ANNUAL REPORT 2009

IMPACT SILVER CORP

IMPACT Silver Corp. is a low-cost silver producer that controls two large mineral districts in southern Mexico.

The Company currently produces silver at the Royal Mines of Zacualpan, while advancing the 200-square-kilometer Mamatla district toward production. IMPACT runs an extensive ongoing drill program which has yielded several mines to date, all funded 100% from cashflow. The Company has 12 mineral concessions as well as a recently purchased 200-tpd mill in the Zacatecas Silver District (Mexico).

Having had positive mine earnings and cash flow from its first day of production and onward, the Company has established itself as a self-sustaining junior silver producer. More than three years after its last financing IMPACT has zero debt, a healthy balance sheet, robust cash position and is aggressively looking to grow production both organically and through acquisitions.

IMPACT trades on the TSX Venture Exchange under the symbol IPT.

LETTER TO SHAREHOLDERS

DEAR FELLOW SHAREHOLDERS,

In 2009, IMPACT set many milestones positioning itself as a leading profitable silver producer with record production levels and a fourth consecutive year of revenue growth. The Company had significant strides on its exploration efforts, with a series of positive drill results on existing and new mine targets, but more importantly defining an initial NI 43-101 compliant mineral resource estimate on its Mamatla Mineral District.

With the economic environment more stable than it was in 2008, IMPACT's operational flexibility allowed it to remain profitable, maintain a strong cash position and working capital, while remaining cash-flow positive for 2009.

IMPACT now controls almost two entire mineral districts in Central Mexico; the Royal Mines of Zacualpan Silver District, with our Chivo, San Ramon, Guadalupe and Noche Buena Mines and over 1,600 old mine workings, and the Mamatla Mineral District, with over 70 mineral prospects, immediately southwest of Zacualpan. More recently, The Company acquired full ownership of the Veta Grande Silver project in the Zacatecas Silver District.

IMPACT's ongoing success will realize its long term goal to expand its land package through consolidation and create multiple processing districts.

Financial Results

As a result of the gradual recovery from the global economic crisis, commodity prices have stabilized relative to 2008. At December 31st 2009, metal prices had increased by about 5% for silver, and decreased by 12% for lead and 5% for zinc from prices prevailing at the beginning of the year.

Within this balanced price environment, IMPACT remained profitable in 2009. Our net earnings for 2009 was $1, 159,661, up 75% from $662,000 in 2008. The Company generated revenues (net smelter returns) for the year of $12,176,115, up 37% from $8,907,958 in spite of higher refining costs. Processing costs for 2009 were higher as the Company produced a greater amount of ore from its flagship Chivo mine. Mine operating costs before amortization and depletion in 2009 were $6,673,166, up 23% from $5,423,910 in 2008. IMPACT continues to have amongst the lowest production costs in Mexico. Revenue per production tonne sold was $109.51, up 22% from $89.89 while direct costs per tonne produced marginally increased to $60.39, up 10% from $54.80.

The Company ended the year with cash of $5.3 million and no long-term debt.

IMPACT was able to take responsive action to positive market changes in 2009. To date our response has been two-fold: to reschedule production to mines with higher silver grades and to sell stockpiled lead and zinc concentrate as lead and zinc prices have recovered favourably.

THE YEAR IN REVIEW

Production

In 2009, IMPACT's production profile continued its focus on silver and shifted back towards lead and zinc. Silver production for the year reached 823,571 oz., up 30% from 635,668 oz in 2008 and 136% from 348,949 oz in 2007. This is due in part to the high grade silver ore from Chivo Mine and expansion at the San Ramon Mine through development of an underground access to a parallel structure, the Chaparrita Vein.

In 2009, we invested in ongoing upgrades to our Guadalupe mill in Zacualpan. These investments are designed to move us closer to the maximum capacity of the mill at 500 tonnes per day.

Exploration

In 2009, we invested in many key projects within our Zacualpan and Mamatla districts. With an exploration budget similar to 2008, we carried out 11,700 meters in surface drilling and 3,800 metres of underground drilling. A milestone for the Company was establishing an initial NI 43-101 compliant mineral resource estimates for the two adjacent zones, Capire and Aurora 1 located in the Mamatla Mineral District including 7.2 million oz silver, 94.3 million lbs zinc and 38.8 million lbs lead. The Capire and Aurora are Volcanigenic Massive Sulphide deposits ("VMS") and at least partially amenable to open pit mining. Both Zones are currently in the mine planning and economic assessment stage and remain open for expansion. Our prospecting team continued work in both districts and to date, over 1,600 old mine workings and prospects representing almost 500 years of mining history in the districts, have been located in the field and entered into the GIS database.

Subsequent to the year end, the Company exercised an agreement to purchase a third processing plant with a capacity of 200 tonnes per day as part of its "Veta Grande Silver Project" in the Zacatecas mining district of Mexico.

The Year Ahead

IMPACT is well positioned to continue to operate profitably and grow organically with minimal capital investment and through acquisitions, should the right opportunity arise. We are also in the fortunate position to be able to continue to move ahead with exploration activities with the global economy slowly recovering. These activities will be funded primarily through existing cash balances and cash flow from operations. Consistent with our goal to remain cash flow positive in 2009, we look forward to expanding our exploration efforts in 2009.

Production Expansion

In 2010, we intend to increase overall production levels by focusing on silver production from our higher-grade Chivo and San Ramon Mines and putting our new Noche Buena Mine into full commercial production. The Noche Buena Mine will be the third new mine that has been taken from discovery to production by the IMPACT team since 2006. From the time first assays were received from the discovery drill hole in January 2009 to production in March 2010, approximately 15 months elapsed. With a careful eye on costs, we will continue to invest in upgrades on our Guadalupe Mill to allow us to increase throughput to 500 tonnes per day.

Significant Exploration Activity

In 2009, our exploration efforts will remain focused on the Zacualpan District, but with an emphasis to expand the mineral resource estimate at the Capire Aurora 1 Project at Mamatla Mineral District. Our drilling program for 2009 will be expanded and focus on targets that have been advanced to the point of near-term production potential. These activities will take place in conjunction with underground development work. We have also budgeted for an expansion of both reconnaissance and development exploration programs.

In the course of all production and exploration activities, IMPACT is committed to operating in an environmentally and socially responsible manner, while investing in the communities in which we operate.

In closing, on behalf of the Board of Directors, I would like to express our appreciation for the hard work and efforts of our employees and staff in Mexico and Canada over the past year and your ongoing support as a loyal shareholder.

Frederick W. Davidson
President, CEO

April 5, 2010

MANAGEMENT'S DISCUSSION & ANALYSIS

For the Period Ended December 31, 2009

INTRODUCTION

This Management's Discussion and Analysis ("MD&A") of IMPACT Silver Corp. ("IMPACT" or "the Company") is dated April 5, 2010. This MD&A should be read in conjunction with the audited annual consolidated financial statements of IMPACT Silver Corp. and the notes thereto for the year ended December 31, 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

- 2009 was a year of records for IMPACT Silver with record silver, lead, and zinc production, and record revenues, net earnings and cash flows from operations. IMPACT also continued to have great success in its exploration activities in 2009 (see following page).
- Silver production for the year reached 823,571 oz., up 30% from 635,668 oz. in 2008 and 136% from 348,949 oz. in 2007.
- Revenues for the year reached $12.2 million, up 37% from $8.9 million in 2008.
- Net earnings for the year reached $1.16 million, up 75% from $0.66 million in 2008.
- Cash flows from operations before changes in non-cash working capital were $3.8 million, up 72% from $2.2 million in 2008.
- After investing $4.5 million in property, plant and equipment, resource properties and exploration during 2009, the Company had cash and cash equivalents of $5.3 million at December 31, 2009.
- On March 17, 2010 IMPACT completed the purchase of the 200 tpd Veta Grande processing plant located at the Veta Grande Silver Project in Zacatecas, Mexico, through its wholly-owned Mexican subsidiary, Minera Aguila Plateada SA de CV ("MAP").

Exploration Results

Noche Buena

- On September 24, 2009, IMPACT announced a positive production decision at the new Noche Buena Mine and on March 4, 2010 announced that mining had commenced at Noche Buena.
- On April 8, 2009, IMPACT announced wide drill intersections of silver mineralization on the Noche Buena Zone including 204 g/t silver across 8.55 meters true width ("TW") and 280 g/t silver across 4.54 meters TW.
- On July 21, 2009, IMPACT 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.
- On December 7, 2009, IMPACT announced further drill results from the north extension of the Noche Buena Zone including 1,078 g/t silver across 3.27 meters and 499 g/t silver across 3.78 meters.

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."

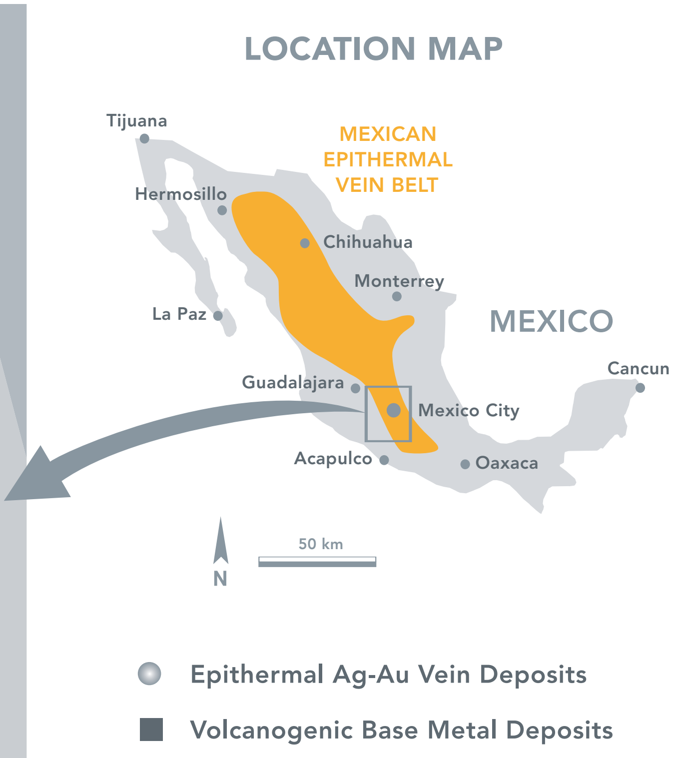
CHIVO MINE UNDERGROUND

Capire and Aurora 1

- On November 17, 2009, IMPACT announced initial NI 43-101 compliant mineral resource estimates for the Capire and Aurora 1 Zones located in the Mamatla Mineral District. The combined Capire and Aurora 1 measured and indicated mineral resource estimates reported at that time included 7.2 million ounces silver, 94.3 million lbs zinc and 38.8 million lbs lead based on a US$20/tonne in ground metal value envelope.
- On March 17, 2010, IMPACT announced the completion of the second phase drill program at the Aurora 1 Zone. Subsequent to the drilling which defined the mineral resource estimates above, an additional 27 holes (2,931 meters) were completed in the Aurora 1 Zone. The additional holes expanded the limits of the Aurora 1 Zone to the east and west including intersections which expanded the higher grade central core. Drill results included 446 g/t silver, 7.7 g/t gold, 3.8% lead, and 7.5% zinc across 2.0 meters. The zone remains open for expansion to the east and west. Drilling is now proceeding on the nearby Capire Zone. Capire and Aurora 1 are separated by 200 meters and planned drilling of this gap may unite them. NI 43-101 mineral resource estimates will be updated when this current phase of drilling is completed on both zones.

Other targets

- On October 6, 2009, IMPACT announced first drill results from the Santa Lucia Zone located 3.7 kilometers southeast of the processing plant. Highlights included 600 g/t silver across 1.43 meters and 1,905 g/t silver across 0.57 meters. On December 16, 2009, IMPACT announced further drill results from the Santa Lucia Zone including 466 g/t silver across 3.2 meters and 1,128 g/t silver across 0.87 meters.
- 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.
- On May 27, 2009, IMPACT also reported drill 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 August 11, 2009, IMPACT announced that the Geographic Information System database work on the Zacualpan and Mamatla Districts had compiled 1,274 old mine workings and prospects and this has contributed to a significant increase in the exploration drilling success rate.



