IMPACT Silver Corp.
Form 51-102F1
Management's Discussion and Analysis
For the Period Ended June 30, 2009

INTRODUCTION

This Management's Discussion and Analysis ("MD&A") of IMPACT Silver Corp. ("IMPACT" or "the Company") is dated August 20, 2009. This MD&A should be read in conjunction with the unaudited interim consolidated financial statements of IMPACT Silver Corp. and the notes thereto for the period ended June 30, 2009, which have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). All amounts referred to herein are in Canadian dollars unless otherwise specified. Additional information relating to the Company including material change notices, certifications of annual and interim filings, and press releases are available on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com.

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

Highlights for the Second Quarter and Six Months Ended June 30, 2009

Financial and Operating Results

- Silver production reaches another new record:

  Quarterly silver production increased to 217,690 oz., up 80% from 120,660 oz. in the second quarter of 2008. Silver production in the first six months of 2009 increased to a record 447,400 oz., up 77 % from 252,519 oz. in the same period of 2008.

- Revenues increase to a new six month high:

  Revenues in the second quarter exceeded $3.4 million, up 94% from $1.8 million in the second quarter of 2008. Revenues in the first six months of 2009 were $4.9 million, up 9% from $4.4 million in the same period of 2008. Although revenues were up, a significant amount of production remained in lead and zinc concentrate inventories at the end of the quarter and are expected to be realized in revenues in the last half of 2009.

- Net income:

  In part because of an adjustment on a concentrate sales contract, net income was $0.2 million in the second quarter, down from $0.3 million in the second quarter of 2008.

- Cash flows from operations before changes in non-cash working capital[1] in the second quarter were $0.7 million, down from $0.8 million in the second quarter of 2008.
- After investing $2.2 million in property, plant and equipment, resource properties and exploration during the first six months of 2009, the Company had cash and cash equivalents of $4.0 million at June 30, 2009.

Exploration Results

- During the quarter IMPACT announced drill results from the Noche Buena Zone including 280 g/t silver across 4.6 meters and subsequent to the end of the quarter, announced further wide drill intersections on the Noche Buena Zone including 158 g/t silver across 13.5 meters and 368 g/t silver across 4.0 meters.
- IMPACT also reported additional results from the Nido de Oro Zone of 228 g/t silver, 2.2 g/t gold, 1.2% lead and 3.7% zinc across 5.0 meters true width.
- On May 27, 2009, IMPACT announced drill results from the Los Aguilas Zone including 236 g/t silver across 3.3 meters true width and 2,040 g/t silver across 0.52 meters true width.
- Subsequent to quarter end, IMPACT announced that the GIS (Geographic Information System) database work on the Zacualpan and Mamatla Districts had compiled 1,274 old mine workings and prospects and has contributed to a significant increase in the exploration drilling success rate.

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[1] Cash flows from operations before changes in non-cash working capital is a non-GAAP measure which the Company believes provides a better indicator of the Company's ability to generate cash flows from its mining operations. See "NON-GAAP MEASURES."

Corporate Overview

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

IMPACT is currently undertaking a three-part process of exploration, development and mine production at the Royal Mines of Zacualpan Silver District. The Company has three specific objectives aligned to each activity area. The first objective is to enhance immediate economically recoverable throughput until the current maximum rated capacity of 500 tpd is achieved. In the second quarter of 2009 the Guadalupe mill processed an average of 303 tpd, up 15% from the second quarter of 2008. The second objective is to continue exploration and prepare for development of the new sources of ore which will justify expansion of our current facility or the construction of new processing plants. The third objective is to continue the reconnaissance exploration program designed to evaluate the longer term potential of this 500-year-old mining district. In the second quarter of 2009 IMPACT continued to make progress towards each of these three objectives.

During the first half of 2009, and in response to ongoing depressed commodity prices, IMPACT has continued to pursue its strategy of focusing production on higher grade silver areas of its mines in order to remain cash flow positive. Accordingly, the Company only marginally increased its throughput during the first half of 2009, but has achieved record silver production of 447,400 oz. Because of a strike at the Penoles refinery where the Company sells the majority of its lead and zinc concentrates, there was a significant increase in the amount of concentrates held in inventory at the end of the quarter. As a result, the increase in production in the first six months of 2009 has not been reflected in the revenues and net income for the first six months of 2009.

In the first quarter of 2009, the Company announced extensive drill assays from the Capire and Aurora 1 Zones in the Mamatla Mineral District. During and subsequent to the second quarter, resource calculations, mine planning and metallurgical test work was underway on the Capire and Aurora 1 Zones to determine the feasibility of future mining in these areas. In the second quarter of 2009 drilling was focused on the Noche Buena Zone, where a series of new discoveries have led the Company to a decision to fast track this area into production.

