carlos Pacheco Mining Camp on the west side of the Royal Mines of Zacualpan District.

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

Introduction

The Company owns concessions covering most of the Royal Mines of Zacualpan silver District in central Mexico, including a 272-square-kilometer land position, four 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 nine months ended September 30, 2008:

	Three months ended				Nine months ended		
	Sept 30, 2008	Sept 30, 2007	% Change		Sept 30, 2008	Sept 30, 2007	% Change
Total tonnes (t) produced	27,746	27,273	+2%		76,083	75,569	+1%
Tonnes produced per day	302	296	+2%		278	277	+1%
Silver production (Oz)	169,273	85,610	+98%		421,792	245,177	+72%
Lead production (t)	262.38	155.01	+69%		555.78	448.04	+24%
Zinc production (t)	311.82	229.69	+36%		753.48	716.97	+5%
Revenue per production tonne sold	$78.51	$58.81	+33%		$91.25	$68.01	+34%
Direct costs per tonne produced	$59.27	$38.34	+55%		$54.10	$43.85	+23%

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 at that time reported 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 continues to do so in 2008. The much higher silver grades resulted in a higher contribution margin per tonne in 2008.

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. Requirements for expanding the current active mine areas, as well as developing a number of new mining areas, will require additional scoops and underground trucks. These are currently being sourced and with their addition, mine production should continue to expand even with the reduction of feed from the lower grade stopes.

The Company intends to further increase throughput at its current Guadalupe mill to ultimately reach its rated capacity of 500 tpd. This involves additional expenditures 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 both in men and equipment and requires time. With current metal prices the rate of expansion will be slowed to ensure cash flows remain positive.

We have seen fluctuations in grades due to the limited number of working faces available for mining. As a result of the exploration and development done, we expect, over the next two years, to be able 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. Recent fluctuations in metal prices have negatively impacted the return on concentrate shipments for the third quarter. During the third quarter these prices significantly affected revenues and as a result caused the company to revisit cut-off grades in certain stopes. This has resulted in the fourth quarter of the shutdown of mining in certain marginal areas and expansion in other higher grade mines such as el Chivo and San Ramon.

Chivo

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. During the first nine months of 2008, it provided 56% of the ore and the majority of the high silver grade feed. The Company continued to drift along the vein while opening up two stopes for mining. Ore from Chivo is the principal reason that silver production increased in the first nine months of 2008. A second adit approximately 60 meters vertically lower on the structure has been started and is expected to reach the main vein in the fourth quarter of 2008. At that point, Chivo will provide additional high grade development muck to the mill.

On August 12, 2008, the Company issued a news release reporting a significant increase in the strike length of the Chivo zone by 40% to over 300 meters, including a high grade drill intercept of 3,902 g/t over 1.9 meters. The Chivo Mine exploration activities are discussed in more detail later in this report.

Chivo is the fourth producing mine at the Royal Mines of Zacualpan Silver Project and the second put into production by the Company's team. The Chivo Mine is located in the La Virgen Valley 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 existing Guadalupe mill.

Guadalupe and Gallega Mines

Approximately 42% (2007 – 100%) of the mill feed for the first nine months was from mining of medium grade mineral at the Guadalupe and nearby Gallega Mines. The ore was sourced principally from the Lipton, Caballo, Intermedia, Orilla Alto and Orilla Bajo Veins. As a result of intensive underground exploration over the last nine months, the Guadalupe Mine is now undergoing redevelopment with rebuilding of track access to new planned production areas in the Kena-Dolores Zone and a number of nearby veins that are providing limited feed to the mill. Material from the Guadalupe Mine is brought to surface on a skip and transported by truck approximately 100 meters to the plant and it remains the lowest cost producer for the mines supplying the mill. The nearby Gallega Mine is accessed by a surface adit and intermittently supplements production from Guadalupe. Subsequent to the end of the third quarter production was reduced at both mines and efforts directed to mine development of higher grade structures.

San Ramon Mine

In 2006, San Ramon, located in the La Virgen Valley 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 here. 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.

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 is also being rebuilt to better reduce moisture in concentrates.

Engineering studies have been completed for increasing tailings capacity and enhancing the current dam. This program will be staged over the next year and initial estimates suggest that it will represent an investment of less than $1 million. Construction of the dam expansion commenced in the second quarter of 2008.