Corporate Overview

IMPACT is a natural resource mining and development company, primarily engaged in the acquisition, exploration, development and mining of natural resource properties located in Mexico and the Dominican Republic. IMPACT currently produces concentrates containing silver, lead, zinc and gold at the Royal Mines of Zacualpan in the State of Mexico with a processing plant rated at 500 tonnes per day ("tpd"). The Company also owns a semi-portable 200 tpd processing plant for potential use at its projects in the Zacualpan and Mamatla Mineral Districts. Subsequent to year end the Company exercised an option to purchase a third processing plant with a capacity of 200 tpd at the "Veta Grande Silver Project" in Zacatecas, Mexico.

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 is currently undertaking a three-part process of exploration, development and mine production at the Royal Mines of Zacualpan Silver District and adjacent Mamatla Mineral 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 2009 the Guadalupe mill processed an average of 313 tpd, up 12% from 2008. With the addition of development muck from the Noche Buena Mine the Guadalupe mill is expected to be processing in excess of 400 tpd by the second quarter of 2010. The second objective is to continue exploration and prepare for development 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. IMPACT continued to make progress towards each of these three objectives throughout 2009.

On March 4, 2010, IMPACT announced that mining had commenced at the Noche Buena Mine. Initial production is planned for 80 to 120 tonnes per day and will increase during the year as multiple mining faces are developed. The Guadalupe processing plant was upgraded in the first quarter of 2010 to accommodate the additional Noche Buena production.

The Noche Buena Mine will be the third new mine that has been taken from discovery to production by the IMPACT team since 2006. From the time first assays were received from the discovery drill hole in January 2009 to production in March 2010, approximately fifteen months elapsed. This ability to fast track new mines into production is a cornerstone of IMPACT's plan to rapidly grow silver production in the Zacualpan and Mamatla Districts.

The additional mill feed from Noche Buena will contribute approximately 80 to 120 tpd and will help the Company increase throughput at its Guadalupe mill and will enable the mill to ultimately reach its rated capacity of 500 tpd. The Company has budgeted approximately $0.4 million for capital expenditures required to attain this additional production from Noche Buena. Expenditures are for additional underground and surface equipment as well as electrical facilities at the mine.

In November 2009, IMPACT announced the first NI 43-101 compliant mineral resource estimates for the Capire and Aurora 1 Zones including 7.2 million ounces silver, 94.3 million lbs zinc and 38.8 million lbs lead. The adjacent Capire and Aurora 1 Zones are currently in the mine planning and economic assessment stage. Both the Capire and Aurora 1 Zones remain open for expansion and infill and expansion drilling on both zones is in progress. Capire and Aurora 1 are located in the Mamatla Mineral District, 16 kilometers southwest of IMPACT's active mining and processing operations at Zacualpan.

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 December 31, 2009, the Company had cash and cash equivalents of $5.3 million held primarily with a Canadian Tier 1 Bank.

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 272-square-kilometers of mineral concessions, operating mines and a processing plant 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 months and year ended December 31, 2009:

	Three months ended			Year ended		
	Dec 31 2009	Dec 31 2008	% Change	**Dec 31 2009**	Dec 31 2008	% Change
Total tonnes (t) produced	**28,921**	26,343	+10%	**114,340**	102,426	+12%
Tonnes produced per day	**314**	286	+10%	**313**	280	+12%
Silver production (oz)	**160,613**	213,876	-25%	**823,571**	635,668	+30%
Lead production (t)	**206**	257	-20%	**969**	813	+19%
Zinc production (t)	**279**	300	-7%	**1,098**	1,053	+4%
Revenue per production tonne sold	**$91.08**	$86.03	+6%	**$109.51**	$89.89	+22%
Direct costs per tonne produced	**$65.02**	$56.82	+14%	**$60.39**	$54.80	+10%

(For financial results see "Financial Discussion" below) Note: all measurements are metric (other than silver) and are subject to smelter settlements.

LOCATION MAP

ROYAL MINES OF ZACUALPAN AND MAMATLA DISTRICT SECTORS

UNDERGROUND MINERALIZATION IN CHIVO MINE

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. In the fourth quarter of 2007 mining began at the new Chivo Mine which is now the principle production center and mining was suspended at the lower grade Guadalupe Mine. In early 2008 the San Ramon Mine was brought back into production and through 2009 provided an increasing source of ore for processing. Subsequent to year end in March 2010, mining began at the new Noche Buena Mine.

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 successful exploration and development done over the last three 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.

Chivo Mine

During 2009 Chivo provided 80% (2008 – 60%) of mill feed. High grade silver 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 is now the main production adit for the Chivo Mine. 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, 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, Chivo is providing the majority of the higher grade feed to the Guadalupe processing plant.

San Ramon Mine

During 2009 San Ramon provided 20% (2008 – 7%) 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 Guadalupe mill; however, operating costs were substantially rising and ore delineation became increasingly more complex due to the nature of the mine access, causing the Company to temporarily cease mining. 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 developed underground access to a parallel structure, the Chaparrita Vein. During the third quarter of 2009, a new wide zone of silver-rich stockwork breccia style mineralization was discovered on level 5.5 and is expected to increase production at San Ramon.

Noche Buena Mine

Subsequent to year-end in March 2010, mining began at the newest addition to IMPACT's production profile, the Noche Buena Mine located four kilometers southwest of the Guadalupe processing plant. Initial production is planned at 80 tonnes per day and will increase later in the year as additional mining faces are developed. To date drilling has defined the upper levels of the Noche Buena Zone over a strike length of 400 meters, a depth of 100 meters and an average width of 3 meters. The zone remains open for expansion.

The Noche Buena Project is the third new mine that has been taken from discovery to production by the IMPACT technical team. From the time first assays were received from the discovery drill hole (January 2009) to projected commercial production in April 2010, approximately 15 months has elapsed. This ability to fast track new mines into production is a cornerstone of IMPACT's plans to rapidly grow silver production in the Zacualpan-Mamatla Districts.

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 33% of the mill feed in 2008 was from mining of medium grade ore 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; this 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 relatively lower silver grades. The Company will recommence mining at the Guadalupe and Gallega mines when higher zinc prices allow for profitable mining in these areas.

Processing Plant

At the Guadalupe processing plant, which has a design capacity of approximately 500 tpd, the ongoing program of upgrades designed to enhance recoveries and improve processing economics is continuing. In early 2010 additional flotation cells were added to the flotation circuit which will improve efficiencies and recoveries. The Company has budgeted $0.6 million in 2010 for processing plant upgrades, in part to accommodate ore from the Noche Buena Mine.

The Company is continuing work to increase tailings capacity and enhance the tailings 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 placed three new mines (Chivo, San Ramon/Chaparrita, and Noche Buena) into production over the past four years along with various satellite deposits. The Capire and Aurora 1 Zones in the Mamatla District are now in the mine planning and metallurgical testing stages.

During 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 year follows.

Data Compilation

Since 2004 IMPACT has been reporting results from a large number of old mines and prospects in the Zacualpan and Mamatla Districts. To organize the results of this extensive field work, historical information and assays, IMPACT is compiling a computer Geographic Information System ("GIS") database encompassing all past mining and exploration data in the districts. To date over 1,600 old mine workings and prospects representing almost 500 years of mining history in the districts, have been located in the field and entered into the GIS database. In 2009 the GIS database reached a critical mass of information and is now the main engine for generating and prioritizing drill targets.

Noche Buena Mine Development Project

In the fourth quarter of 2008 IMPACT announced the commencement of a large drill program in the Noche Buena and during the third quarter of 2009 a production decision was made. Mine construction began in the fourth quarter of 2009 and mining commenced in the first quarter of 2010.

During 2009 IMPACT issued five news releases with significant drill assays from Noche Buena and announced a production decision for the Noche Buena Mine. The following table summarizes the most significant results in the shallowest part of the zone which is now being developed.

Noche Buena Vein Upper Level Drill Intersections

Drill Hole	From (M)	To (m)	Intersection (m)	Silver (g/t)	Gold (g/t)
SECTION 1400N					
Z09-39	52.75	55.83	3.08	589	0.2
Including	52.75	54.15	1.40	940	0.1
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. Other veins intersected in the drilling above and below the Noche Buena Vein returned high grade silver values including 499 g/t silver over 3.8 meters in drill hole Z09-39 and 1,078 g/t silver over 3.3 meters in drill hole Z09-43 and will be incorporated into the mining plan. Further drilling is planned to expand the zone.

Santa Lucia Zone

In 2009 IMPACT completed a Phase One drill program in the Santa Lucia area located 4 kilometers southeast of the Guadalupe processing plant. Detailed geological mapping, soil sampling and rock sampling earlier in the year outlined a variety of high-grade silver drill targets consisting of old mine workings and outcropping veins along a northwesterly trending structural corridor that is coincident with a strong silver-gold-lead-zinc soil geochemistry anomaly. Phase One drilling tested a variety of these targets with drill holes spaced at 50 meter intervals to determine the focus for additional drilling. Summarized below are highlights from these initial drill holes:

Santa Lucia Area 2009 Drill Intersection Highlights

Drill Hole	From (M)	To (m)	Intersection (m)	Silver (g/t)	Gold (g/t)
SECTION 1700N					
Z09-50	13.7	14.7	1.0	602	0.02
Z09-51	34.3	35.7	1.5	141	0.01
SECTION 1600N					
Z09-47	60.6	66.9	6.3	278	0.01
including	63.7	66.9	3.2	467	0.01
including	63.7	64.7	0.9	1,185	0.02
Z09-54	163.5	165.1	1.6	312	0.06
SECTION 1550N					
Z09-35	69.9	70.5	0.6	871	0.04
And	81.4	82.9	1.4	600	0.08
Including	82.2	82.9	0.7	893	0.15
Z09-37	73.2	73.8	0.6	1,905	0.15
And	81.2	82.4	1.1	196	0.01
Z09-52	203.0	205.1	2.1	134	0.04
Z09-53	216.1	218.5	2.4	419	0.03
And	263.0	264.4	1.4	153	0.45
SECTION 1500N					
Z09-55	232.7	233.8	1.1	372	0.01
SECTION 1450N					
Z09-34	155.4	156.6	1.2	160	0.02

Drill Hole	From (M)	To (m)	Intersection (m)	Silver (g/t)	Gold (g/t)
SECTION 1350N					
Z09-56	121.4	121.9	0.5	331	0.06
SECTION 1300N					
Z09-57	122.5	124.5	2.0	168	0.06
Z09-58	29.5	30.3	0.9	1,128	0.01
And	213.0	215.1	2.1	274	0.05
SECTION 1250N					
Z09-59	135.1	136.0	0.9	377	0.01

A Phase Two drill program in 2010 will continue 50 meter spaced drilling on Section 1600N at depth where the silver-bearing structures are becoming better defined and to the south of Section 1250N where several previously unknown old mine workings may be continuous with the famous Chontalpan Mine located 2 kilometers to the southeast. Historic reports describe the Chontalpan Mine as a large, very high grade silver producer dating back to at least the 1760's.

Nido de Oro Area

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

Nido De Oro Area (Horqueta Vein)

Drill Hole	From (m)	To (m)	Interval (m)	True Width (m)	Silver (g/t)	Gold (g/t)	Lead (%)	Zinc (%)
Z09-13	85.4	91.6	6.2	5	227.8	2.2	1.18	3.71
Including	85.4	87.9	2.5	2	342.9	5.2	1.24	4.08

This main northeasterly dipping Gold-Silver Horqueta Vein has been traced in trenches on surface for 1.9 kilometers and an additional series of silver-bearing 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 Horqueta Vein mineralization is open for expansion to the north.