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

The Company is a reporting issuer in British Columbia and Alberta and trades on the TSX Venture Exchange as a Tier 1 Issuer under the symbol IPT and on the Frankfurt Stock Exchange under the symbol IKL. At June 30, 2009, the Company had cash and cash equivalents of $4.0 million held with a Canadian Tier 1 Bank. The Company has not invested in any short term commercial paper or asset-backed securities.

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

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

Production for the three and six months ended June 30, 2009:

	Three months ended			Six months ended		
	June 30 2009	June 30 2008	% Change	**June 30 2009**	June 30 2008	% Change
Total tonnes (t) produced	**27,618**	24,090	+ 15%	**57,187**	48,337	+ 18%
Tonnes produced per day	**303**	265	+ 15%	**316**	266	+ 19%
Silver production (oz)	**217,690**	120,660	+ 80%	**447,400**	252,519	+ 77%
Lead production (t)	**258**	132	+ 96%	**534**	293	+ 82%
Zinc production (t)	**292**	167	+ 75%	**635**	442	+ 44%
Revenue per production tonne sold	**$102.01**	$85.88	+ 19%	**$108.98**	$99.40	+ 10%
Direct costs per tonne produced	**$61.56**	$51.65	+ 19%	**$57.23**	$51.14	+ 12%

(See "Financial Discussion.")

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

Mining (Royal Mines of Zacualpan)

The Royal Mines of Zacualpan Silver Project was purchased by the Company on January 16, 2006 and the Company's first full day of production was January 18, 2006. The majority of the ore mined at that time was from the high grade San Ramon Mine. Later in 2006, as underground mining and haulage costs rose at the San Ramon Mine, the Company started to principally source its ore supply from the Guadalupe Mine, where base metal grades are higher and silver grades lower. In the fourth quarter of 2007 development at the new Chivo Mine raised silver grades and continued to do so through 2008 and into 2009. The much higher silver grades resulted in a higher contribution margin per tonne in 2008. In early 2008 the San Ramon Mine was brought back into production on a selective mining basis and continues to produce now.

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. This has also involved an extensive exploration program both within the immediate area of the current operating mines as well as an ongoing effort to delineate additional mining camps within the 472-square-kilometers which make up the Zacualpan and Mamatla Mineral Districts that IMPACT controls.

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

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

Chivo Mine

During the second quarter of 2009, Chivo provided 92% (Q2 2008 – 60%) of mill feed and the majority of the high grade silver feed from production stopes. Ore from Chivo is the principal reason that silver production increased in 2009 over 2008. A second adit approximately 60 meters vertically lower on the structure reached the main vein in the fourth quarter of 2008 and has been connected to the first level. The first full production stope from the lower level came on stream during the second quarter of 2009. The Chivo Mine will continue to supply a significant amount of higher grade material to the mill.

Chivo was discovered in 2005, first drilled in late 2006 and then quickly developed, first commencing limited production from development muck in November 2007. Chivo is the fourth producing mine at the Royal Mines of Zacualpan Silver Project and the second put into production by the IMPACT team. The Chivo Mine is located in the La Virgen Valley Mining Camp in the central part of the Zacualpan District and as exploration and development continues, it is providing the majority of the higher grade feed to the Guadalupe processing plant.

San Ramon Mine

During the second quarter of 2009, San Ramon provided 8% (Q2 2008 – 0%) of mill feed from the mining of high grade mineral. In 2006, San Ramon, located in the La Virgen Valley Mining Camp and 1.3 kilometers south of the Chivo Mine, generated the majority of the high grade feed for the Zacualpan mill; however, operating costs were substantially rising and ore delineation became increasingly more complex due to the nature of the mine access and the Company temporarily ceased mining there. After redesigning the mining plan, the Company recommenced mining at San Ramon in early 2008 on a selective basis with an emphasis on higher grade ores. Mining continues to expand at San Ramon as the Company also develops underground access to a parallel structure, the Chaparrita Vein.