Other:

Weather in central and southern Mexico was abnormally wet in June and July creating logistics problems, as a number of roads were flooded and mill feed limited. Our milling operations were curtailed in both months for several days as a result of power disruptions, thus negatively impacting our second and third quarter operating results.

In the first quarter, the Company announced the purchase of a semi-portable 200 tpd mill including all major equipment for US$700,000. This mill was subsequently dismantled, moved and is in storage at the Zacualpan operations site. The Company is currently conducting a number of advanced exploration projects in the Mamatla and Zacualpan Districts, some of which, because of ore hauling distances from the main facility or for metallurgical reasons, cannot be readily processed at the Guadalupe plant. This semi-portable plant may offer the opportunity of processing those potential mineral deposits with superior economics, as well as providing an increase in overall mill capacity.

Exploration

During the third quarter 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 900 old mine workings have been entered into the database, of which the Company's exploration crews have sampled 87 in detail. Of these, ten priority targets were drill tested resulting in the discovery of two new mines (Chivo and San Ramon). Five of the other ten targets returned economically significant results that will lead to further drilling. At this point only about 10% of the large Zacualpan property has seen detailed exploration.

Chivo Mine Extensions Exploration

The Chivo Mine is the newest addition to the Company's production profile. Samples from the initial 60 meter long mining stope averaged 269 g/t silver, 0.74 g/t gold, 3.01% zinc and 1.08% lead across a TW of 3.3 meters ranging to a high of 657 g/t silver, 0.60 g/t gold, 1.13% zinc and 0.18% lead across a TW of 2.85 meters. Since mining began higher grades over wider zones have been encountered. At the point where the access adit intersected the vein, the rock section above the vein contained a series of additional sheeted veins which, when combined with the main vein, averaged 220 g/t silver across 20.1 meters, including one sheeted vein which assayed 392 g/t silver across a TW of 5.2 meters. The full extent of this wide bulk mineable section will be further investigated as mining and underground exploration proceeds.

Surface drilling is continuing on the north and south extensions of the Chivo Zone to fully delineate its extent. During the quarter several sets of new significant assays from drilling on the northern and southern extensions of the Chivo Zone were announced. On the southern extension drilling returned the following high grade intersections:

CHIVO DRILL HOLES (MAIN VEIN - SOUTH EXTENSION)						
Drill Hole No.	Top of Intercept (m)	Estimated True Width (m)	Zinc (%)	Lead (%)	Silver (g/t)	Gold (g/t)
SECTION 850N	(Drill holes listed from west to east)					
Z08-13	49.4	1.9	**3.96**	**2.16**	**3,902**	**1.34**
	Including:	0.6	**10.25**	**5.02**	**11,463**	**3.46**
Z08-14	65.4	0.7	1.74	1.56	**601**	0.22
SECTION 875N	(Drill holes listed from west to east)					
Z08-25	45.6	3.2	3.73	3.90	**865**	0.41
	Including:	1.6	**6.42**	**7.56**	**1,765**	0.81
Z08-11	58.4	3.2	4.23	3.27	**793**	0.21
	Including:	1.1	**8.73**	**7.25**	**1,792**	0.46
	Including:	0.3	**19.35**	**20.00**	**2,420**	0.46
Z08-12	71.3	1.7	2.03	2.65	91	0.86
	Including:	0.2	**10.25**	**14.25**	**243**	**2.87**
SECTION 900N	(Drill holes listed from west to east)					
Z08-16	57.7	1.6	3.23	1.79	**664**	0.79
Z08-23	76.6	3.0	**8.51**	**4.96**	**501**	0.51
	Including:	1.8	**12.75**	**6.91**	**810**	0.80
Z08-24	88.0	1.3	**10.96**	2.81	73	0.66
Z08-27	114.5	3.7	**6.91**	**2.81**	89	0.22
	Including:	1.1	**14.95**	**6.91**	175	0.60

These intersections were drilled on an approximate 25 meters (horizontal) by 30 meters (vertical) grid pattern. These drill holes tested the Chivo Zone a further 25, 50 and 75 meters south of previous drilling. Five other holes drilled further south did not intersect economic mineralization. This mineralization will be accessible by the lower Chivo Mine adit now being excavated and expected to reach the Chivo Vein in the fourth quarter of 2008.