Las Aguilas Zone

The Las Aguilas Zone is located 4.2 kilometers west of IMPACT's Guadalupe processing plant. It is host to a series of southwesterly dipping veins that are partially exposed in historic underground workings and in surface outcrops where rock chip samples returned up to 287 g/t silver and 3.25 g/t gold. Initial drill holes at Los Aguilas returned the following values:

Las Aguilas Zone 2009 Drill Holes

Drill Hole	From (m)	To (m)	Interval (m)	True Width (m)	Silver (g/t)	Gold (g/t)	Lead (%)	Zinc (%)
SECTION 2050N								
Z09-07	27.8	30.5	0.8	0.7	239.0	0.1	0.08	0.13
And:	42.5	45.8	3.3	3.3	236.3	0.1	0.23	0.41
And:	51.3	51.8	0.5	0.5	2,040.0	0.4	1.42	2.23
Z09-08	46.0	46.6	0.6	0.5	362.0	0.2	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. Additional drilling is planned.

Zacualpan Early Stage Exploration

IMPACT employs field crews dedicated to early stage exploration throughout the District. These crews have been sampling some of the 1,600+ old mine workings and prospects in the project area, trenching areas of mineralization and carrying out extensive soil sampling on 100 meter x 25 meter grids. During 2009 this work included mapping and sampling of soils and rocks in the Golondrinas, Santa Lucia, Chontalpan North, Principe, Condesa, 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 kmÇ 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. The Capire and Aurora 1 Zones in the Mamatla District are now in the mine planning and metallurgical testing stages.

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) achieved commercial production in April 2009 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

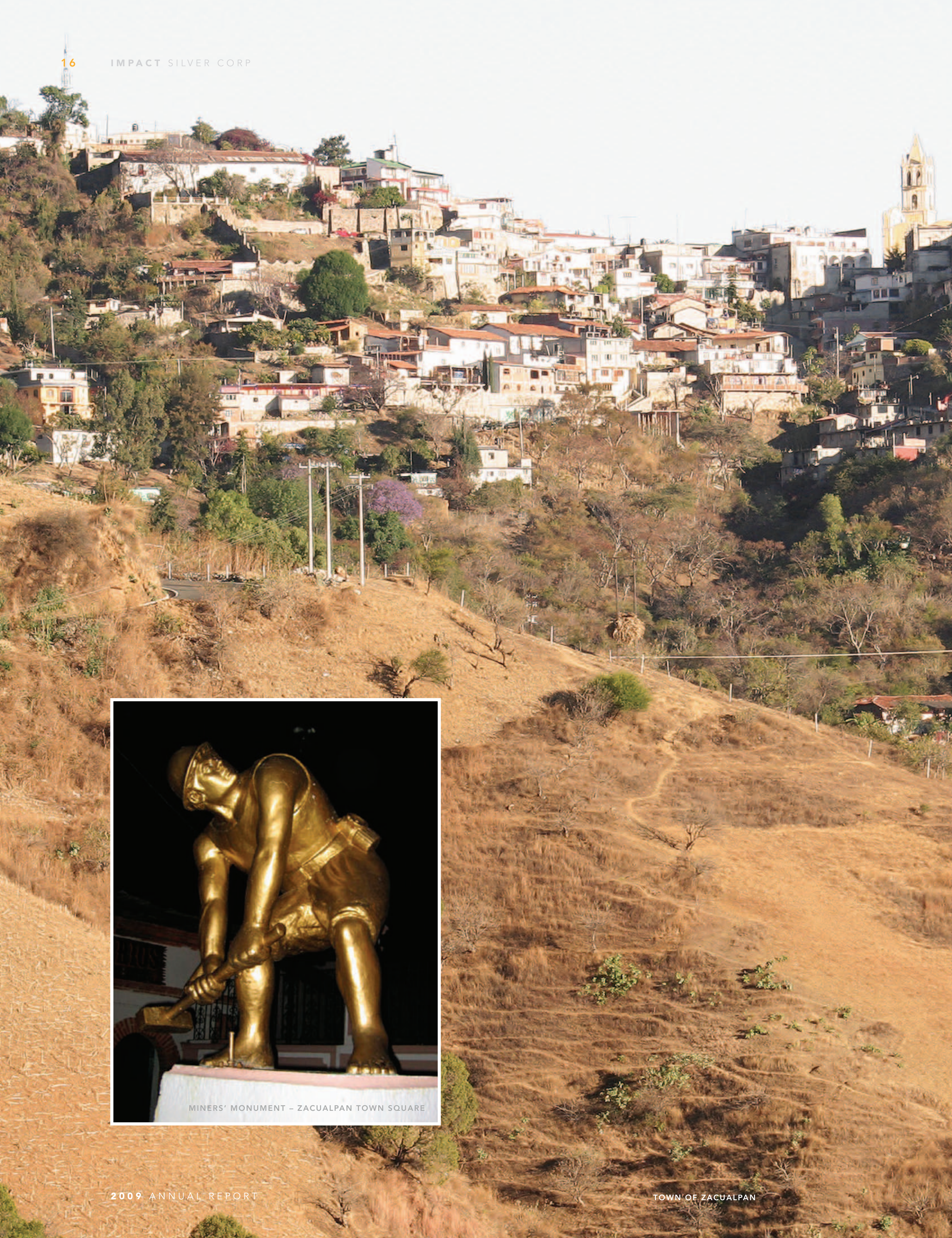
The most advanced targets at Mamatla are the Capire and Aurora 1 VMS Zones, which were discovered less than one kilometer apart and were initially drilled by prior operators in the 1990s. In the fourth quarter of 2009 IMPACT announced initial NI 43-101 compliant mineral resource estimates for the Capire and Aurora 1 Zones. The combined Capire and Aurora 1 Measured and Indicated Mineral Resource Estimates total 7.2 million ounces silver, 94.3 million lbs zinc and 38.8 million lbs lead. Both zones remain open for expansion. Infill and expansion drilling on both zones is currently underway. Subsequent to year end in March 2010, additional drill results were announced from the Aurora 1 Zone.

A summary by zone of the total classified Measured and Indicated Mineral Resources inventory and separately, Inferred Mineral Resources based on a 3D geological model is as follows:

Classified Mineral Resources: Measured + Indicated and Separate Inferred

Zone	Classification	Tonnes	Ag (g/t)	Au (g/t)	Cu (%)	Pb (%)	Zn (%)
Capire	Measured + Indicated	3,114,488	52.31	0.202	0.07	0.39	1.02
Aurora 1	Measured + Indicated	1,215,798	52.07	0.201	0.08	0.46	0.92
Grand Total	Measured + Indicated	4,330,286	52.24	0.201	0.07	0.41	0.99
Capire	Inferred	218,617	49.41	0.188	0.06	0.35	0.94
Aurora 1	Inferred	85,836	46.89	0.166	0.07	0.38	0.88
Grand Total	Total Inferred	304,453	48.7	0.182	0.07	0.36	0.92

No adjustments have been made for mining or metallurgical recoveries and no economic cut off values have yet been determined.



TOWN OF ZACUALPAN

MINERS' MONUMENT – ZACUALPAN TOWN SQUARE

Combined Measured and Indicated, and separately Inferred, In Ground Metal Content are as follows:

Total Measured + Indicated In Ground Metal Content

		Ag (oz)	Au (oz)	Cu (lbs)	Pb (lbs)	Zn (lbs)
Capire +Aurora 1	Measured	3,225,633	12,256	2,972,731	17,020,021	40,950,998
Capire +Aurora 1	Indicated	4,047,211	15,773	3,523,296	21,862,477	53,428,372
Capire +Aurora 1	Measured+ Indicated	7,272,844	28,029	6,496,027	38,882,498	94,379,370
Total Inferred In Ground Metal Content						
Capire +Aurora 1	Inferred	476,688	1,779	421,645	2,405,978	6,157,909

Mine planning, metallurgical studies and economic studies are now underway to evaluate the production potential of the Capire and Aurora 1 zones. The orientation and shallow depth from surface of the mineralization indicates potential for open pit mining of at least a portion of the zones. The Company is considering the installation of a pilot plant on this project while it continues to test the expansion of the existing deposit and exploration of a number of nearby targets. Should a production decision be made on Capire and Aurora 1, it is anticipated that a new processing plant would be built on site to create a second production centre on IMPACT's 472 kmÇ mineral holdings in the region.

A map of the drill grids for both Capire and Aurora 1 can be found on the company website at www.IMPACTSilver.com. Full details of the breakdown of these mineral resources can be found in the IMPACT news release dated November 19, 2009 and the full NI 43-101 report is posted on www.sedar.com.

Mamatla Epithermal Vein Prospects

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

Veta Grande (Zacatecas) Silver Project, Mexico

On March 17, 2010 the Company completed the purchase, through its wholly-owned subsidiary MAP, of the 200 tpd Veta Grande processing plant in the Zacatecas Silver District of Mexico. The Company plans to upgrade the processing plant and use it to increase IMPACT's presence in the Zacatecas Silver District. IMPACT intends to process historic surface mine dumps from its own concessions in the District. The Company is also exploring opportunities with other companies in the District who own mineral concessions with in-ground mineral resources or historic surface mine dumps that could be processed at the Veta Grande processing plant on a joint venture or toll milling basis.

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 16 mineral concessions located within the district, three of which are in a joint venture.

Future Exploration Plans

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

During 2009, exploration continued at a high level in order to put some of the other 1,600+ 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 1,600+ 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., Vice President and Director of IMPACT Silver Corp., and a Qualified Person under the meaning of Canadian National Instrument 43 101, is responsible for the technical information in this MD&A for the Royal Mines of Zacualpan Silver Project, the Mamatla Mineral District and the Veta Grande (Zacatecas) Silver Project. The Capire and Aurora 1 mineral resource estimates in this MD&A were taken from a technical report (posted on www.sedar.com) by Claus G. Wiese. P.Eng. of I Cubed LLC, an independent professional engineer. 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. The Company did not carry out any work on the Dominican Republic properties in 2009.

Nigel Hulme, P. Geo., a Qualified Person under the meaning of Canadian National Instrument 43 101, is responsible for the technical information described in this 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 2009, IMPACT had booth displays promoting the Company at three industry and investor conferences in Canada, two in the U.S.A. and one in Europe. In addition, the Company conducted numerous presentations to retail and institutional investors in various cities across Canada, the United Kingdom and Germany. The Company plans to continue these activities on an ongoing basis. Energold (a significant shareholder) assists IMPACT with its day-to-day investor relations.

FINANCIAL DISCUSSION

Mine Operating Earnings for the year ended December 31, 2009

Revenues (net smelter returns) in the year ended December 31, 2009 were $12.2 million, up 37% from $8.9 million in 2008. These higher revenues were due to increasing silver prices and higher silver, lead, zinc and gold production, which more than offset the lower realized lead and zinc prices. Average metal prices in 2009 in Canadian dollars were higher by approximately 5% for silver and lower by approximately 12% for lead and 5% for zinc as compared to average prices in 2008. Average mill throughput during 2009 was 313 tpd, up 12% from 280 tpd during 2008.

Revenues per production tonne sold increased to $109.51 in 2009, up 22% from $89.89 in 2008. Higher silver grades and higher silver prices in Canadian dollars were the main driver behind this increase in 2009.

Mine operating expenses in the year ended December 31, 2009 were $6.67 million, up 23% from $5.42 million in 2008. Amortization and depletion in 2009 was $1.34 million, up 3% from $1.30 million in 2008. Direct mine operating costs per tonne in 2009 were $60.39, up 14% from $54.80 in 2008. Higher costs were incurred in mining as the Company produced a greater amount of ore from lower levels of the Chivo Mine in 2009 as compared to 2008 and temporarily halted mining in the Guadalupe and Gallega Mines. Processing costs in 2009 remained in line with 2008 costs. On average the Canadian dollar was stronger against the Mexican peso in 2009 as compared to 2008 which helped keep operating costs down in Canadian dollar terms.

Mine operating earnings in 2009 were $4.2 million, up 90% from $2.2 million in 2008. Net earnings in 2009 were $1.16 million, up 75% from $0.66 million in 2008.