Guadalupe and Gallega Mines

During the fourth quarter of 2008 production was suspended at the Guadalupe and Gallega mines to maximize mining efforts on higher grade zones at Chivo and San Ramon. Approximately 40% of the mill feed in the second quarter of 2008 was from mining of medium grade mineral at the Guadalupe and nearby Gallega Mines. Material from the Guadalupe Mine was brought to surface on a skip and transported by truck approximately 100 meters to the plant and it was the lowest cost producer of the mines supplying the mill. The nearby Gallega Mine is accessed by a surface adit and intermittently supplemented production from Guadalupe. Remaining mineral in the Guadalupe and Gallega Mines is zinc-rich with medium silver grades. The Company will recommence mining at the Guadalupe and Gallega mines when higher zinc prices allow for profitable mining in these areas.

Noche Buena

As a result of very successful exploration in 2008 and 2009 IMPACT is developing plans to bring on additional production for late 2009 and 2010 from Noche Buena. The Noche Buena discovery (discussed in more detail under exploration) represents a unique opportunity to develop almost immediate additional tonnage for the Company's Guadalupe mill. Permitting, metallurgical studies and mine planning have commenced. Production plans are underway while exploration and drilling continues to expand this new camp including multiple zones, i.e. Noche Buena and Carlos Pacheco.

Processing Plant

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

The Company is continuing work to increase tailings capacity and enhance the current dam. Construction of the dam expansion has commenced and is anticipated to be completed in 2010.

Exploration (Royal Mines of Zacualpan)

To date IMPACT's exploration on the Royal Mines of Zacualpan Silver Project has been very successful. IMPACT staff has put two new mines (Chivo and San Ramon/Chaparita) into production over the past four years along with various satellite deposits. Three other zones (Noche Buena in the Zacualpan District and Capire / Aurora 1 in the Mamatla District) are now in the mine planning and metallurgical testing stages.

During the second quarter of 2009 exploration was active on several fronts. Surface and underground drilling continued without interruption. Field work included extensive mapping, trenching, 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 organize the results of this extensive field work, historical information and assays 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. Subsequent to quarter end IMPACT announced that 1,274 old mine workings have been entered into the database to date. Shown below is a table of these old workings by size and degree of sampling by IMPACT personnel as well as by the number of workings drilled to date. Old mines noted as "LARGE" have over 500 meters of underground workings, "MEDIUM" have 50 to 500 meters of workings and "SMALL" less than 50 meters of workings. Sampling in some workings is limited due to access issues such as flooding or tunnel collapse and these are listed under 'Workings With Partial Sampling.'

ZACUALPAN AND MAMATLA DISTRICTS - SAMPLING AND DRILLING STATISTICS					
WORKING SIZE	NUMBER OF WORKINGS COMPILED TO DATE	WORKINGS WITH COMPLETE SAMPLING	WORKINGS WITH PARTIAL SAMPLING	WORKINGS NOT YET SAMPLED	NUMBER OF WORKINGS DRILLED BY IMPACT
LARGE	99	22	20	57	15
MEDIUM	306	59	86	161	59
SMALL	537	164	126	247	84
UNKNOWN	332	18	88	226	47
TOTAL	1,274	263	320	691	205

IMPACT has drill tested 205 (16%) of the 1,274 compiled historical workings. Before the GIS database became operational, IMPACT used the exploration methodology of locating, mapping and sampling old workings and then drilling the better ones. In order to gauge the success rate of this methodology, the number of significant intersections produced by only the exploration drill holes was calculated to be 31%. (An "exploration drill hole" is defined as the first drill hole to test a specific new target, and a "significant intersection" is defined as one with greater than 120 g/t silver over 2.0 meters.) Any follow-up drilling that involved deposit definition or step out drill holes was not considered in the calculation of drilling discovery success rate. Using the GIS system to focus exploration strategy over the past 18 months doubled IMPACT's exploration drilling success rate to 61% thereby optimizing the value of the exploration dollars spent in the ground. The maturation of the GIS database has defined camp-scale mineralized trends, outlined the extent of individual mineralized zones and helped prioritize exploration targets on this highly prospective and extensive project.

Noche Buena and Carlos Pacheco Mining Camp

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

During and subsequent to the first and second quarters of 2009 IMPACT issued four news releases with significant drill assays from Noche Buena. The following table summarizes the most significant results in the shallowest part of the zone which is now in the mine planning stage:

NOCHE BUENA VEIN UPPER LEVEL DRILL INTERSECTIONS					
DRILL HOLE	FROM (m)	TO (m)	INTERSECTION (m)	SILVER (g/t)	GOLD (g/t)
SECTION 1350N					
Z09-28	75.2	88.8	13.5	158	0.3
Including	75.2	75.6	0.4	651	0.8
Including	78.4	81.2	2.8	233	0.5
Including	87.5	88.8	1.3	563	0.9
Including	88.2	88.8	0.6	766	1.4
SECTION 1300N					
Z09-27	28.4	32.4	4.0	368	0.3
Including	30.6	32.4	1.8	691	0.5
Z09-20	73.9	78.5	4.6	280	0.3
Z09-21	129.0	130.3	1.4	151	0.5
SECTION 1250N					
Z09-12	52.0	55.9	4.0	319	2.0
Including	54.5	54.8	0.3	3,600	15.5
Z09-19	125.4	127.9	2.5	146	0.76
SECTION 1200N					
Z09-72	118.7	119.5	0.8	243	0.5
SECTION 1150N					
Z08-70	21.8	30.4	8.6	204	0.2
Z08-71	108.3	112.6	4.3	233	0.7
Z09-10	119.9	121.9	2.0	167	0.4
SECTION 1100N					
Z09-06	134.3	135.6	1.3	332	0.7
Including	134.3	134.7	0.4	872	1.2
Z09-05	125.0	126.5	1.5	123	0.1

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

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

Nido de Oro Zone

The Nido de Oro area is located 4.5 kilometers due west of IMPACT's Guadalupe processing plant and 3 kilometers north of Noche Buena. During the quarter the first drill hole was completed on the main Horqueta Vein and returned the following assays:

NIDO DE ORO AREA (HORQUETA VEIN)							
DRILL	FROM	TO	TRUE WIDTH	SILVER	GOLD	LEAD	ZINC
HOLE	(meters)	(meters)	(meters)	(g/t)	(g/t)	(%)	(%)
Z09-13	85.4	91.6	5.0	227.8	2.20	1.18	3.71
Including	85.4	87.9	2.0	342.9	5.22	1.24	4.08

This main northeasterly dipping Horqueta Vein has been traced on surface for 1.9 kilometers and a series of southwesterly dipping veins including the Armadillo and Nido de Oro Veins have been found 50 meters to the west. Surface samples from hand trenching of the Horqueta Vein over a 550 meter length have returned values up to 639 g/t silver and 0.5 g/t gold over a 0.9 meter width. The Armadillo vein has been mapped and sampled in historic underground workings over a 100 meter strike length and has returned values up to 679 g/t silver and 1.4 g/t gold over a width of 0.5 meters. The Horqueta Vein mineralization is open for expansion to the north and additional drill pads have been constructed for further drilling.

Las Aguilas Zone

The Las Aguilas area is located 4.2 kilometers southwest of IMPACT's Guadalupe processing plant and one kilometre north of Noche Buena. It is host to a series of southwesterly dipping veins that are partially exposed in historic underground workings and in outcrops where rock chip samples returned up to 287 g/t silver and 3.25 g/t gold. During the quarter two holes were drilled on the Las Aguilas Zone and returned the following assays:

LAS AGUILAS ZONE							
DRILL	FROM	TO	TRUE WIDTH	SILVER	GOLD	LEAD	ZINC
HOLE	(meters)	(meters)	(meters)	(g/t)	(g/t)	(%)	(%)
SECTION 2050N							
Z09-07	27.75	30.5	0.74	239.0	0.06	0.08	0.13
Z09-07	42.53	45.83	3.29	236.3	0.08	0.23	0.41
Z09-07	51.26	51.79	0.52	2,040.0	0.36	1.42	2.23
Z09-08	46.00	46.55	0.54	362.0	0.23	0.14	0.56

Both of these holes at Las Aguilas were drilled on Section 2050N, with Hole Z09-08 undercutting Hole Z09-07 by 50 meters. Upon review of the geological cross sections is it evident that Hole Z09-08 only intersected the first vein and should have been drilled deeper. Phase two drilling is planned to test the northern extent of the mineralization where several old mine workings are located.

Zacualpan Early Stage Exploration

IMPACT employs field crews dedicated to early stage exploration throughout the District. These crews have been sampling some of the 1,274 old mine workings on the project area, trenching areas of mineralization and carrying out extensive soil sampling on 100 meter x 25 meter grids. During the second quarter of 2009 this work included mapping and sampling of soils and rocks in the Santa Lucia, Mirasol, Coronas and Nido de Oro areas with the objective of defining additional near-term drill targets.