During the quarter the Company announced the following high grade intersections from the northern extension of the Chivo Zone:

CHIVO NORTH EXTENSION DRILL HOLES (MAIN VEIN)						
Drill Hole No.	Top of Intercept (m)	Estimated True Width (m)	Zinc (%)	Lead (%)	Silver (g/t)	Gold (g/t)
SECTION 1140N						
Z08-02	117.7	1.6	0.49	0.20	166	0.06
Z08-04	170.4	0.9	**22.03**	**7.20**	268	0.20
SECTION 1190N						
Z08-07	194.2	1.4	5.45	1.50	**1,118**	0.59
	Including:	0.7	1.57	0.36	**1,745**	0.91

The deepest holes on these northern sections were the widest and highest grade intersections leaving the zone open for expansion to depth and to the north. The Chivo Zone has now been drill-defined over a length of 300 meters and to a vertical depth of 250 meters by 46 drill holes and several hundred meters of underground workings. Further drilling from both surface and underground is planned to expand the zone further on all sides.

Chivo was discovered in 2005 when the Company's exploration crews found high grade veins in old mine workings. Samples from the veins assayed 1,095 g/t silver and 0.38 g/t gold across 1.25 metres TW in the workings and 2,640 g/t silver and 1.36 g/t gold across 0.85 metres on surface. Subsequent drill programs consisting of 21 holes returned highlights of 937 g/t silver, 0.35 g/t gold, 1.88% zinc and 0.75% lead across 2.7 metres TW (Drill hole Z-06-10) and 378 g/t silver, 0.30 g/t gold, 4.25% zinc and 1.76% lead across 4.7 metres TW (Drill hole Z07-03). These earlier exploration results led to a production decision and commencement of commercial operations in January 2008.

Noche Buena – Carlos Pacheco Silver and Gold-Copper Mining Camp

Subsequent to quarter end IMPACT announced commencement of a 5,000 m drill program in the Noche Buena – Carlos Pacheco Mining Camp area of the Royal Mines of Zacualpan Silver District. A variety of both silver and gold-copper targets consisting of old mine workings, past drill intersections and outcropping veins will be tested in order to determine which targets warrant further drilling for mine planning purposes. Currently thirty to fifty holes are planned. Over one hundred different vein intersections have been targeted as multiple vein intersections are anticipated in most of the drill holes.

Over the past year IMPACT field crews have systematically located, documented and sampled 114 old mine and exploration workings consisting of prospect pits, mine shafts and tunnels. Included in this program were detailed geological mapping of the veins and the collection of 563 rock samples for assays and analyses. Numerous rock samples contained values greater than 100 g/t silver, attaining a high of 775 g/t in the San Jose-3 Tunnel, and 47 other samples contained greater than 1.0 g/t gold, attaining a high of 39.9 g/t (1.16 opt) in the Carlos Pacheco Main Tunnel. Base metals can also contain significant values as individual samples attained the following assays 8.39% copper, 11.95% lead and 14.80% zinc.

Dominating the structure are two northerly trending veins (Noche Buena to the west, and Carlos Pacheco to the east) that have been traced for 1.7 and 2.6 km respectively and are open for extension. In addition, approximately fifty smaller secondary vein structures are known. Due to the topography it has been possible to sample both these veins over a vertical extent of 500 m. In general the Carlos Pacheco vein has been found to be higher in gold and copper (especially at the lower elevations) and becomes more silver bearing at higher elevations. The Noche Buena vein overall tends to be higher in silver. Due to a slight difference in the dip these veins converge at higher elevations such that they are only 100m apart. Consequently both veins can be effectively drill tested in the same drill holes.

Summarized below are some of the highlights from sampling of old mine workings and the principle targets that will be the subject of the Noche Buena – Carlos Pacheco drill program:

OLD MINE WORKING	PRINCIPAL TARGET
Noche Buena (Pozo 1)	375 g/t Ag in old prospect pit, Noche Buena Vein
Santa Domingo Tunnel	386 g/t Ag in surface Santo Domingo Tunnel # 5
El Aguacate II Tunnels	218 g/t Ag in El Aguacate II Tunnel & 443 g/t Ag in El Aguacate I Tunnel
El Aguacate I Tunnel	443 g/t Ag in E Agaucate I Tunnel
Zanja Penoles Trench #1	287 g/t Ag in vein outcropping in a surface trench
Las Aguilas Tunnel	Las Aguilas Tunnel having 3.25 g/t Au, 141 g/t Ag
Carlos Pacheco (Main) Tunnel	39.9g/t Au (1.16 opt Au) & 211 g/t Ag in Carlos Pacheco (Main) Tunnel
Noche Buena Antigua #1 Shaft	285 g/t Ag in Antigua 1 Shaft
Carlos Pacheco Tunnel #3	12.5g/t Au (0.36 opt Au) and 5.3 g/t Au in Carlos Pacheco Tunnel #3
Carlos Pacheco Tunnel #3	Prospect pit having an assay of 3.96 g/t Au

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 900+ old mine workings on the project area and have been carrying out extensive soil sampling on 100 x 25 metre grids. During the quarter, this work included mapping and sampling of soils and rocks in the Principe, Santa Lucia and Chontalpan areas, all east of Chivo, with the objective of defining additional near-term drill targets.

During the quarter IMPACT acquired several new concessions in the district and more than doubled its mineral holdings to 272 km^2. These new acquisitions consisted of the Cadena and Zapote concessions which cover extensions of veins being mined and explored by IMPACT and the large Zacualpan Northwest Concessions which cover a large area over the northwest projections of veins from the district. During the quarter field crews began reconnaissance exploration and soil sampling over these new areas.

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 dedicated field crew has been working there developing drill targets ever since. 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. In the auction bid document publicly released by the Mexican Geological Survey, the Capire deposit is described with an indicated resource of 1,154,500 tonnes, grading 0.22 g/t gold, 73 g/t silver, 0.45% lead and 1.13% zinc in a near-surface zone with potential for open pit mining and open for expansion. In the same auction bid document, the Aurora 1 deposit is described with an indicated resource of 194,000 tonnes, grading 1.28 g/t gold, 180 g/t silver, 2.13% lead and 4.45% zinc.

The Company has not independently verified these resource estimates and the estimates are not compliant with Canadian National Instrument ("NI") 43-101 requirements; therefore, they should not be relied upon. However, the Company believes the historical resource estimates and drill results provide an indication of the potential of the Capire VMS Project and are relevant to the Company's plans for further exploration work.

The Company completed a 5,080-meter-plus program of detailed core drilling on a 50 x 25 meter grid to bring these deposits into Mineral Resource categories compliant with Canadian NI 43-101 standards.

Assays, interpretation and resource calculations are pending and will be released when received and interpreted.

Mamatla Epithermal Vein Prospects

Since acquisition of the Mamatla project in February 2007 a dedicated exploration crew has discovered over 70 previously unidentified epithermal vein prospects and old mines. This work is continuing and material assays will be released as they are received and interpreted.

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$1,120,000 and 500,000 shares (300,000 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. During 2007 exploration focused on some of the 17 mineral concessions located within this District, four of which were in a joint venture with Yale Resources. No exploration work was carried out by the Company on the concessions in 2008 to date. In the second quarter the Company sold its interest in one of the non-core claims for $325,000 plus a retained 1% NSR, purchasable for US$1.0 million.

Zacatecas Processing Plant

The 200 tpd processing plant began operations during the third quarter 2006. It is now operating on a custom milling basis by the vendor processing mineral 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

The exploration budget for 2008 increased in order to put some of the more than 900 known prospects at the Zacualpan and Mamatla Districts on a faster track to potential production and build mineral inventories for mining. To date this has succeeded in expanding mineral inventories at the Chivo Mine including results reported above and in detailing mineralization in the Capire and Aurora 1 Zones. The exploration program is being funded through existing cash balances. Three dedicated field crews each led by a senior geologist continue to work on various project areas in the Zacualpan and Mamatla Districts. A prospecting team continues reconnaissance work in the districts. Three geologists are overseeing both surface and underground drilling operations at Zacualpan. Crews continue to sample an expanded soil grid. The GIS database compilation continues with an emphasis put on district-wide interpretation and potential near term mining 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 Silver and Base Metals Project 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 2008 the Company completed a limited program of geophysical-induced polarisation work to better define future drill targets.

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.