Mine Operating Earnings for the three months ended December 31, 2009

Revenues (net smelter returns) in the fourth quarter were $2.3 million, up 5% from $2.2 million in the fourth quarter of 2008. The timing of shipments at the end of 2009 reduced revenues in the fourth quarter of 2009 as a significant amount of production from the fourth quarter was not sold and was held in inventories at the end of the year. These lead and zinc concentrate inventories are included in the December 31, 2009 balance sheet at their production cost of $0.5 million, however were subsequently sold in January 2010 for $0.7 million.

Revenues per production tonne sold increased in the fourth quarter of 2009 to $91.08, up 6% from $86.03 in the fourth quarter of 2008. Average metal prices in the fourth quarter of 2009 in Canadian dollars were higher by approximately 50% for silver, 61% for lead and 63% for zinc as compared to average prices in the fourth quarter of 2008. This allowed the Company to mine and process lower grade ore while maintaining profitability and positive cash flows from operations in the fourth quarter of 2009. Average mill throughput during the fourth quarter was 314 tpd, up 10% from 286 tpd during the fourth quarter of 2008.

Mine operating expenses in the fourth quarter of 2009 were $1.7 million, up 12% from $1.5 million in the fourth quarter of 2008. Amortization and depletion in the fourth quarter of 2009 was $0.26 million, down 46% from $0.48 million in the fourth quarter of 2008. Direct mine operating costs per tonne in the fourth quarter of 2009 were $65.02, up 14% from $56.82 in the fourth quarter of 2008. Higher costs were incurred in mining as the Company produced a greater amount of ore from lower levels of the Chivo Mine in 2009 as compared to 2008. Processing costs in the fourth quarter of 2009 remained in line with 2008 costs. On average the Canadian dollar was stronger against the Mexican peso in the fourth quarter of 2009 as compared to the fourth quarter of 2008 which helped keep operating costs down in Canadian dollar terms.

Mine operating earnings in the fourth quarter of 2009 were $0.42 million, up 57% from $0.27 million in the fourth quarter of 2008. Net earnings in the fourth quarter of 2009 were $0.12 million, up from a net loss of $0.26 million in the fourth quarter of 2008.

General, Administrative and Other Expenses for the year ended December 31, 2009

General and administrative expenses in 2009 were $1.53 million, up 9% from $1.41 million in 2008. Non-cash stock-based compensation expense increased to $0.45 million in 2009 from $0.31 million in 2008 as a result of stock options granted in January 2009. The Company realized reductions in accounting, audit and legal, investor relations, promotion and travel, and office rent, insurance and sundry in 2009 as compared to 2008.

The Company incurred a foreign exchange loss of $0.29 million in 2009 compared to a foreign exchange loss of $0.32 million in 2008. The Company earns revenues in U.S. dollars and incurs costs in Mexican pesos and Canadian dollars. Foreign currency fluctuations create foreign exchange gains and losses as the Company translates its U.S. dollar and Mexican peso assets and liabilities into Canadian dollars for financial reporting purposes. These foreign exchange gains and losses will continue and may have a significant impact on future net earnings.

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 a refinery strike at the Company's principal customer, Penoles. 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 $0.34 million which is included in other expense in 2009. The Company recovered approximately $0.07 million 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 three months ended December 31, 2009

General and administrative expenses in the fourth quarter of 2009 were $0.43 million, up 48% from $0.29 million in the fourth quarter of 2008. Non-cash stock based compensation expense was $0.8 million in both the fourth quarter of 2009 and 2008. Office salaries and services were higher in the fourth quarter of 2009 as a result of an adjustment which was made in the fourth quarter of 2008. All other general and administrative expenses in the fourth quarter of 2009 were consistent with expenses recorded in the fourth quarter of 2008.

The Company incurred a foreign exchange gain of $0.02 million in the fourth quarter of 2009 as compared to a foreign exchange loss of $0.43 million in the fourth quarter of 2008. The Company earns revenues in U.S. dollars and incurs costs in Mexican pesos and Canadian dollars. Foreign currency fluctuations create foreign exchange gains and losses as the Company translates its U.S. dollar and Mexican peso assets and liabilities into Canadian dollars for financial reporting purposes. These foreign exchange gains and losses will continue and may have a significant impact on future net earnings.

OTHER FINANCIAL INFORMATION

Selected Annual Information

All figures are in thousands of Canadian dollars except earnings per share.

For the year ended	2009	2008	2007
Revenue	$12,176	$8,908	$7,250
Net income	$1,160	$662	$287
Earnings per share – Basic	$0.02	$0.01	$0.01
Earnings per share – Diluted	$0.02	$0.01	$0.01
Total assets	$31,690	$29,274	$27,678
Total long-term financial liabilities	$ NIL	$ NIL	$ NIL

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	Dec 31 2009	Sept 30 2009	June 30 2009	Mar 31 2009	Dec 31 2008	Sept 30 2008	Jun 30 2008	Mar 31 2008
Revenues	2,333	4,983	3,404	1,457	2,221	2,244	1,756	2,687
Net earnings (loss)	116	785	191	68	(256)	(233)	305	845
Earnings (loss) per share - Basic*	0.00	0.02	0.00	0.00	(0.01)	(0.00)	0.01	0.02
Earnings (loss) per share - Diluted*	0.00	0.02	0.00	0.00	(0.01)	(0.00)	0.01	0.02
Cash and cash equivalents	5,295	5,494	4,050	5,357	5,433	7,091	8,285	8,851
Total assets	31,690	31,415	31,492	30,065	29,274	30,058	29,848	28,795
Total liabilities	5,551	5,570	6,590	5,460	4,958	5,561	5,265	4,652

Liquidity and Capital Resources

Working Capital and Cash Flow

IMPACT's financial position at December 31, 2009 remained strong with $5.3 million in cash and cash equivalents (December 31, 2008 - $5.4 million) and net working capital of $6.3 million (December 31, 2008 - $7.3 million). The decrease in cash and cash equivalents is primarily due to the Company's investment in resource property costs of $4.1 million and property, plant and equipment acquisitions of $0.4 million. These cash outflows were offset by positive cash flows from operations of $4.4 million during 2009 (2008 - $1.7 million). Cash flows from operations before changes in non-cash working capital were $3.7 million during 2009 (2008 - $2.2 million).

The Company's working capital position is expected to remain strong as planned resource property costs, exploration expenditures and acquisition of property, plant and equipment will be supported by positive cash flow from mining operations.

Resource Property Expenditures

Exploration expenditures and property acquisition costs related to Zacualpan in 2009 were $4.2 million compared to $5.5 million in 2008. Expenditures on drilling and other exploration costs are budgeted to continue to be between $1.0 and $1.6 million per quarter 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 remaining 2010 exploration expenditures in the Zacualpan and Mamatla Districts will continue at levels similar to 2009 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 April 5, 2010:

	# of Shares	Exercise Price	Expiry Date
Issued and outstanding common shares at April 5, 2010	48,575,585		
Employee stock options	455,000	$ 0.42	April 13, 2010
	985,000	$ 1.40	September 5, 2012
	75,000	$ 1.67	October 22, 2012
	2,064,375	$ 0.55	January 6, 2014
Fully Diluted at April 5, 2010	52,154,960		

Of the 3,579,375 options outstanding, 3,020,625 have vested at April 5, 2010.

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 year ended December 31, 2009, fees in the amount of $2,137,289 (2008 - $2,333,847) were paid or accrued to Energold for contract drilling services performed in Mexico at the Zacualpan Mines and Concessions. These services were provided in the normal course of business operations at similar rates that would be offered to any other mining company. At December 31, 2009, the balance owed to Energold was $274,560 (December 31, 2008 - $760,054).

GUADALUPE PROCESSING PLANT

During the year ended December 31, 2009, fees in the amount of $263,591 (2008 - $184,314) were paid or accrued to three officers and two directors of the Company, of which $218,141 is recorded in various administrative expenditures on the income statement, and $45,450 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, accounts payable and accrued liabilities, and due to related parties. For cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, and due to related parties, carrying value is considered to be fair value due to the short-term nature of these instruments. The fair value of investments is determined by quoted prices in active markets for identical assets at the balance sheet date. At December 31, 2009 all equity investments held were classified as Level 1 and cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities were classified as Level 2 on the fair value hierarchy of Handbook Section 3862 – Financial Instruments – Disclosures.

2. 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."

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 December 31, 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 January 2009, the CICA issued EIC-173, "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities." The EIC provides guidance on how to take into account credit risk of an entity and counterparty when determining the fair value of financial assets and financial liabilities, including derivative instruments. This standard is effective for our fiscal year beginning January 1, 2009. The adoption of EIC-173 did not result in a material impact on the Company's consolidated financial statements.

In June 2009, the CICA amended Handbook Section 3862 – Financial Instruments – Disclosures to include additional disclosure requirements about fair value measurements of financial instruments and to enhance liquidity risk disclosure requirements for publicly accountable enterprises. The amendments are applicable for the Company's annual consolidated financial statements for its fiscal year ending December 31, 2009.

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 replaces 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. The Company is currently assessing these sections.

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.

In 2009 the Company began 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. The detailed assessment is ongoing and to date the Company has identified presentation and disclosure, property, plant and equipment, and future income taxes as areas where the adoption of IFRS may have a material effect on the Company's financial reporting, processes and controls. The Company is also assessing the available elections under IFRS to determine the effect of each election to the Company. This detailed assessment is expected to be completed in 2010.

The transition from Canadian GAAP to IFRS may materially affect reported financial position and results of operations. The Company has not yet determined the full accounting effects of adopting IFRS, since some key accounting policy alternatives and implementation decisions are still being evaluated.

In 2010 the Company will:

- complete a detailed evaluation and selection of the available IFRS exemptions
- complete the selection of accounting policies under IFRS
- prepare draft financial statements and notes under IFRS
- prepare a January 1, 2010 opening balance sheet and 2010 comparative data under IFRS
- identify and implement any changes required to information technology systems and data collection processes

Other important considerations during the IFRS transition include:

Internal control over financial reporting ("ICFR") – for all accounting policy changes identified, the Company will assess the impact on the ICFR design and effectiveness implications and will ensure that all changes in accounting policies include the appropriate additional controls and procedures for future IFRS reporting requirements.

Disclosure controls and procedures ("DC&P") – for all accounting policy changes identified an assessment of DC&P design and effectiveness implication will be analyzed to address any issues with respect to DC&P during IFRS transition.

Updates on the progress of the conversion process will be provided to the Company's audit committee and disclosed in the Company's MD&A on a quarterly basis throughout 2010.

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 year ended December 31, 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, and due to related party).

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

April 5, 2010

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of IMPACT Silver Corp. ("the Company") have been prepared by management in accordance with accounting principles generally accepted in Canada, and within the framework of the summary of significant accounting policies in these consolidated financial statements, and reflect management's best estimate and judgment based on currently available information.

Management has developed and maintains a system of internal controls to provide reasonable assurance that the Company's assets are safeguarded, transactions are authorized and financial information is accurate and reliable.

The Audit Committee of the Board of Directors meets periodically with management and with the Company's independent auditors to review the scope and results of their annual audit and to review the consolidated financial statements and related financial reporting matters prior to submitting the consolidated financial statements to the Board of Directors for approval.

The consolidated financial statements have been audited by PricewaterhouseCoopers LLP on behalf of the shareholders and their report follows.

F.W. Davidson President and Chief Executive Officer

R. S. Younker Chief Financial Officer

April 6, 2010

AUDITORS' REPORT

To the Shareholders of IMPACT Silver Corp.

We have audited the consolidated balance sheets of IMPACT Silver Corp. (the 'Company") as at December 31, 2009 and 2008 and the consolidated statements of income and deficit, comprehensive income and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we pan and perform an audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2009 and the results of its operations and its cash flows for the years then ended, in accordance with Canadian generally accepted accounting principles.