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

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

Mamatla VMS Prospects

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

Capire-Aurora VMS Project

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

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

AURORA 1 ZONE							
DRILL HOLE No.	TOP OF INTERCEPT (m)	TRUE WIDTH (m)	SILVER (g/t)	GOLD (g/t)	COPPER (%)	LEAD (%)	ZINC (%)
M08-01	9.2	9.9	196	0.5	0.2	1.7	3.0
	Including:	0.6	103	0.3	0.6	11.1	18.9
	Including:	0.6	789	0.2	0.4	0.9	1.5
	Including:	0.6	1,345	3.2	0.7	2.7	5.0
And	48.6	2.4	303	2.1	0.4	1.4	2.7
	Including:	1.1	420	0.5	0.6	2.4	4.8
M08-02	45.6	2.2	389	2.3	0.2	0.6	1.0
	Including:	0.5	1,745	9.4	0.8	2.1	3.5
M08-07	8.6	9.2	125	0.5	0.2	1.6	3.0
	Including:	0.4	770	5.9	0.7	2.8	5.6
	Including:	2.1	219	0.3	0.4	2.9	5.2
M08-08	8.2	6.9	317	1.1	0.1	0.3	0.7
	Including:	1.5	1,164	3.2	0.1	0.6	1.2
	Including:	0.3	2,060	5.4	0.3	1.6	2.7
And	60.7	2.3	136	1.6	0.4	1.9	4.7
	Including:	0.3	612	4.1	1.0	6.1	11.2
M08-11	32.1	4.1	320	1.3	0.3	2.3	4.2
	Including:	1.5	626	2.9	0.8	5.5	10.1
M08-13	23.9	2.2	383	1.0	0.9	1.5	2.6
	Including:	0.7	1,155	2.5	2.9	4.5	7.6
M08-24	27.6	4.6	214	0.6	0.3	1.7	3.9
	Including:	0.5	683	1.9	0.9	2.7	5.6
	Including:	2.4	226	0.5	0.3	2.4	5.4

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

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

CAPIRE ZONE							
DRILL HOLE No.	TOP OF INTERCEPT (m)	TRUE WIDTH (m)	SILVER (g/t)	GOLD (g/t)	COPPER (%)	LEAD (%)	ZINC (%)
M07-02	33.5	4.0	338	0.8	0.6	3.1	7.1
	Including:	1.4	861	1.9	1.4	7.2	15.7
M08-29	6.1	2.2	185	0.8	0.3	1.4	4.6
	Including:	1.2	219	0.6	0.3	1.7	5.9
M08-30	7.7	2.7	385	1.0	0.1	1.0	2.1
	Including:	0.2	4,210	9.5	0.9	9.0	18.6
M08-41	22.5	3.5	127	0.2	0.2	1.3	3.5
	Including:	0.7	302	0.4	0.3	2.6	5.7
M08-42	8.4	9.2	98	0.3	0.2	1.5	3.6
M08-46	6.0	2.8	159	0.9	0.2	0.8	1.9
	Including:	0.6	470	3.2	0.3	1.4	3.1
M08-48	33.6	2.6	168	0.3	0.2	0.9	2.2
	Including:	1.7	230	0.3	0.2	1.0	2.7
M08-50	43.3	4.0	485	0.7	0.2	2.4	4.9
	Including:	1.8	1,016	1.2	0.4	5.0	10.2
M08-52	58.1	11.7	136	1.1	0.1	0.7	1.9
	Including:	1.1	141	0.3	0.2	2.4	5.0
M08-55	41.0	5.9	127	0.5	0.2	1.0	2.3
	Including:	1.3	351	1.3	0.5	2.1	5.2

The holes were drilled over an area of 350 meters x 150 meters on a 25 meter x 50 meter drill grid. The remaining holes delineated the edges of the zone. The Capire's shallow depth and the orientation of its mineralization, indicate that the zone has the potential for low cost open pit mining. The zone remains open to the southeast and east for expansion and may connect with the Aurora 1 zone described above.

Work to bring these deposits into Mineral Resource categories compliant with Canadian NI 43-101 standards as well as mining engineering and metallurgical studies to determine the viability of bringing these potential open pit deposits into production is now underway. Further drilling is planned to expand the known mineralization and test other nearby VMS targets. A map of the drill grids for both Capire and Aurora 1 can be found on the Company website at www.IMPACTSilver.com.

Mamatla Epithermal Vein Prospects

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

Veta Grande (Zacatecas) Silver Project, Mexico

On September 28, 2006 the Company announced the signing of a Comprehensive Agreement to purchase the Veta Grande Silver Project in the historic Zacatecas Silver District of Mexico over a maximum of four years for US$1,110,000 and 500,000 shares (US$813,450 paid and 400,000 shares issued to date). The project includes a 200 tpd processing plant, several mineral concessions and certain surface rights. The project is located 500 kilometers northwest of Mexico City. Access is by paved highways which run through the District. Infrastructure is good throughout the District with road networks, electric power and a trained work force. Over the past two years exploration focused on some of the sixteen mineral concessions located within this District, three of which are in a joint venture.

