

IMPACT MINERALS INTERNATIONAL INC.
Form 51-102F1
Management Discussion & Analysis
For the Period Ended September 30, 2004

Forward Looking Information:

This interim management discussion and analysis ("MD & A") contains certain forward-looking statements and information relating to IMPACT Minerals International Inc. ("IMPACT" or the "Company") that are based on the beliefs of its management as well as assumptions made by and information currently available to IMPACT. When used in this document, the words "anticipate", "believe", "estimate", "expect" and similar expressions, as they relate to IMPACT or its management, are intended to identify forward-looking statements. This MD & A contains forward-looking statements relating to, among other things, regulatory compliance, the sufficiency of current working capital, the estimated cost and availability of funding for the continued exploration and development of IMPACT's exploration properties. Such statements reflect the current views of IMPACT with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the actual results, performance or achievements of IMPACT to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Aside from factors identified in the annual MD & A, additional important factors, if any, are identified here.

Highlights for the year to date:

- In the first quarter the Company announced a private placement of \$450,000 to finance ongoing activities.
- During the second quarter Mr. George Gorzynski joined the Company as Vice President Exploration and a Director.
- The Company acquired options on properties covering much of the Zacualpan Silver Mining District in central Mexico.
- In the third quarter Phase I of the exploration program commenced on Zacualpan.
- Subsequent to the end of the third quarter the Company announced a further \$750,000 private placement. The Company has now increased its large land position and, as at the date of this report, controls 125 sq. km in the Zacualpan Silver District.

Exploration:

Mexico

On June 14, 2004 IMPACT signed two option agreements with private Mexican companies for two producing silver mines, a processing plant lease, smelter contract and properties covering much of the Royal Mines of Zacualpan Silver Mining District in central Mexico. The terms of the option agreements were described in IMPACT's news release of June 17, 2004. During the quarter IMPACT staked additional concessions in its own name that gave it control over a total of 125km² and a dominant land position in the District. Maps showing mines and concessions are available for viewing on the Company's website at www.impactminerals.com.

Production and Development

Under terms of the agreements, the Mexican companies may continue mining and processing material from the properties until IMPACT exercises its purchase options. During the quarter mining continued at the Cuchara and Alacran Mines with material being trucked to the central processing plant. Development in preparation for mining was begun on the Compadres Vein and Negra Vein with plans to shift the bulk of production in 2005 to these higher grade zones. IMPACT geologists periodically visit and sample the active areas in these mines to keep informed of developments. Significant results are reported as they are received and compiled.

In late 2003 a horizontal mine drift was driven 95m along the Compadres Vein where an old mine stope was encountered (Silver Shoot #1). Sampling of this shoot returned assays ranging up to 1,128g/t Ag and 0.2g/t Au over 1.9m with a median value of 680g/t Ag and 0.3g/t Au over 0.90m in the central portion of the vein. A single drill hole intersection 50m below this old stope by the Mexican owners is reported to have intersected 3.3m grading 1,463g/t Ag and 0.2g/t.

During the quarter this Drift was further advanced and work also begun on a decline tunnel to access the high grade zone at depth indicated by the drill hole. In the drift, Silver Shoot #1 was fully exposed and shown to be a 35m long, 1-2m wide high grade lens in the central portion of the Compadres Vein which in total, is at least 8m wide here (the lower (footwall) portion of the vein has yet to be exposed). Grades vary from high values in this central portion (see above) decreasing to low values (less than 100g/t silver) toward the exposed upper contact of the vein.

At the time of IMPACT's last examination of the drift, it had been advanced 20m beyond Silver Shoot #1. Samples collected from a recent large muck (blasted rock) pile at the end of the drift returned assays of 658 g/t silver, 0.47 g/t gold and 235 g/t silver, 0.19 g/t gold. Two chip samples across a partial exposure of the vein at the end of the Drift returned assays of 177 g/t silver, 0.22 g/t gold across 1.8m (TW) and 80 g/t silver, 0.17 g/t gold across 1.5m (TW).