Yours very truly,

PricewaterhouseCoopers LLP

Chartered Accountants
Vancouver, British Columbia

April 8, 2010

CONSOLIDATED BALANCE SHEETS

As at December 31 *Canadian Dollars*	2009	2008
ASSETS		
Current		
Cash and cash equivalents	$ 5,294,881	$ 5,433,480
Accounts receivable and prepaid expenses	1,289,672	2,235,097
Inventories *Note 4*	919,808	650,778
Investments	82,500	20,000
Future income taxes *Note 10*	44,648	356,537
	7,631,509	8,695,892
Property, plant and equipment *Note 5*	3,252,154	3,164,473
Resource properties *Schedule and Note 6*	20,805,894	17,413,919
	$ 31,689,557	$ 29,274,284
LIABILITIES		
Current		
Accounts payable and accrued liabilities	$ 843,942	$ 654,595
Income taxes payable	236,063	–
Due to related party *Note 7*	274,560	760,054
	1,354,565	1,414,649
Future income taxes *Note 10*	4,196,399	3,542,888
	5,550,964	4,957,537
SHAREHOLDERS' EQUITY		
Share capital *Note 9a*	27,648,195	27,436,653
Contributed surplus *Note 9b*	1,187,198	794,992
Accumulated other comprehensive income (loss) *Note 9c*	28,437	(30,000)
Deficit	(2,725,237)	(3,884,898)
	26,138,593	24,316,747
	$ 31,689,557	$ 29,274,284

Subsequent events *Note 15*

ON BEHALF OF THE BOARD:

F.W. Davidson — Director

G. Gorzynski — Director

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME AND DEFICIT

For the Years Ended December 31 *Canadian Dollars*	2009	2008
Revenue	$ 12,176,115	$ 8,907,958
Expenses		
Operating costs	6,673,166	5,423,910
Amortization and depletion	1,338,230	1,296,924
	8,011,396	6,720,834
Mine operating earnings	4,164,719	2,187,124
General and administrative expenses		
Accounting, audit and legal	160,091	165,786
Amortization	29,134	25,960
Investor relations, promotion and travel	107,951	174,100
Management fees and consulting	122,504	91,419
Office, rent, insurance and sundry	212,344	250,549
Office salaries and services	452,301	389,497
Stock-based compensation expense *Note 9d*	446,092	309,708
	1,530,417	1,407,019
Earnings before the following	2,634,302	780,105
Other income (expenses)		
Foreign exchange loss	(293,770)	(323,977)
Interest income	1,449	177,354
Other income (expense)	(322,555)	10,299
Gain on resource properties *Note 6c*	–	328,249
Write-off of resource properties	–	(13,101)
	(614,876)	178,824
Earnings before taxes	2,019,426	958,929
Current income tax expense	(243,345)	(765)
Future income tax expense	(616,420)	(296,064)
Net earnings	1,159,661	662,100
Deficit – Beginning of year	(3,884,898)	(4,546,998)
Deficit – End of year	$ (2,725,237)	$ (3,884,898)
Earnings per Share – Basic	0.02	0.01
– Diluted	0.02	0.01
Weighted average number of shares outstanding – Basic	48,172,403	47,538,404
Weighted average number of shares outstanding – Diluted	48,818,963	47,993,161

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the Years Ended December 31 *Canadian Dollars*	2009	2008
Net earnings	$ 1,159,661	$ 662,100
Other comprehensive income (loss)		
Unrealized gain (loss) on investments held as available-for-sale	58,437	(30,000)
Comprehensive income	1,218,098	**632,100**

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31 *Canadian Dollars*	2009	2008
Cash resources provided by (used in)		
Operating activities		
Net earnings	$ 1,159,661	$ 662,100
Items not affecting cash		
Amortization and depletion	1,367,364	1,322,884
Stock-based compensation expense	446,092	309,708
Future Income taxes	616,420	296,064
Gain on sale of resource property	–	(328,249)
Write-off of resource properties	–	13,101
Unrealized loss (gain) on foreign exchange	145,443	(91,827)
Changes in non-cash working capital		
Accounts receivable and prepaid expenses	774,675	137,666
Inventories	(181,361)	(260,678)
Accounts payable	263,277	(330,052)
Income taxes payable	236,063	(64,718)
Due to related party	(461,312)	67,859
	4,366,322	1,733,858
Investing activities		
Acquisition of property, plant and equipment	(372,901)	(1,489,390)
Resource property costs	(4,141,872)	(5,381,654)
Proceeds from sale of resource property	–	328,249
	(4,514,773)	(6,542,795)
Financing activities		
Share capital issued	82,656	99,080
	82,656	99,080
Effect of exchange rate changes on cash and cash equivalents	(72,804)	(1,494)
Net decrease in cash and cash equivalents	(138,599)	(4,711,351)
Cash and cash equivalents – Beginning of year	5,433,480	10,144,831
Cash and cash equivalents – End of Year	$ 5,294,881	$ 5,433,480

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED SCHEDULES OF RESOURCE PROPERTIES

For the Years Ended December 31 *Canadian Dollars*	2009	2008
Zacualpan mine and concessions, Mexico *Note 6b*		
Acquisition costs	$ 12,720	$ 307,236
Deferred exploration costs		
Assaying	220,128	424,595
Development	21,336	333,637
Drilling	2,141,823	2,371,605
Field administration, travel and other	432,751	598,742
Future income taxes	338,983	438,327
Wages and consulting	1,069,397	1,033,917
	4,224,418	5,200,823
Amortization and depletion	(1,169,814)	(1,142,324)
	3,067,324	4,365,735
Zacatecas properties, Mexico *Note 6c*		
Acquisition costs	260,968	206,346
Deferred exploration costs		
Assaying	4,994	–
Field administration, travel and other	31,784	7,553
Future income taxes	5,935	7,505
Wages and consulting	11,748	34,453
	54,461	49,511
Recoveries	(2,842)	118,329
	312,587	374,186
Other properties, Dominican Republic *Note 6d*		
Deferred exploration costs		
Field administration, travel and other	9,580	2,524
Wages and consulting	2,484	109,206
	12,064	111,730
Write-off of resource properties	–	(12,279)
	12,064	99,451
Costs for the year	3,391,975	4,839,372
Balance – Beginning of year	17,413,919	12,574,547
Balance – End of Year	$ 20,805,894	$ 17,413,919

The accompanying notes form an integral part of these consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2009 *Canadian Dollars*

1. NATURE OF OPERATIONS

IMPACT Silver Corp. and its subsidiaries (collectively, "IMPACT" or the "Company") are engaged in silver mining and related activities including exploration, development and mineral processing in Mexico and the Dominican Republic. The Company operates the Royal Mines of Zacualpan in the State of Mexico and produces silver, lead, zinc and gold sold in the form of lead and zinc concentrates. The Company is also active in the exploration of silver, precious metals and other mineral resources on its properties located in Mexico and the Dominican Republic.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that the current exploration and development programs will result in ongoing profitable mining operations. The investment in and expenditures on mineral properties comprise a significant portion of the Company's assets. The recovery of the Company's investment in these resource properties and the attainment of profitable operations are dependent upon the discovery and development of economic ore reserves on these properties and the ability to arrange sufficient financing to bring the ore reserves into production. The ultimate outcome of these matters cannot presently be determined because they are contingent on future events.

2. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles ("GAAP") using the following significant accounting policies.

a) Principles of consolidation

These consolidated financial statements include the accounts of the Company and all of its subsidiaries, including:

- Jade Oil Corporation ("Jade"), located in Canada;
- Minera Aguila Plateada S.A. de C.V. ("MAP"), Minera Porvenir de Zacualpan S.A. de C.V. ("MPZ") and its wholly owned subsidiary Minera Laureles, S.A. de C.V. each located in Mexico; and
- Proyectos Mineros, S.A. ("PMSA") and Minera Monte Plata, S.A. ("MMP"), both located in the Dominican Republic.

All significant inter-company balances have been eliminated. The Company has determined that it does not have any variable interest entities as at December 31, 2009 and 2008.

b) Use of estimates

The preparation of consolidated financial statements in conformity with Canadian GAAP requires that the Company's management make estimates and assumptions about future events that affect the amounts reported in the consolidated financial statements and related notes to the financial statements. These estimates are limited by the availability of reliable comparable data, and the uncertainty of predictions concerning future events. Accordingly, by their nature, estimates as described above are subjective and do not necessarily result in precise determinations. Should the underlying assumptions change, the estimated amounts could change by a material amount.

Significant areas requiring the use of management estimates include, but are not limited to, assumptions and estimates relating to determining defined ore bodies, reserves value beyond proven and probable mine life, fair values used to establish the purchase price allocation, fair values for purposes of impairment analysis, reclamation obligation, non-cash stock-based compensation, valuation allowances for future income tax assets, future income tax liabilities, estimated net realizable value of inventories, and the recoverability of accounts receivable.

c) Revenue recognition

Revenue from the sale of metals contained in concentrates is recognized when title and the significant risks and rewards of ownership of the concentrates have been transferred to the customer in accordance with the agreements entered into between the Company and its customers, collection is reasonably assured and the price is reasonably determinable. Revenue from the sale of metals in concentrate may be subject to adjustment upon final settlement of estimated metal prices, weights and assays. These differences create an embedded derivative in the accounts receivable. The embedded derivative is recorded at fair value each period until final settlement occurs, with changes in fair value classified as a component of sales. Refining charges are netted against revenue for sales of metal concentrates.

d) Cash and cash equivalents

Cash and cash equivalents include cash on hand, term deposits and short-term highly liquid money-market investments with an original term to maturity of three months or less and which are readily convertible to known amounts of cash.

e) Inventories

Materials and supplies are valued at the lower of average cost and net realizable value. In-process and finished goods inventories, including ore stockpiles when applicable, are valued at the lower of average production cost or net realizable value. In-process inventory costs consist of direct production costs including mining, crushing and processing and allocated indirect costs, including depreciation, depletion and amortization of mining interests.

f) Investments

Investments in equity securities are classified as available-for-sale current assets because the Company does not hold
Investments in equity securities are classified as available-for-sale current assets because the Company does not hold
these securities for the purpose of trading. Equity securities are valued at market value, using quoted market prices, and unrealized holding gains and losses are excluded from net income and are included in other comprehensive income until such gains or losses are realized or an other than temporary impairment is determined to have occurred.

g) Resource properties

All costs related to resource property acquisition, exploration and development are capitalized by project. These costs are amortized against revenue from production, using the units of production basis, or written off if the interest is deemed impaired, abandoned or sold. The amounts shown for resource property costs incurred to date, less recoveries, do not necessarily reflect present or future values. The recoverability of amounts shown for resource property costs are dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain financing to complete development of the projects as well as future profitable production or proceeds from the disposition thereof.

Mineral property titles

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties is in good standing, except for certain exploration concessions in the Dominican Republic where exploration concessions have been reapplied for in the normal course of business.

Property option payments

From time to time, the Company may acquire or dispose of properties pursuant to the terms of option agreements. Due to the fact that options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as resource property costs or recoveries when the payments are made or received. The Company does not accrue the estimated costs of maintaining its resource property costs in good standing.

h) Property, plant and equipment

Plant and equipment is recorded at cost and is amortized using a straight-line method over the assets expected useful life. All vehicles, including mine mobile equipment as well as office furniture and equipment are amortized on a declining balance at rates varying from 10% to 30% annually.

i) Asset impairment

Management reviews the carrying value of its mineral properties and mining assets on an annual basis or when events or changes in circumstances indicate that the related carrying amounts may not be recoverable. A decision to abandon, reduce or expand a specific project is based upon many factors including general and specific assessments of reserves, anticipated future prices, anticipated future costs of exploring, developing and operating a producing mine, expiration term and ongoing expense of maintaining leased mineral properties and the general likelihood that the Company will continue exploration. The Company does not set a predetermined holding period for properties with unproven reserves. However, properties which have not demonstrated suitable mineral concentrations at the conclusion of each phase of an exploration program are re-evaluated to determine if future exploration is warranted and if their carrying values are appropriate.