Zacatecas Processing Plant

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

Future Exploration Plans

To date IMPACT's exploration has been very successful. IMPACT staff has put two new mines (Chivo and San Ramon/Chaparita) into production over the past four years along with various satellite deposits. Three other zones (Noche Buena, Capire and Aurora 1) are now in the mine planning and metallurgical testing stages.

During the second quarter of 2009, exploration continued at a high level in order to put some of the other 1,274 compiled prospects in the Zacualpan and Mamatla Districts on a faster track to potential production and build mineral inventories for mining. The exploration program is being funded through existing cash balances and positive cash flow from mining operations. Two dedicated field crews, each led by a senior geologist, continue to work on various project areas in the Zacualpan and Mamatla Districts. Two geologists are overseeing both surface and underground drilling operations at Zacualpan. The GIS database compilation continues with an emphasis put on potential near term production targets.

With a track record of successful exploration, rapid mine development and more than 1,000 old workings not yet drill tested, IMPACT's long term vision sees the potential for establishment of multiple processing plants throughout the two districts each fed by multiple mines.

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

The Dominican Republic

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

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

Safety, Social and Environmental Policy

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

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

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

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

Investor Relations

During the first six months of 2009, IMPACT had booth displays promoting the Company at two industry and investor conferences in Canada and one in the U.S.A. The Company plans to continue these activities throughout 2009 at select industry and investor conferences. Energold (a significant shareholder) assists IMPACT with its day-to-day investor relations.

FINANCIAL DISCUSSION

Mine Operating Earnings for the three months ended June 30, 2009

Revenues (net smelter returns) in the second quarter were $3.4 million, up 94% from $1.8 million in the second quarter of 2008. Revenues increased significantly in the second quarter of 2009 as compared to 2008 as a result of the timing of shipments. A strike at the Penoles refinery (IMPACT's main customer) began on February 8, 2009 and lasted until April 14, 2009. As a result of the strike approximately half of the first quarter 2009 lead concentrate production was stockpiled as finished goods inventory and was sold in the second quarter of 2009. At the end of the second quarter, the Company still had significant amounts of lead concentrate inventory on hand. Approximately 39% of second quarter 2009 production was in inventory at the end of the quarter. Also, in the second quarter of 2009, with a rebound in the market price for zinc, the Company began selling zinc concentrate again, which it had been stockpiling since the fourth quarter of 2008. Including stockpiled inventory from the fourth quarter of 2008 and the first half of 2009, the Company only sold 13% of its zinc concentrate inventory in the second quarter of 2009 and thus continues to carry a significant amount of zinc concentrate in inventory which is expected to be sold before the end of 2009.

The Company has not been able to realize the full benefit of its significantly higher contained metal production in the second quarter of 2009 as compared to the second quarter of 2008 due to lower silver, lead and zinc prices and significantly higher refining costs. Average metal prices in the second quarter of 2009 in Canadian dollars were lower by approximately 8% for silver, 25% for lead and 19% for zinc as compared to average prices in the second quarter of 2008. Revenues were also negatively impacted by significantly higher refining costs per tonne of concentrate processed in the second quarter of 2009 as compared to the second quarter of 2008.

Revenues per production tonne sold increased in the second quarter of 2009 to $102.01, up 19% from $85.88 in the second quarter of 2008. The increase is attributed to mining higher grade silver zones in the Chivo and San Ramon mines in the second quarter of 2009 as compared to the greater amount of lower grade silver ore from the Guadalupe mine that was processed in the second quarter of 2008.

Mine operating expenses in the second quarter of 2009 were $1.9 million, up 77% from $1.1 million in the second quarter of 2008. Amortization and depletion in the second quarter of 2009 were $418,000, up 63% from $256,000 in the second quarter of 2008. The higher operating costs and amortization and depletion are also a result of the timing of shipments discussed above.

Mine operating costs per tonne in the second quarter of 2009 were $61.56, up 19% from $51.65 in the second quarter of 2008. Mine operating costs were higher as lower cost bulk mining was used in the second quarter of 2008 to recover higher grade zinc and lead ore from the Guadalupe mine to take advantage of higher prices prevailing for these metals in the first half of 2008. Throughout 2008 production was shifted towards the Chivo mine in order to recover higher grade silver ore, which is now being accessed through the two new mine adits that were developed at the Chivo mine. Ore recovered from the Chivo mine incurs higher trucking, mining and amortization costs than ore recovered from the Guadalupe mine which is immediately adjacent to the mill.