Exploration Work

During the quarter IMPACT crews began exploration work at the Zacualpan Silver Project. Phase One of the exploration program was planned to include data compilation, mapping and extensive sampling in order to catalogue and evaluate the numerous old silver prospects and former mines on IMPACT's properties. The results of this work will outline priority targets to be tested by a Phase Two drill program planned to begin in January 2005. Mapping and sampling will continue during Phase Two in preparation for further drilling later in 2005.

Exploration on the Compadres Vein beyond the active mine development area returned significant results from surface sampling. Sampling in a trench 165m southeast of the mine drift entrance returned 265 g/t silver, 0.77 g/t gold across 5.6m. In the same area a panel sample in surface outcrop returned 343 g/t silver and 0.32 g/t gold over an area of 8 x 3m. A sample from a small old shaft 350m southeast of the Drift entrance returned 352 g/t silver, 0.28g/t gold across 1.2m and 321 g/t silver and 0.12 g/t gold from the rock dump beside the shaft.

Other veins in the Compadres area have also been mapped and sampled. Highlights of this work include the following. The Nacho Vein exposed in the mine drift just beyond its intersection with Silver Shoot #1 returned 460 g/t silver, 0.13 g/t gold across 1.2m (TW). An unnamed vein in an old inclined shaft 90m east of the Drift entrance returned 447g/t silver, 0.31g/t gold across 2.2m.

Elsewhere on the property early stage exploration work has uncovered significant veins. The Condesa Prospect is an old mine working in the Northeast Quadrant of the property 360m southwest of the operating Cuchara Mine. Assays from seven chip samples along the 55m long exposed portion of the main vein at Condesa averaged 363g/t silver and 0.03g/t gold across 0.8m (TW) ranging up to a high of 992g/t silver and 0.05g/t gold across 0.25m (TW). Work is continuing in this area.

The Santiago Vein is exposed in an old mine working in the Southeast Quadrant of the property about one kilometer north of the Compadres Mine. Assays from seven chip samples along a 40m long exposed portion of the Santiago Vein averaged 235g/t silver and 0.31g/t gold across 0.9m (TW) ranging up to a high of 1,320g/t silver and 0.99g/t gold across 0.3m (TW). A grab sample from a small mine dump at Santiago returned 345g/t silver, 0.27g/t gold, 3.18% zinc and 0.67% lead. Work is continuing to trace the Santiago and Compadres Veins on surface toward their projected intersection which is a structurally favourable site for mineralized shoots.

The discovery of veins with significant silver values in structures well away from the known zones of mining and development work has begun to demonstrate the upside exploration potential of the under explored parts of the Royal Mines of Zacualpan Silver District. To date over 100 old silver prospects and historic mine workings have been catalogued by IMPACT geologists in the District. The ongoing Phase One work program is continuing to map and sample select numbers of these prospects and workings. This data will then be used to define priority targets for testing by a Phase Two drill program scheduled to begin in January. Mapping and sampling will continue during Phase Two in preparation for further drilling later in 2005.

History

Zacualpan is one of the oldest mining districts in North America with Spanish Colonial mining dating back to at least 1528. In 1531 it was the first mining district in the Americas to be bestowed the title of 'Royal Mines' of Zacualpan by proclamation under the Spanish Crown. It is located 100km southwest of Mexico City and 25km northwest of the famous Taxco Silver Mine. Zacualpan is a classic Mexican epithermal silver district with an abundance of veins that have seen historic production. Statistics for the early centuries of production are sporadic but in modern times recorded production between 1975-2004 was about 17 million ounces of silver (26 million ounces silver equivalent with by-product gold, lead and zinc credits). Veins presently being mined on the property typically vary from 2 to 5 meters in width. Individual production shoots are often 50 to 150 meters long and predominantly steeply dipping.