If any area of interest is abandoned or it is determined that its carrying value cannot be supported by future production or sale, the related costs are charged against operations in the period of abandonment or determination that the carrying value exceeds its fair value. The amounts recorded as resource properties represent costs incurred to date and do not necessarily reflect present or future values.

j) Asset retirement obligations

The Company accounts for asset retirement obligations ("ARO") by recognizing the fair value of a liability for an ARO in the period in which it is incurred if a reasonable estimate of fair value can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the asset. The Company has determined that it has no ARO's at December 31, 2009 and 2008.

k) Earnings per share

Basic earnings per share are calculated by dividing net earnings available to common shareholders by the weighted average number of common shares outstanding during the year. Diluted earnings per share are calculated by dividing net earnings available to common shareholders by the weighted average number of diluted common shares outstanding during the year. Diluted common shares reflect the potential dilutive effect of stock options based on the treasury stock method.

l) Stock options

The Company accounts for stock options at fair value pursuant to CICA Handbook Section 3870, which establishes standards for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments. Compensation expense for options granted is determined based on estimated fair values of the options at the time of grant using the Black-Scholes option pricing model.

m) Income taxes

The Company accounts for income taxes using the asset and liability method. Under this method, current income taxes are recognized for the estimated income taxes payable for the current period. Future income tax assets and liabilities are recognized for temporary differences between the tax and accounting basis of assets and liabilities as well as for the benefit of losses available to be carried forward to future years for tax purposes that are more likely than not to be realized.

n) Foreign currency translation

All amounts are presented in Canadian dollars. The Company's functional and reporting currency is the Canadian dollar. The Company has determined that all of its foreign subsidiaries are integrated operations; therefore local currencies are translated into Canadian dollars under the temporal method as follows:

- Monetary assets and liabilities at year-end rates,
- All other assets and liabilities at historical rates, and
- Revenue and expense and exploration and development items at the average rate of exchange prevailing during the period.

Exchange gains and losses arising from these transactions are reflected in income or expense in the year.

o) Comprehensive income

Comprehensive income consists of net earnings and other comprehensive income ("OCI"). OCI represents changes in shareholders' equity during a period arising from transactions and other events with non-owner sources and includes unrealized gains and losses on financial assets classified as available-for-sale.

p) Financial instruments

The Company's financial instruments comprise primarily cash and cash equivalents, accounts receivable, short-term investments, accounts payable and accrued liabilities, and due to related parties. The Company has designated cash and cash equivalents as held-for-trading, which are measured at fair value. Accounts receivable are designated as loans and receivables, which are measured at amortized cost. Short-term investments are designated as available-for-sale and measured at fair value as determined by reference to quoted market prices. Accounts payable and accrued liabilities and due to related parties are designated as other liabilities, which are measured at amortized cost.

3. 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 January 2009, the CICA issued EIC-173, "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities." The EIC provides guidance on how to take into account credit risk of an entity and counterparty when determining the fair value of financial assets and financial liabilities, including derivative instruments. This standard is effective for our fiscal year beginning January 1, 2009. The adoption of EIC-173 did not result in a material impact on the Company's consolidated financial statements.

In June 2009, the CICA amended Handbook Section 3862 – Financial Instruments – Disclosures to include additional disclosure requirements about fair value measurements of financial instruments and to enhance liquidity risk disclosure requirements for publicly accountable enterprises. The amendments are applicable for the Company's annual consolidated financial statements for its fiscal year ending December 31, 2009. The effects of this revision are disclosed in note 12.

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 replaces 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. The Company is currently assessing these sections.

4. INVENTORIES

The following table details the composition of inventories at December 31:

	2009	2008
Materials and supplies	$ 410,720	$ 416,406
Finished goods – lead and zinc concentrates	509,088	234,372
Total inventories	$ 919,808	$ 650,778

The amount of inventories recognized as an expense during 2009 is $8,011,396 (2008 - $6,720,834).

5. PROPERTY, PLANT AND EQUIPMENT

	December 31, 2009			December 31, 2008		
	Cost $	Accumulated amortization $	Net Book Value $	Cost $	Accumulated amortization $	Net Book Value $
Mine equipment	1,579,727	316,446	1,263,281	1,287,128	200,864	1,086,264
Mobile equipment	532,913	467,226	65,687	532,913	442,817	90,096
Office furniture and equipment	102,775	71,318	31,457	96,870	64,293	32,577
Plant equipment	1,145,289	211,550	933,739	1,145,289	120,876	1,024,413
Land	734,128	–	734,128	734,128	–	734,128
Vehicles	390,206	166,344	223,862	331,698	134,703	196,995
	4,485,038	1,232,884	3,252,154	4,128,026	963,553	3,164,473

6. RESOURCE PROPERTIES

a) Details are as follows:

	December 31, 2009	December 31, 2008
Zacualpan Mines and Concessions – Mexico		
Acquisition costs	$ 5,973,794	$ 5,961,074
Exploration	13,485,143	9,599,708
Future income taxes	1,600,293	1,261,310
Amortization and depletion	(3,342,772)	(2,172,958)
Recoveries	(67,990)	(67,990)
	17,648,468	14,581,144
Zacatecas Properties – Mexico		
Acquisition costs	1,711,913	1,450,945
Exploration	802,008	753,482
Future income taxes	49,609	43,674
Recoveries	(523,949)	(521,107)
	2,039,581	1,726,994
PMSA and MMP concessions – Dominican Republic		
Acquisition	582,000	582,000
Exploration and development	535,845	523,781
	1,117,845	1,105,781
Other properties		
Exploration	22,464	22,464
Accumulated write-off	(22,464)	(22,464)
	–	–
	$ 20,805,894	$ 17,413,919

b) Zacualpan agreements

On June 14, 2004, the Company signed two option agreements with third parties in the Royal Mines of Zacualpan Silver District in Central Mexico. These agreements were later amended and in January 2006 the Company, through its 100% Mexican subsidiary MAP, exercised its purchase options and as a result acquired a 100% interest to mineral concessions, surface rights and equipment with no underlying royalties.

In February 2007, the Company acquired the right to purchase a concession known as the Mamatla Mining District adjacent to the Company's Royal Mines of Zacualpan Silver Project in Central Mexico. The purchase price for the Mamatla Mining District was approximately $215,700, of which $91,690 was paid in 2007 and the balance of $124,010 was paid in February 2008. The Mamatla concession is subject to a 1% NSR.

In February 2008, the Company acquired six concessions directly from the Mexican government through normal staking procedures. These concessions, named the Zacualpan Northwest concessions, cover 140 square kilometers. In June 2008, the Company acquired the Cadena concession and the Zapote concession from private Mexican vendors. The Company spent $307,236 in concession acquisition costs in the Zacualpan Silver Mining District in the year ended December 31, 2008.

In 2009, the Company acquired four concessions from a private Mexican vendor. The Company spent $12,720 in concession acquisition costs in year ended December 31, 2009.

c) Zacatecas agreements

Under an agreement dated July 10, 2006, the Company through its wholly owned subsidiary MAP acquired a four-year option from a third party to purchase a 200-tonne-per-day processing plant and associated surface rights in the Zacatecas Mining District of Mexico. Under the agreement, MAP may purchase the assets for US$1,110,000 (US$855,000 paid) and 500,000 shares (400,000 issued) in stages, plus commit to US$700,000 in work expenditures (US$350,000 in each of the first two years). Subsequent to year end, the Company exercised its option to purchase this plant. The total consideration paid was US$1,080,000 and 400,000 shares, with another 100,000 shares to be issued.

Under separate purchase agreements, the Company acquired eleven mineral concessions in the Zacatecas area during 2006 and two concessions in 2007. The Company now holds a total of sixteen concessions, three of which are under an option agreement with a third party. No further payments or commitments exist for these concessions.

During 2006, the Company entered into an option agreement with a third party in which the third party was given the right to earn a 65% interest in four concessions at Zacatecas. To earn its interest the third party was required to reimburse the Company US$15,000 per concession, pay for all acquisition costs and incur a minimum expenditure of US$100,000 in exploration per concession. In May 2008 the third party fulfilled its obligations to earn its 65% interest in the four concessions. In June 2008, the Company sold its remaining 35% interest in one of the concessions for US$325,000 plus a 1% NSR Royalty interest. The Company realized a gain of $328,249 on the sale of this concession. The Company retained its 35% interest in the other three concessions. In August 2008 the Company entered into a formal joint venture agreement with respect to these three property concessions. Since the signing of the agreement the joint venture partner has incurred expenditures and thereby diluted the Company's interest in these three concessions to 28% at December 31, 2009.

d) Dominican Republic agreements

By various agreements dated October 22, 1996 to July 15, 1999 and effective August 20, 1999, the Company acquired 100% of the shares of the Dominican Republic registered company PMSA. PMSA has exploration concessions located in various parts of the Cordillera Oriental in the Dominican Republic, including the El Brujo concession. The concessions are subject to a 1% NSR to a maximum of US$1,000,000.

By agreement dated July 15, 1999, the Company acquired 100% of the shares of the Canadian company, "Jade", which owns 100% of the shares of the Dominican Republic registered company, Minera Monte Plata, S.A. ("MMP"). MMP holds the Baritina exploration concession located in the Cordillera Oriental in the Dominican Republic. The concessions are subject to a 1% NSR to a maximum of US$1,000,000.

7. DUE TO RELATED PARTY

At December 31, 2009, an amount of $274,560 (December 31, 2008 - $760,054) was due to Energold Drilling Corp., a significant shareholder of the Company. Monies owed to Energold Drilling Corp. are unsecured, non-interest bearing and without specific repayment terms. Management anticipates that the amount will be repaid within one year and accordingly it has been classified as current.

8. RELATED PARTY TRANSACTIONS

Related party transactions are recorded at the exchange amount which is the amount of consideration paid or received as agreed by the parties. Related party transactions are as follows:

a) During the year ended December 31, 2009 fees in the amount of $263,591 (2008 - $184,314) were paid or accrued to directors and officers of the Company, of which $218,141 is recorded in various administrative expenditures on the income statement, and $45,450 is recorded in resource properties.

b) During the year ended December 31, 2009 fees in the amount of $2,137,289 (2008 – $2,333,847) were paid to Energold Drilling Corp., a significant shareholder of the Company, for contract drilling services performed in Mexico at the Zacualpan mines and concessions.

c) On December 1, 2008, the Company entered into a management agreement with one director for fees of $6,000 per month for a period of 36 months. Effective September 1, 2009 this agreement was amended to $8,000 per month. In the fourth quarter of 2009 a bonus of $50,000 was paid to this director.

9. SHARE CAPITAL

a) Details are as follows:

	Number	Amount
Authorized:		
Unlimited common shares without par value		
Issued and outstanding:		
Balance – December 31, 2007	47,258,710	$ 27,134,387
Shares issued for resource properties	125,000	120,000
Stock options exercised	616,500	99,080
Value assigned to options exercised	–	83,186
Balance – December 31, 2008	48,000,210	$ 27,436,653
Shares issued for resource properties	100,000	75,000
Stock options exercised	289,375	82,656
Value assigned to options exercised	–	53,886
Balance – December 31, 2009	**48,389,585**	**$ 27,648,195**

b) Contributed surplus

Balance – December 31, 2007	$ 568,470
Fair value of stock options granted	309,708
Value assigned to options exercised	(83,186)
Balance – December 31, 2008	794,992
Fair value of stock options granted	446,092
Value assigned to options exercised	(53,886)
Balance – December 31, 2009	**$ 1,187,198**

c) Accumulated other comprehensive income (loss)

Balance – December 31, 2007	$ –
Unrealized loss on available-for-sale short-term investments	(30,000)
Balance – December 31, 2008	$ (30,000)
Unrealized gain on available-for-sale short term investments	58,437
Balance – December 31, 2009	**$ 28,437**

d) Stock options

The Company has established a stock option plan whereby the board of directors may, from time to time, grant options to directors, officers, employees or consultants. Under the stock option plan 9,620,042 options have been authorized for issuance, of which 3,752,875 have been allocated as at December 31, 2009. Options granted must be exercised no later than five years from date of grant or such lesser period as determined by the Company's board of directors. The exercise price of an option is not less than the closing price on the Exchange on the last trading day preceding the grant. Options vest 25% on the date granted and 12.5% every quarter thereafter.