Average mill throughput during the second quarter was 303 tpd, up 15% from 265 tpd during the second quarter of 2008. Higher throughput and higher average silver grades allowed the Company's mining operations to be cash flow positive amidst the lower metal price environment.

Mine operating earnings in the second quarter of 2009 were $1,113,000, up 151% from $444,000 in the second quarter of 2008. Net income in the second quarter of 2009 was $191,000, down from $305,000 in the second quarter of 2008.

Mine Operating Earnings for the six months ended June 30, 2009

Revenues (net smelter returns) in the first six months of 2009 were $4,860,000, up 9% from $4,443,000 in the same period of 2008. These higher revenues were due to increased silver and lead production, which more than offset the lower realized silver and lead prices. Average mill throughput during the first six months of 2009 was 316 tpd, up 19% from 266 tpd during the same period of 2008.

The Company has not been able to realize the full benefit of its significantly higher contained metal production in the first six months of 2009 compared to 2008 due to lower metal prices and significantly higher refining costs. Average metal prices in the first half of 2009 in Canadian dollars were lower by approximately 10% for silver, 39% for lead and 30% for zinc as compared to average prices in the first half of 2008.

Mine operating expenses in the first six months of 2009 were $2,482,000, up 9% from $2,284,000 in the same period of 2008. Amortization and depletion in the first six months of 2009 was $515,000, up 17% from 441,000 in the same period of 2008. Mine operating costs per tonne in the first six months of 2009 were $57.23, up 12% from $51.14 in the same period of 2008.

Mine operating earnings in the first six months of 2009 were $1,863,000, up 8% from $1,718,000 in the same period of 2008. Net income in the first six months of 2009 was $259,000, down from $1,151,000 in the same period of 2008.

General, Administrative and Other Expenses for the three months ended June 30, 2009

General and administrative expenses in the second quarter of 2009 were $325,000, down 21% from $410,000 in the second quarter of 2008. All categories of general and administrative costs were down in the second quarter of 2009 as compared to 2008 as a result of management's efforts to reduce costs in 2009.

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 gain of $1,000 in the second quarter of 2009 as compared to a foreign exchange loss of $32,000 in the second quarter of 2008. Fluctuations in the exchange rates between the U.S. dollar, Mexican peso and Canadian dollar may have a significant impact on future net income.

During the first quarter of 2009, the Company entered into a short-term arrangement with a third party to sell lead and zinc concentrates during the Penoles refinery strike. Lead concentrates shipped to the third party in the second quarter were not accepted by the third party because the percentage of contained lead did not meet the contract specifications. As a result the Company incurred a charge to close out this contract in the amount of $336,000 which is included in other expense in the second quarter of 2009. The Company recovered approximately $72,000 of this amount by ultimately selling the lead concentrate in question at higher metal prices than it otherwise would have.

General, Administrative and Other Expenses for the six months ended June 30, 2009

General and administrative expenses for the first six months of 2009 were $772,000, up 2% from $756,000 in the first six months of 2008. Non-cash stock-based compensation expense increased to $285,000 in the first six months of 2009 from $156,000 in the same period of 2008 as a result of stock options granted in January 2009. The Company realized reductions in investor relations, promotion and travel, office rent, insurance, and office salaries in the first six months of 2009 as compared to the same period of 2008.

The Company incurred a foreign exchange loss of $109,000 in the first six months of 2009 compared to a foreign exchange gain of $119,000 in the same period on 2008. 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.

OTHER FINANCIAL INFORMATION

Summary of Quarterly Results

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

	For the three months ended							
	June 30 2009	Mar 31 2009	Dec 31 2008	Sept 30 2008	Jun 30 2008	Mar 31 2008	Dec 31 2007	Sept 30 2007
Revenues	3,404	1,457	2,221	2,244	1,756	2,687	2,110	1,604
Net income (loss)	191	68	(256)	(233)	305	845	356	(287)
Earnings (loss) per share - Basic*	0.00	0.00	(0.01)	(0.00)	0.01	0.02	0.01	(0.01)
Earnings (loss) per share - Diluted*	0.00	0.00	(0.01)	(0.00)	0.01	0.02	0.01	(0.01)
Cash and cash equivalents	4,050	5,357	5,433	7,091	8,285	8,851	10,145	4,847
Total assets	31,492	30,065	29,274	30,058	29,848	28,795	27,678	20,364
Total liabilities	6,590	5,460	4,958	5,561	5,265	4,652	4,522	2,042

* Per share numbers have been rounded to two decimal places

Liquidity and Capital Resources

Working Capital and Cash Flow

IMPACT's financial position at June 30, 2009 remained strong with $4.0 million in cash and cash equivalents (December 31, 2008 - $5.4 million) and net working capital of $6.5 million (December 31, 2008 - $7.3 million). Cash and cash equivalents decreased by $1.4 million as $0.8 million was generated from operating activities during the first six months of 2009 and $2.2 million was invested in resource properties.