Future plans

IMPACT's plans are to carry out extensive exploration and engineering studies in order to evaluate and make a purchase decision on the Zacualpan operations. Near term plans are to begin a drill program in January 2005 to test high priority silver targets.

The National Policy technical information related to the Zacualpan project above was disclosed in a News Release issued by the Company June 17, 2004.

The Dominican Republic

The Dominican Republic continues to attract considerable interest from the industry, with the recent announcement of the Goldfields exploration joint venture with MinMet plc. and the ongoing activities of Placer Dome at Pueblo Viejo, and Falconbridge as well as a number of juniors including Unigold, Globestar, Linear, Energold and Everton.

The exploration concessions in the Dominican Republic held by IMPACT constitute a block covering highly favourable stratigraphy in the eastern end of the Los Ranchos formation. The area has been tectonically active in the past with numerous faults and cross-faults, which IMPACT believes offers the opportunity for mineralization. IMPACT holds a block of concessions in the Los Ranchos Formation, some 100 kilometers east of Pueblo Viejo gold deposit hosted in the same rocks, including a number of which are currently under reapplication. The block of concessions includes El Brujo and La Bruja located on a distinctive Northwest trending structure. South of El Brujo, separated by another of IMPACT's concessions, lies the Baritina concession where previous work identified at least two zones of mineralization.

IMPACT is awaiting licence renewals for its Dominican Republic concessions and did not carry out any work on these projects in this quarter.

Investor relations:

IMPACT took major steps to expand its investor relations activities during and subsequent to the quarter ended September 30, 2004. While continuing its policy of attending at trade and investors conferences in Canada, the Company launched a new website, engaged two investor relations service companies – one to focus on Europe/International and one to focus on North America. The Company engaged the services of Fryban Financial S.A. of Switzerland (“Fryban”) to provide ongoing consultation on investor relations and external communications. Fryban is to receive \$4,000 per month and 300,000 options at \$0.20 per share good for two years. Subsequent to the end of the quarter, SRW Capital Corp. was contracted to provide investor relations and communication services in the North American market for \$1,500 per month and a two-year stock option for 50,000 shares at \$0.30 per share. Both appointments are subject to regulatory approval.

The Company launched a new website subsequent to the quarter end at www.impactminerals.com. The new site has up-to-date and detailed information on IMPACT’s projects, as well as corporate and other information.

Financial discussion:**Risk factors:**

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

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

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

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

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

The interim consolidated financial statements for the quarter ended September 30, 2004 have been prepared on the basis of accounting principles applicable to a going concern. This assumes that IMPACT will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. IMPACT has incurred operating losses over the last several fiscal years, has limited financial resources, no source of operating cash flow, and no assurance that sufficient funding, including adequate financing, will be available to further explore its mineral projects and to cover the overhead costs necessary to maintain a public company in good standing.

IMPACT’s financial statements do not reflect adjustments that would be necessary if the going concern assumption was not appropriate because management believes that actions can be taken or planned that will mitigate the adverse conditions and events that raise doubt about the validity of the going concern assumption used for these financial statements. If the going concern assumption was not appropriate for these financial statements, then adjustments would be necessary in the carrying values of assets, liabilities, the reported income and expenses and the balance sheet classifications used.

Results of Operations:

Selected Annual Information (Canadian \$)

Description	2003	2002	2001
Total revenues	N/A	N/A	N/A
Net income (loss)	(116,309)	(103,589)	(58,376)
Net income (loss) per share	(0.01)	(0.01)	(0.01)
Dividends	Nil	Nil	Nil
Total assets	942,951	993,416	1,068,372
Total long-term financial liabilities	N/A	N/A	N/A
Cash dividends declared	N/A	N/A	N/A

Over the years 2001 to 2003, due to poor equity market conditions, the Company limited its exploration activities to its current projects in the Dominican Republic. In April 2001, a joint venture agreement with a third party provided for exploration on its principal properties during the next two years without further demands on the Company's limited resources. Funding of ongoing activities has been through advances by its controlling shareholder Energold Mining Ltd., and through some limited share issues.