FINANCIAL DISCUSSION

Mine Operating Earnings for the three months ended September 30, 2008

Revenues (net smelter returns) for the third quarter were $2,244,000, up 40% from $1,604,000 in the third quarter of 2007. These higher revenues were due to increased silver, lead and zinc production which more than offset lower realized silver, lead and zinc prices. Average mill throughput during the quarter was 302 tpd, up 2% from 296 tpd during the same quarter in 2007.

During the third quarter, the Company signed a new one-year smelter contract covering the 2008 calendar year that included smelting toll adjustments retroactive to the beginning of June. The new smelter contract, similar to others being signed in the world wide mining industry, included significant increases in the treatment and refining charges for the Company's lead and zinc concentrates.

Reported earnings during the quarter are based on smelter settlements received during the quarter and metal prices in affect 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 third quarter of 2008 we had negative pricing adjustments of $31,000 before taxes. Significantly lower metal trading prices subsequent to September 30th are expected to result in a negative pricing adjustment in the fourth quarter that may be in the range of $100,000 - $200,000.

Mine operating costs for the third quarter were $1,666,000, up 59% from $1,046,000 in the third quarter of 2007. Amortization and depletion was $376,000, up 88% from $200,000 in the third quarter of 2007.

Mine operating cost per tonne for the quarter was $59.27, up 57% from $38.34 in the third quarter of 2007. Mine operating costs were significantly higher as lower cost bulk mining was used in 2007 to recover higher grade zinc and lead ore from the Guadalupe mine to take advantage of higher prices prevailing for these metals in 2007. In 2008, we shifted our principal ore reliance to recovery of higher grade silver ore from the Chivo mine, which we are now accessing through the new mine adits that are being developed. Ore recovered from this mine incurs higher trucking, mining and amortization costs than ore recovered from the old Guadalupe mine which is immediately adjacent to the mill.

Mine operating earnings for the quarter were $201,000, down 44% from $358,000 in the third quarter of 2007. Net loss in the third quarter decreased to ($233,000), from a net loss of ($287,000) in the third quarter of 2007.

Mine Operating Earnings for the nine months ended September 30, 2008

Revenues (net smelter returns) in the first nine months of 2008 were $6,687,000, up 30% from $5,140,000 in the same period of 2007. These higher revenues were due to increased silver, lead and zinc production and higher realized silver prices, which more than offset lower realized lead and zinc prices. Average mill throughput during the first nine months of 2008 was 278 tpd, up from 277 tpd during the same period of 2007.

The Company has not been able to realize the full benefit of its significantly higher contained metal production in the first nine months of 2008 compared to 2007 due to declining metal prices and higher smelting costs. Operating margins in 2008 have been adversely affected by increased costs for reagents, diesel fuel and other materials consumed in operations. From January 1, 2008 to the current date, metal prices have declined by about 40% for silver, 40% for zinc, and 20% for lead from prices prevailing at the beginning of the year.

Mine operating costs before amortization and depletion in the first nine months of 2008 were $3,950,000, up 19% from $3,314,000 in the same period of 2007. Amortization and depletion was $817,000, up 38% from $594,000 in the same period of 2007. Mine operating cost per tonne in the first nine months of 2008 was $54.10, up 23% from $43.85 in the same period of 2007.

Mine operating earnings for the first nine months of 2008 were $1,920,000, up 56% from $1,231,000 in the same period of 2007. Net income in the first nine months of 2008 was $918,000, up $986,000 from a net loss of ($68,000) in the same period of 2007.

General, Administrative and Other Expenses for the three months ended September 30, 2008

General and administrative expenses for the third quarter were $363,000, down 4% from $380,000 in the third quarter of 2007. Office salaries and services were $138,000, up from $64,000 in the third quarter of 2007 as a result of an increased level of staff required in connection with our operation of the Royal Mines of Zacualpan and our other exploration efforts in Mexico. These increases were offset by decreases in management fees and consulting expenses which were $10,000 in the third quarter of 2008 as compared to $50,000 in 2007. Additionally stock-based compensation expense decreased to $77,000 in the third quarter of 2008 from $141,000 in 2007.

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 $14,000 in the third quarter of 2008 compared to a foreign exchange loss of $176,000 in the third quarter of 2007. Foreign exchange fluctuations in the translation of the Company's Mexican-owned assets into Canadian dollars will continue each quarter and may have a significant impact on future net income.