A summary of the Company's stock options as at December 31, 2009 and the changes for the periods ended on these dates is as follows:

	Number	Weighted Average Exercise Price
At December 31, 2007	2,507,500	0.80
Granted	35,000	1.44
Exercised	(616,500)	0.16
Expired	(35,000)	1.45
At December 31, 2008	1,891,000	1.01
Granted	2,235,000	0.55
Exercised	(289,375)	0.29
Expired	(83,750)	0.85
At December 31, 2009	**3,752,875**	**0.80**

The following table summarizes information about the stock options outstanding at December 31, 2009:

Exercise Price Per Share	Expiry Date	Options Outstanding	Options Exercisable
$0.42	April 13, 2010	501,000	501,000
$1.40	September 5, 2012	1,025,000	1,025,000
$1.44	February 6, 2010	35,000	35,000
$1.67	October 22, 2012	75,000	75,000
$0.55	January 6, 2014	2,116,875	1,278,750
		3,752,875	**2,914,750**

On January 6, 2009, the Company granted stock options under its Stock Option Plan to directors, officers, employees and consultants exercisable for up to 2,235,000 shares of the Company, with an estimated value of $534,573 on the grant date. The options are exercisable on or before January 6, 2014 at a price of $0.55 per share.

The Black Scholes Option Pricing Model is used to estimate the fair value of stock options for calculating stock-based compensation expense. The Company recognized a stock-based compensation expense and an increase to contributed surplus based on a grading vesting schedule using the assumptions as follows:

Date Granted	February 2, 2008	January 6, 2009
Number of options granted	35,000	2,235,000
Risk-free interest rate	3.05%	2.03%
Expected dividend yield	NIL	NIL
Expected stock price volatility	60.71%	63.43%
Expected option life in years	2	3

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options.

10. INCOME TAXES

Income tax expense differs from the amount that would result from applying the Canadian federal and provincial income tax rates to earnings before income taxes. These differences result from the following items:

	2009	2008
Earnings before income taxes	$ 2,019,426	$ 958,929
Canadian federal and provincial income tax rates	30.0%	31.0%
Income tax expenses based on the above rates	605,828	$ 297,268
Increase (decrease) due to:		
Non-deductible expenses	237,559	296,710
Losses and temporary differences for which an income tax asset has not been recognized	136,615	–
Benefit of future income tax asset not previously recognized	–	(49,801)
Difference between foreign and Canadian tax rates	(60,065)	(32,488)
Change in long term Mexican tax rates	54,004	–
Foreign exchange and other	(114,176)	(214,860)
Income tax expense	$ 859,765	$ 296,829

The components of future income taxes are as follows:

	2009	2008
Future income tax assets		
Non-capital losses	$ 629,086	$ 926,576
Capital losses	10,065	–
Property, plant and equipment	9,054	8,289
Resource properties	677,741	701,658
Other	137,154	111,845
Total future tax assets	1,463,100	1,748,368
Valuation allowance	(1,373,686)	(1,342,664)
Net future income tax assets	89,414	405,704
Future income tax liabilities		
Property, plant and equipment	157,027	184,313
Resource properties	4,069,315	3,358,574
Other	14,823	49,168
Future income tax liabilities	4,241,165	3,592,055
Future income tax liability, net	$ 4,151,751	$ 3,186,351

This is represented on the balance sheet as:

	2009	2008
Current future income tax assets	$ 44,648	$ 356,537
Long-term future income tax liabilities	(4,196,399)	(3,542,888)
	$ (4,151,751)	$ (3,186,351)

The Company has non-capital loss carry-forwards of approximately $3,459,144 that may be available for tax purposes. The loss carry-forwards are all in respect of Canadian and Mexican operations and expire as follows:

Expiry Year	Canada	Mexico	Total
2010	$ 62,801	$ –	$ 62,801
2013	–	6,791	6,791
2014	169,820	25,213	195,033
2015	235,727	29,395	265,122
2016	–	12,201	12,201
2017	–	12,214	12,214
2018	–	10,826	10,826
2019	–	10,297	10,297
2026	828,544		828,544
2027	541,044		541,044
2028	141,907		141,907
2029	416,729		416,729
	$ 2,396,572	$ 106,937	$ 2,503,509

A full valuation allowance has been recorded against the net potential future income tax assets associated with the Canadian loss carry-forwards of $2,396,572 and certain other deductible temporary differences as their utilization is not considered more likely than not at this time.

11. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern, to provide an adequate return to shareholders, to meet external capital requirements on credit facilities and to support any growth plans.

The capital of the Company consists of the items included in shareholders' equity and cash and cash equivalents net of debt obligations. The Company monitors capital based on the debt to debt-plus-equity ratio. Debt is total debt shown on the balance sheet, less cash and cash equivalents. Debt-plus-equity is calculated as debt shown on the balance sheet, plus total shareholders' equity which includes accumulated other comprehensive income (loss), share capital, contributed surplus and retained earnings or deficit.

The Company's policy is to keep its debt to debt-plus-equity ratio at a manageable level consistent with the current business cycle and the business opportunities outlook foreseen by the Company. As a general guideline, the Company's policy will be to keep its debt to debt-plus-equity ratio to a minimal level, except in unusual circumstances such as a major acquisition. Currently the Company has no debt and is in full compliance with its capital risk management policies. The Company's Board of Director's approves management's annual capital expenditures plans and reviews and approves any material debt borrowing plans proposed by the Company's management.

To effectively manage the entity's capital requirements, the Company has in place a planning and budgeting process to help determine the funds required to ensure the Company has the appropriate liquidity to meet its operating and growth objectives. The Company ensures that there are sufficient cash and cash equivalents to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents.

12. FINANCIAL INSTRUMENTS

Financial assets and liabilities

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, investments, accounts payable and accrued liabilities, and due to related parties. For cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, and due to related parties, carrying value is considered to be fair value due to the short-term nature of these instruments. The fair value of investments is determined by quoted prices in active markets for identical assets at the balance sheet date. At December 31, 2009 all equity investments held were classified as Level 1 and cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities were classified as Level 2 on the fair value hierarchy of Handbook Section 3862 – Financial Instruments – Disclosures.

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 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 has an adequate credit rating 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 ($5.3 million), accounts receivable ($1.3 million) and investments ($0.1 million).

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 December 31, 2009 the Company did not have any significant future debt obligations.

Interest rate risk

The Company is exposed to interest rate risk on its cash and cash equivalents. Generally, the Company's interest income will be reduced during sustained periods of lower interest rates as higher yielding cash equivalents and any short term investments mature and the proceeds are invested at lower interest rates.

Currency risk

Foreign exchange rate fluctuations may affect the costs that the Company incurs in its operations. Silver, lead, zinc and gold are sold in U.S. dollars and the Company's costs are principally in Mexican pesos and Canadian dollars. At December 31, 2009 the Company is exposed to currency risk through the cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, and due to related party held in U.S. dollars and Mexican pesos. Based on these foreign currency exposures at December 31, 2009, a 10% depreciation or appreciation of all the above currencies against the Canadian dollar would result in an approximate $60,000 decrease or increase in the Company's net earnings for the year ended December 31, 2009.

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.

Assuming the same rate of production, a 10% change in commodity prices from actual realized prices would have increased or decreased the Company's net earnings in the year ended December 31, 2009 as follows:

	2009	2008
Silver price	$ 855,000	$ 555,000
Lead price	$ 88,000	$ 83,000
Zinc price	$ 117,000	$ 71,000
Gold price	$ 43,000	$ 27,000

13. SEGMENTED INFORMATION

Details at December 31 are as follows:

	2009	2008
Revenue by geographic area		
Mexico	$ 12,176,115	$ 8,907,958
Net income (loss) by geographic area		
Mexico	$ 2,298,278	$ 545,500
Canada	(1,138,617)	116,600
	$ 1,159,661	$ 662,100
Assets by geographic area		
Mexico	$ 25,401,617	$ 22,814,089
Canada	5,170,095	5,354,414
Caribbean	1,117,845	1,105,781
	$ 31,689,557	$ 29,274,284
Property, plant and equipment by geographic area		
Mexico	$ 3,237,742	$ 3,150,843
Canada	14,412	13,630
	$ 3,252,154	$ 3,164,473

14. ECONOMIC DEPENDENCE

As is customary in the mining industry, the Company had entered into a single contract with a Mexican refining and smelting company, for the refining and sale of its silver, lead, zinc and gold contained in its lead and zinc concentrates. This contract with Met-Mex Penoles, S.A. de C.V. ("Penoles") accounted for 100% of the sales of the Company until February 8, 2009 when employees at the Penoles refinery went on strike. The Company then entered into a short term contract for the sale of its lead and zinc concentrates with Glencore International AG in March 2009. In April and May 2009 the Company shipped concentrates to Glencore and in May 2009 recommenced shipping all concentrates to Penoles.

15. SUBSEQUENT EVENTS

On March 17, 2010 the Company exercised its option to purchase, through its wholly-owned subsidiary MAP, the 200-tonne-per-day processing plant in Zacatecas, Mexico. The total consideration paid was US$1,080,000 and 400,000 shares, with another 100,000 shares to be issued.

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PHOTOGRAPHY – THE IMPACT SILVER TEAM, SHUTTERSTOCK DESIGN AND LAYOUT – SPEAK DESIGN INC TORONTO VANCOUVER

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IMPACT Silver Corp.
Form 51-102F1
Management's Discussion and Analysis
For the Period Ended December 31, 2009

INTRODUCTION

This Management's Discussion and Analysis ("MD&A") of IMPACT Silver Corp. ("IMPACT" or "the Company") is dated April 8, 2010. This MD&A should be read in conjunction with the audited annual consolidated financial statements of IMPACT Silver Corp. and the notes thereto for the year ended December 31, 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

- 2009 was a year of records for IMPACT Silver with record silver, lead, and zinc production, and record revenues, net earnings and cash flows from operations. IMPACT also continued to have great success in its exploration activities in 2009 (see following page).
- Silver production for the year reached 823,571 oz., up 30% from 635,668 oz. in 2008 and 136% from 348,949 oz. in 2007.
- Revenues for the year reached $12.2 million, up 37% from $8.9 million in 2008.
- Net earnings for the year reached $1.16 million, up 75% from $0.66 million in 2008.
- Cash flows from operations before changes in non-cash working capital[1] were $3.8 million, up 72% from $2.2 million in 2008.
- After investing $4.5 million in property, plant and equipment, resource properties and exploration during 2009, the Company had cash and cash equivalents of $5.3 million at December 31, 2009.
- On March 17, 2010 IMPACT completed the purchase of the 200 tpd Veta Grande processing plant located at the Veta Grande Silver Project in Zacatecas, Mexico, through its wholly-owned Mexican subsidiary, Minera Aguila Plateada SA de CV ("MAP").

Exploration Results

Noche Buena

- On September 24, 2009, IMPACT announced a positive production decision at the new Noche Buena Mine and on March 4, 2010 announced that mining had commenced at Noche Buena.
- On April 8, 2009, IMPACT announced wide drill intersections of silver mineralization on the Noche Buena Zone including 204 g/t silver across 8.55 meters true width ("TW") and 280 g/t silver across 4.54 meters TW.
- On July 21, 2009, IMPACT 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.
- On December 7, 2009, IMPACT announced further drill results from the north extension of the Noche Buena Zone including 1,078 g/t silver across 3.27 meters and 499 g/t silver across 3.78 meters.

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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."

Exploration Results - *continued*

Capire and Aurora 1

- On November 17, 2009, IMPACT announced initial NI 43-101 compliant mineral resource estimates for the Capire and Aurora 1 Zones located in the Mamatla Mineral District. The combined Capire and Aurora 1 measured and indicated mineral resource estimates reported at that time included 7.2 million ounces silver, 94.3 million lbs zinc and 38.8 million lbs lead based on a US$20/tonne in ground metal value envelope.