In 2003, the Company adopted the new recommendations of CICA Handbook Section 3870, stock-based compensation and other stock-based payments, which applies to all awards granted on or after January 1, 2002. This new standard requires that all stock-based awards made to employees and non-employees be measured and recognized using a fair value based method. In prior years, stock-based compensation expense was recognized only when stock-based compensation awards were made to non-employees, while pro-forma disclosure was acceptable for awards made to employees. This resulted in a charge of \$34,246 to income during the year.

Summary of Quarterly Results (Canadian \$)

(Note 1)

Period	Revenues	Net Income (loss)	Net Income (Loss) per Share	Fully diluted Net Income (Loss) per Share	Total Assets	Total Long-term Liabilities
3 rd Quarter 2004	Nil	(76,494)	(0.01)	(0.01)	1,292,892	Nil
2 nd Quarter 2004	Nil	(56,888)	(0.01)	(0.01)	1,282,662	Nil
1 st Quarter 2004	Nil	(61,927)	(0.01)	(0.01)	1,080,269	Nil
4 th Quarter 2003	Nil	(49,272)	(0.01)	(0.01)	942,951	Nil
3 rd Quarter 2003	Nil	(13,819)	0.00	0.00	941,138	Nil
2 nd Quarter 2003	Nil	(32,581)	0.00	0.00	950,901	Nil
1 st Quarter 2003	Nil	(20,637)	0.00	0.00	970,633	Nil
4 th Quarter 2002	Nil	(39,609)	(0.01)	(0.01)	993,416	Nil

Administrative expenses for the nine months were \$188,220 compared to \$67,000 in 2003. Due to recent changes in requirements for reporting the IMPACT of stock options granted, the Company recorded a stock based compensation expense of \$28,385 for the quarter and \$72,258 for the year to

date. This resulted in the largest dollar increase in expenses for both periods and a corresponding adjustment to shareholders equity for the deemed value of the options granted.

In spite of increased regulatory requirements the Company managed to maintain most of its administrative expenditures in line with last year with the some significant exceptions, including accounting, audit and legal. Of this, legal fees increased from \$9,804 in 2003 to \$44,295 in 2004. This was primarily related to the cost of granting of options, the private placement that closed in April, and the legal costs related to the option on the Zacualpan silver project. Transfer agent's fees and filing fees increased primarily due to the granting of options and the private placement in April. As part of the Company's need to enhance shareholder value, investor relation costs increased from \$2,990 to \$14,682. This included attending conventions, promotional material and consultant's fees. All of these items are expected to remain at a higher level of expenditure for the balance of the year.

With the increase in activity related to the Zacualpan exploration, it is anticipated that the cost of office services and salaries will also continue to increase.

Property expenditures in the Dominican Republic totalling \$10,128 were limited to some fieldwork, government filings and re-applications for certain concessions. Expenditures related to Zacualpan for the period were \$154,727. Expenditures of \$97,500 represented the commencement of exploration on the Zacualpan silver project as the Company engaged in its first phase of mapping, surveying and sampling in the district. Property acquisition costs for the period were \$57,227, including option payments and the cost of staking additional ground.

A further \$6,679 of reconnaissance expenditures in Mexico was written off in the first quarter.

Liquidity and Capital Resources:

At September 30th, working capital was \$99,612 compared to a deficit of \$43,087 in September of the prior year. The Company closed a \$450,000 private placement in April 2004 for 3,000,000 units at \$.15 per unit. Each unit consisting of a share and a share purchase warrant with 2,500,000 warrants exercisable at \$0.165 and 500,000 warrants at \$0.185 to purchase an additional share for one year. The proceeds will be used for general corporate purposes. The Company granted a further 214,166 warrants at \$0.165 as a finder's fee. All the warrants expire April 14, 2005.