General, Administrative and Other Expenses for the nine months ended September 30, 2008

General and administrative expenses for the first nine months of 2008 were $1,119,000, up 22% from $918,000 in the first nine months of 2007. Office salaries and services were $370,000, up from $241,000 in the first nine months of 2007 as a result of an increased level of staff required in connection with our operation of the Royal Mines of Zacualpan and our other exploration efforts in Mexico. Stock-based compensation expense increased to $233,000 in the first nine months of 2008 from $141,000 in 2007. These increases were offset by decreases in management fees and consulting expenses which were $41,000 in the first nine months of 2008 as compared to $89,000 in 2007.

The Company incurred a foreign exchange gain of $105,000 in the first nine months of 2008 compared to a foreign exchange loss of ($394,000) in the same period of 2007. Foreign exchange fluctuations in the translation of the Company's Mexican-owned assets into Canadian dollars will continue each quarter and may have a significant impact on future net income.

The value of the Canadian dollar relative to the U.S. currency has decreased significantly since the end of the third quarter as a result of world wide financial market difficulties. If currency values remain at today's exchange levels, it will have a significant impact on reported fourth quarter earnings and should result in a foreign exchange translation gain in the fourth quarter.

OTHER FINANCIAL INFORMATION

Selected Quarterly Information

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 income (loss) per share:

	For the three months ended							
	Sept 30, 2008	**Jun 30, 2008**	**Mar 31, 2008**	**Dec 31, 2007**	**Sept 30, 2007**	**Jun 30, 2007**	**Mar 31, 2007**	**Dec 31, 2006****
Revenue	2,244	1,756	2,687	2,110	1,604	1,677	1,859	2,009
Net income (loss)	(233)	305	845	356	(287)	(48)	266	264
Basic net income (loss) per share*	(0.00)	0.01	0.02	0.01	(0.01)	0.00	0.01	0.00
Diluted net income (loss) per share*	(0.00)	0.01	0.02	0.01	(0.01)	0.00	0.01	0.00
Cash and cash equivalents	7,091	8,285	8,851	10,145	4,847	3,850	4,169	3,970
Total assets	30,058	29,848	28,795	27,678	20,364	19,175	19,156	17,723
Total liabilities	5,561	5,265	4,652	4,522	2,042	2,192	3,229	2,170

* Per share numbers have been rounded to two decimal places
** These 2006 comparative results have been restated (see note 16 to the December 31, 2007 financial statements)

Liquidity and Capital Resources

Working Capital and Cash Flow

The Company's financial position at September 30, 2008 remained strong with $7.1 million in cash and cash equivalents (December 31, 2007 - $10.1 million) and net working capital of $8.4 million (December 31, 2007 - $11.3 million). The decrease in cash and cash equivalents is primarily due to the Company's investment in exploration expenditures and resource property costs of $4.1 million and property, plant and equipment acquisitions of $1.4 million. These cash outflows were offset by positive cash flows from operations of $2.4 million during the first nine months of 2008.

The Company's working capital position is expected to remain strong through the 2008 year as cash flow from mining operations should be sufficient to fund the majority of the Company's 2008 resource property cost exploration expenditures.

Resource Property Expenditures

Zacualpan

Exploration expenditures and property acquisition costs related to Zacualpan for the third quarter of 2008 were $1,312,000 compared to $607,000 in the third quarter of 2007. The increase is a due to the new concession acquisitions, increased drilling, field sampling, data compilation, assaying, and wages which result from the greater amount of activity in the third quarter of 2008 as compared to 2007.

The Company has also committed additional resources and has hired additional geological support staff and resources to lead three separate teams to accelerate the early exploration and mapping of its properties and prospective drill targets. The Company expects that its 2008 exploration expenditures on the Zacualpan property will continue at their current rate exceeding the 2007 expenditures by a significant margin as it proceeds to explore some of the more promising exploration targets.

Share Capital Transactions

During the three months ended September 30, 2008 no options were granted and 440,000 options were exercised for proceeds of $61,200.

On October 27th, the Company announced that it was not proceeding with the grant of incentive stock options exercisable for 2.2 million shares at a price of $0.80 per share which grant had been announced in a news release dated September 23, 2008. A decision was made to not proceed with the grant of such options since under the present market conditions, the Board of Directors believed that such options would not serve their intended purpose.

During the nine months ended September 30, 2008 35,000 options were granted, 491,500 options were exercised for proceeds of $82,830 and 35,000 options expired.