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

Resource Property Expenditures

Exploration expenditures and property acquisition costs related to Zacualpan in the second quarter of 2009 were $1.1 million compared to $1.1 million in the second quarter of 2008. Expenditures on drilling and other exploration costs remained steady as the Company continues to develop the Zacualpan and Mamatla Districts.

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

Outstanding Share Data

The following common shares and convertible securities were outstanding at August 20, 2009:

	# of Shares	Exercise Price	Expiry Date
Issued and outstanding common shares at August 20, 2009	48,275,210		
Employee stock options	35,000	$1.44	February 6, 2010
	551,000	$0.42	April 13, 2010
	1,055,000	$1.40	September 5, 2012
	75,000	$1.67	October 22, 2012
	2,235,000	$0.55	January 6, 2014
Fully Diluted at August 20, 2009	52,226,210		

Of the 3,951,000 options outstanding, 2,833,500 have vested at August 20, 2009.

Related Party Transactions

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

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

During the six months ended June 30, 2009, fees in the amount of $1,245,405 (June 30, 2008 - $1,143,150) were paid to Energold for contract drilling services performed in Mexico at Zacualpan. These services were provided in the normal course of business operations at similar rates that would be offered to any other mining company. As at June 30, 2009, the balance owed to Energold was $920,606 (December 31, 2008 - $760,054).

During the six months ended June 30, 2009, fees in the amount of $83,444 (June 30, 2008 - $72,956) were paid or accrued to two directors and officers of the Company, of which $58,544 is recorded in various administrative expenditures on the income statement, and $24,900 is recorded in resource properties.

Financial Instruments and Management of Financial Risk

Financial Assets and Liabilities

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

Financial Instrument Risk Exposure

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

Credit Risk

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

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due. The Company manages liquidity by maintaining cash and cash equivalent balances available to meet its anticipated operational needs. The Company has not been required to establish committed credit facilities but will do so as necessary. Liquidity requirements are managed based on expected cash flow to ensure that there is adequate capital to meet short-term and long-term obligations. The Company has in place a planning and budgeting process to help determine the funds required to support the Company's normal operating requirements on an ongoing basis and its growth plans. At June 30, 2009 the Company did not have any significant future debt obligations.

Currency Risk

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

Interest Rate Risk

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

Commodity Price Risk

The Company is subject to commodity price risk for all the principal metals that are recovered from the concentrates that it produces. These include silver, lead, zinc, and gold. These metal prices are subject to numerous factors beyond the control of the Company including central bank sales, producer hedging activities, interest rates, exchange rates, inflation and deflation, global and regional supply and demand, and political and economic conditions in major producing countries throughout the world. The Company has elected not to actively manage our exposure to metal prices at this time.

Changes in Accounting Policies – Adoption of New Accounting Policies

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

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

Recent Accounting Pronouncements Issued But Not Yet Implemented

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

International Financial Reporting Standards ("IFRS")

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

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

Management's Report on Internal Control over Financial Reporting

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

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

Changes in Internal Control over Financial Reporting

There have been no changes in the Company's internal control over financial reporting during the three months ended June 30, 2009 that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

Approval

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

NON-GAAP MEASURES

The Company uses both GAAP and non-GAAP measures to assess performance and believes the non-GAAP measures provide useful information to investors. Following are the non-GAAP measures the Company uses in assessing performance:

Cash flows from operations before changes in non-cash working capital: Calculated as Cash flows from operations less the changes in non cash working capital (accounts receivable and prepaid expenses, inventories, accounts payable and accrued liabilities, income taxes payable, due to related party, and deferred revenue).

The Company's method of calculating these non-GAAP measures may differ from other entities, and accordingly, may not be comparable to measures used by other entities. Investors are cautioned, however, that these measures should not be construed as an alternative to measures determined in accordance with GAAP as an indicator of the Company's performance.

NOTE REGARDING FORWARD–LOOKING STATEMENTS

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

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

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

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

On Behalf of the Board of Directors,

"Frederick W. Davidson"
President and Chief Executive Officer

August 20, 2009