Year to date, 50,000 share purchase warrants were exercised at a price of \$0.12 per share, with the balance of the 950,000 warrants at \$0.12 expired June 24, 2004.

A summary of the Company's options at September 30, 2004 and the changes for the period are as follows:

Number Outstanding September 30, 2003	Issued	Exercised	Forfeited	Expired	Number Outstanding September 30, 2004	Exercise Price Per Share	Expiry Date
620,000	-	(10,000)	-	(10,000)	600,000	\$0.10	October 20, 2004
-	780,000	-	-	-	780,000	\$0.13	October 20, 2008
-	300,000	-	-	-	300,000	\$0.20	August 31, 2006
-	475,000	-	-	-	475,000	\$0.15	May 12, 2009
620,000	1,555,000	(10,000)	-	(10,000)	2,155,000	\$0.10 -\$0.15	October 20, 2004- May 12, 2009

Subsequent to the end of the quarter, a further 425,000 options were exercised at a price of \$0.10, with the balance of the options expiring October 20, 2004.

On May 12, 2004 the Company granted additional incentive stock options under its Stock Option Plan to directors and employees exercisable for up to 475,000 shares of the Company. The options are exercisable on or before May 12, 2009 at an exercise price of \$0.15 per share.

As disclosed above further options have been granted to Fryban and SRW Capital Corp. under investor relations contracts.

Subsequent Events

In October 2004, the Company announced a private placement of 2,500,000 units at a price of \$.30 per unit. Each unit consisting of a share and a share purchase warrant entitling the holder to acquire one additional share at \$0.30 for the first year and \$0.35 per share for the second. The Company will pay a finder's fee in connection with the placement in accordance with policies of the TSX Venture Exchange. The private placement is subject to regulatory approval.

Proceeds from the placement will be applied to the ongoing work on the Company's Zacualpan Silver project and added to working capital.

Subsequent to the end of the quarter, a total of 2,746,004 options were approved for issuance under the Company's Stock Option Plan by regulatory authorities.

Effective November 1, 2004, the Company and Energold entered into a management services agreement whereby costs incurred on behalf of the Company by Energold will be charged at cost plus 15%. Shared costs will be based on a pro rata formula agreed by both the parties.

On November 1, 2004, the Company entered into a management agreement with one director for fees of \$2,500 per month for a period of twenty-four months, renewing automatically on a month by month basis for one year thereafter. This replaces a previous agreement.

Transactions with Related Parties

As part of the aforementioned \$450,000 private placement, Energold Mining Ltd. ("Energold"), the controlling shareholder, purchased 393,334 of the above units which resulted in Energold owning or controlling 5,406,667 common shares of the Company, not including any shares issuable upon the exercise of warrants. Each unit consists of one common share and one share purchase warrant. One share purchase warrant entitles the holder to acquire one common share at a price of \$0.185 per share until April 14, 2005.

To September 30, 2004, Energold has provided IMPACT with furnished office space and other service costs, like resource property costs or public relations expenses at specified charge out rates. Energold also recovers miscellaneous charges, such as postage, on the basis of IMPACT's actual usage. Investor relations' activities are carried out by the 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, and are charged on an as used basis. Administrative services fees of \$1,321 (2003 - \$1,901) were charged by Energold in the first nine months of 2004. As at September 30, 2004, the balance owed to Energold was \$27,264, which was non-interest bearing.

During the nine months ended September 30, 2004, fees in the amount of \$40,470 (2003 - \$27,000) were paid or accrued to three directors of the Company, of which \$26,940 is shown as management fees and consulting, and investor relations on the income statement and \$13,530 is shown in mineral properties.

Changes in Accounting Policies

The interim consolidated financial statements for the quarter and nine months ended September 30, 2004 followed the same accounting policies and methods of application in the most recent annual financial statements.

Off-balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Financial Instruments and Other Instruments

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

Approval

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

Additional Information

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

On Behalf of the Board of Directors,

"Frederick W. Davidson"
President
November 17, 2004