Outstanding Share Data

The following common shares and convertible securities were outstanding at November 17, 2008:

	# of Shares	Exercise Price	Expiry Date
Issued and outstanding common shares at November 17, 2008	48,000,210		
Employee stock options	175,000	$0.15	May 12, 2009
	551,000	$0.42	April 13, 2010
	35,000	$1.44	February 6, 2010
	1,055,000	$1.40	September 5, 2012
	75,000	$1.67	October 22, 2012
Fully Diluted at November 17, 2008	49,891,210		

Of the 1,891,000 options outstanding, 1,595,375 have vested as at November 17, 2008.

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 dated October 2004, Energold recovers direct labour costs for administrative support and public relations at specified daily charge-out rates plus 15% overheads. 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 nine months ended September 30, 2008, fees in the amount of $1,695,078 (2007- $1,140,690) were paid to Energold for contract drilling services performed in Mexico at Zacualpan and Mamatla. 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, 2008, the balance owed to Energold with respect to its recoverable costs was $1,131,325 (December 31, 2007 -$582,081).

During the nine months ended September 30, 2008, fees in the amount of $101,814 (2007 - $215,287) were paid or accrued to two directors and one officer of the Company, of which $74,664 is shown in various administrative expenditures on the income statement, and $27,150 is shown in resource properties.

Off-balance sheet arrangements

The Company has not entered into any off-balance sheet arrangements such as obligations under certain guarantee contracts, retained or contingent interests in assets transferred to an unconsolidated entity, obligations under derivative instruments that are classified as equity or obligations under material variable interests in unconsolidated entities that conduct certain activities such as financing, liquidity, market risk or credit support.

Changes in Accounting Policies – Adoption of New Accounting Policies

On January 1, 2008 the Company adopted three new presentation and disclosure standards issued by the Canadian Institute of Chartered Accountants:

Handbook Sections 3862, *Financial Instruments – Disclosure,* and 3863, *Financial Instruments – Presentation,* have replaced Section 3861, *Financial Instruments – Disclosure and Presentation.* These new sections incorporate many of the disclosure requirements of Section 3861, but place an emphasis on disclosure about risk, including both qualitative and quantitative information about the risk exposures arising from financial instruments. Section 1535, *Capital Disclosures*, establishes disclosure requirements about the Company's objectives, policies and processes for managing capital, quantitative data about what the Company regards as capital, whether the Company has complied with capital requirements and, if the entity has not complied, the consequences of such non-compliance.

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

In addition, the Company also adopted and implemented the amendments to Handbook Section 1400 concerning *General Standards on Financial Statement Presentation*. These standards are effective for interim and annual consolidated financial statements for the Company's reporting period on January 1, 2008.

Financial Instruments and Management of Financial Risk

Financial Assets and Liabilities

The Company's financial instruments primarily consist of cash, equity investments, accounts receivable and accounts payable. For cash, accounts receivable, and accounts payable, carrying value is considered to be a reasonable approximation of fair value due to the short-term nature of these instruments. The fair value of other financial assets represents the market value of quoted investments.

Financial Instrument Risk Exposure

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

Credit Risk

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

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due. The Company manages liquidity by maintaining cash and cash equivalent balances available to meet its anticipated operational needs. The Company has not been required to establish available or committed credit facilities but will do so as necessary. Liquidity requirements are managed based on expected cash flow to ensure that there is adequate capital to meet short term and long term obligations.

Foreign Exchange Rate Risk

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

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.

Recent Accounting Pronouncements Issued But Not Yet Implemented

Effective January 1, 2009, for the Company, Handbook Section 3064 replaces 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 preproduction and start-up costs and requires that these costs be expensed as incurred.

The Company is currently assessing the impact of these new accounting standards on its consolidated financial statements.

International Financial Reporting Standards ("IFRS")

In February 2008, the Accounting Standards Board confirmed that Canadian publicly accountable enterprises will be required to adopt IFRS for fiscal years beginning on or after January 1, 2011. The Company is currently evaluating this new requirement and is in the process of creating a plan to convert to IFRS. The financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

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 quarter ended September 30, 2008 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 and related financial reporting and internal control matters 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 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.

On Behalf of the Board of Directors,

"Frederick W. Davidson"
President, Chief Executive Officer

November 17, 2008