- On March 17, 2010, IMPACT announced the completion of the second phase drill program at the Aurora 1 Zone. Subsequent to the drilling which defined the mineral resource estimates above, an additional 27 holes (2,931 meters) were completed in the Aurora 1 Zone. The additional holes expanded the limits of the Aurora 1 Zone to the east and west including intersections which expanded the higher grade central core. Drill results included 446 g/t silver, 7.7 g/t gold, 3.8% lead, and 7.5% zinc across 2.0 meters. The zone remains open for expansion to the east and west. Drilling is now proceeding on the nearby Capire Zone. Capire and Aurora 1 are separated by 200 meters and planned drilling of this gap may unite them. NI 43-101 mineral resource estimates will be updated when this current phase of drilling is completed on both zones.

Other targets

- On October 6, 2009, IMPACT announced first drill results from the Santa Lucia Zone located 3.7 kilometers southeast of the processing plant. Highlights included 600 g/t silver across 1.43 meters and 1,905 g/t silver across 0.57 meters. On December 16, 2009, IMPACT announced further drill results from the Santa Lucia Zone including 466 g/t silver across 3.2 meters and 1,128 g/t silver across 0.87 meters.

- 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.

- On May 27, 2009, IMPACT also reported drill 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 August 11, 2009, IMPACT announced that the Geographic Information System database work on the Zacualpan and Mamatla Districts had compiled 1,274 old mine workings and prospects and this has contributed to a significant increase in the exploration drilling success rate.

Corporate Overview

IMPACT is a natural resource mining and development company, primarily engaged in the acquisition, exploration, development and mining of natural resource properties located in Mexico and the Dominican Republic. IMPACT currently produces concentrates containing silver, lead, zinc and gold at the Royal Mines of Zacualpan in the State of Mexico with a processing plant rated at 500 tonnes per day ("tpd"). The Company also owns a semi-portable 200 tpd processing plant for potential use at its projects in the Zacualpan and Mamatla Mineral Districts. Subsequent to year end the Company exercised an option to purchase a third processing plant with a capacity of 200 tpd at the "Veta Grande Silver Project" in Zacatecas, Mexico.

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 is currently undertaking a three-part process of exploration, development and mine production at the Royal Mines of Zacualpan Silver District and adjacent Mamatla Mineral 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 2009 the Guadalupe mill processed an average of 313 tpd, up 12% from 2008. With the addition of development muck from the Noche Buena Mine the Guadalupe mill is expected to be processing in excess of 400 tpd by the second quarter of 2010. The second objective is to continue exploration and prepare for development 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. IMPACT continued to make progress towards each of these three objectives throughout 2009.

On March 4, 2010, IMPACT announced that mining had commenced at the Noche Buena Mine. Initial production is planned for 80 to 120 tonnes per day and will increase during the year as multiple mining faces are developed. The Guadalupe processing plant was upgraded in the first quarter of 2010 to accommodate the additional Noche Buena production.

The Noche Buena Mine will be the third new mine that has been taken from discovery to production by the IMPACT team since 2006. From the time first assays were received from the discovery drill hole in January 2009 to production in March 2010, approximately fifteen months elapsed. This ability to fast track new mines into production is a cornerstone of IMPACT's plan to rapidly grow silver production in the Zacualpan and Mamatla Districts.

The additional mill feed from Noche Buena will contribute approximately 80 to 120 tpd and will help the Company increase throughput at its Guadalupe mill and will enable the mill to ultimately reach its rated capacity of 500 tpd. The Company has budgeted approximately $o.4 million for capital expenditures required to attain this additional production from Noche Buena. Expenditures are for additional underground and surface equipment as well as electrical facilities at the mine.

In November 2009, IMPACT announced the first NI 43-101 compliant mineral resource estimates for the Capire and Aurora 1 Zones including 7.2 million ounces silver, 94.3 million lbs zinc and 38.8 million lbs lead. The adjacent Capire and Aurora 1 Zones are currently in the mine planning and economic assessment stage. Both the Capire and Aurora 1 Zones remain open for expansion and infill and expansion drilling on both zones is in progress. Capire and Aurora 1 are located in the Mamatla Mineral District, 16 kilometers southwest of IMPACT's active mining and processing operations at Zacualpan.

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 December 31, 2009, the Company had cash and cash equivalents of $5.3 million held primarily with a Canadian Tier 1 Bank.

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 272-square-kilometers of mineral concessions, operating mines and a processing plant 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 months and year ended December 31, 2009:

	Three months ended			Year ended		
	Dec 31 2009	Dec 31 2008	% Change	**Dec 31 2009**	Dec 31 2008	% Change
Total tonnes (t) produced	**28,921**	26,343	+10%	**114,340**	102,426	+12%
Tonnes produced per day	**314**	286	+10%	**313**	280	+12%
Silver production (oz)	**160,613**	213,876	-25%	**823,571**	635,668	+30%
Lead production (t)	**206**	257	-20%	**969**	813	+19%
Zinc production (t)	**279**	300	-7%	**1,098**	1,053	+4%
Revenue per production tonne sold	**$91.08**	$86.03	+6%	**$109.51**	$89.89	+22%
Direct costs per tonne produced	**$65.02**	$56.82	+14%	**$60.39**	$54.80	+10%

(For financial results see "Financial Discussion" below)

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. In the fourth quarter of 2007 mining began at the new Chivo Mine which is now the principle production center and mining was suspended at the lower grade Guadalupe Mine. In early 2008 the San Ramon Mine was brought back into production and through 2009 provided an increasing source of ore for processing. Subsequent to year end in March 2010, mining began at the new Noche Buena Mine.

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 successful exploration and development done over the last three 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.

Chivo Mine

During 2009 Chivo provided 80% (2008 – 60%) of mill feed. High grade silver 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 is now the main production adit for the Chivo Mine. 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, 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, Chivo is providing the majority of the higher grade feed to the Guadalupe processing plant.

San Ramon Mine

During 2009 San Ramon provided 20% (2008 – 7%) 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 Guadalupe mill; however, operating costs were substantially rising and ore delineation became increasingly more complex due to the nature of the mine access, causing the Company to temporarily cease mining. 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 developed underground access to a parallel structure, the Chaparrita Vein. During the third quarter of 2009, a new wide zone of silver-rich stockwork breccia style mineralization was discovered on level 5.5 and is expected to increase production at San Ramon.

Noche Buena Mine

Subsequent to year-end in March 2010, mining began at the newest addition to IMPACT's production profile, the Noche Buena Mine located four kilometers southwest of the Guadalupe processing plant. Initial production is planned at 80 tonnes per day and will increase later in the year as additional mining faces are developed. To date drilling has defined the upper levels of the Noche Buena Zone over a strike length of 400 meters, a depth of 100 meters and an average width of 3 meters. The zone remains open for expansion.

The Noche Buena Project is the third new mine that has been taken from discovery to production by the IMPACT technical team. From the time first assays were received from the discovery drill hole (January 2009) to projected commercial production in April 2010, approximately 15 months has elapsed. This ability to fast track new mines into production is a cornerstone of IMPACT's plans to rapidly grow silver production in the Zacualpan-Mamatla Districts.

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 33% of the mill feed in 2008 was from mining of medium grade ore 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; this 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 relatively lower silver grades. The Company will recommence mining at the Guadalupe and Gallega mines when higher zinc prices allow for profitable mining in these areas.

Processing Plant

At the Guadalupe processing plant, which has a design capacity of approximately 500 tpd, the ongoing program of upgrades designed to enhance recoveries and improve processing economics is continuing. In early 2010 additional flotation cells were added to the flotation circuit which will improve efficiencies and recoveries. The Company has budgeted $0.6 million in 2010 for processing plant upgrades, in part to accommodate ore from the Noche Buena Mine.

The Company is continuing work to increase tailings capacity and enhance the tailings 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 placed three new mines (Chivo, San Ramon/Chaparrita, and Noche Buena) into production over the past four years along with various satellite deposits. The Capire and Aurora 1 Zones in the Mamatla District are now in the mine planning and metallurgical testing stages.

During 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 year follows.

Data Compilation

Since 2004 IMPACT has been reporting results from a large number of old mines and prospects in the Zacualpan and Mamatla Districts. To organize the results of this extensive field work, historical information and assays, IMPACT is compiling a computer Geographic Information System ("GIS") database encompassing all past mining and exploration data in the districts. To date over 1,600 old mine workings and prospects representing almost 500 years of mining history in the districts, have been located in the field and entered into the GIS database. In 2009 the GIS database reached a critical mass of information and is now the main engine for generating and prioritizing drill targets.

Noche Buena Mine Development Project

In the fourth quarter of 2008 IMPACT announced the commencement of a large drill program in the Noche Buena and during the third quarter of 2009 a production decision was made. Mine construction began in the fourth quarter of 2009 and mining commenced in the first quarter of 2010.

During 2009 IMPACT issued five news releases with significant drill assays from Noche Buena and announced a production decision for the Noche Buena Mine. The following table summarizes the most significant results in the shallowest part of the zone which is now being developed.

NOCHE BUENA VEIN UPPER LEVEL DRILL INTERSECTIONS					
DRILL HOLE	FROM (m)	TO (m)	INTERSECTION (m)	SILVER (g/t)	GOLD (g/t)
SECTION 1400N					
Z09-39	52.75	55.83	3.08	589	0.2
Including	52.75	54.15	1.40	940	0.1
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. Other veins intersected in the drilling above and below the Noche Buena Vein returned high grade silver values including 499 g/t silver over 3.8 meters in drill hole Z09-39 and 1,078 g/t silver over 3.3 meters in drill hole Z09-43 and will be incorporated into the mining plan. Further drilling is planned to expand the zone.

Santa Lucia Zone

In 2009 IMPACT completed a Phase One drill program in the Santa Lucia area located 4 kilometers southeast of the Guadalupe processing plant. Detailed geological mapping, soil sampling and rock sampling earlier in the year outlined a variety of high-grade silver drill targets consisting of old mine workings and outcropping veins along a northwesterly trending structural corridor that is coincident with a strong silver-gold-lead-zinc soil geochemistry anomaly. Phase One drilling tested a variety of these targets with drill holes spaced at 50 meter intervals to determine the focus for additional drilling. Summarized below are highlights from these initial drill holes:

SANTA LUCIA AREA 2009 DRILL INTERSECTION HIGHLIGHTS					
DRILL HOLE	FROM (m)	TO (m)	INTERVAL (m)	SILVER (g/t)	GOLD (g/t)
SECTION 1700N					
Z09-50	13.7	14.7	1.0	602	0.02
Z09-51	34.3	35.7	1.5	141	0.01
SECTION 1600N					
Z09-47	60.6	66.9	6.3	278	0.01
including	63.7	66.9	3.2	467	0.01
including	63.7	64.7	0.9	1,185	0.02
Z09-54	163.5	165.1	1.6	312	0.06
SECTION 1550N					
Z09-35	69.9	70.5	0.6	871	0.04
And	81.4	82.9	1.4	600	0.08
Including	82.2	82.9	0.7	893	0.15
Z09-37	73.2	73.8	0.6	1,905	0.15
And	81.2	82.4	1.1	196	0.01
Z09-52	203.0	205.1	2.1	134	0.04
Z09-53	216.1	218.5	2.4	419	0.03
And	263.0	264.4	1.4	153	0.45
SECTION 1500N					
Z09-55	232.7	233.8	1.1	372	0.01
SECTION 1450N					
Z09-34	155.4	156.6	1.2	160	0.02
SECTION 1350N					
Z09-56	121.4	121.9	0.5	331	0.06
SECTION 1300N					
Z09-57	122.5	124.5	2.0	168	0.06
Z09-58	29.5	30.3	0.9	1,128	0.01
And	213.0	215.1	2.1	274	0.05
SECTION 1250N					
Z09-59	135.1	136.0	0.9	377	0.01

A Phase Two drill program in 2010 will continue 50 meter spaced drilling on Section 1600N at depth where the silver-bearing structures are becoming better defined and to the south of Section 1250N where several previously unknown old mine workings may be continuous with the famous Chontalpan Mine located 2 kilometers to the southeast. Historic reports describe the Chontalpan Mine as a large, very high grade silver producer dating back to at least the 1760's.

Nido de Oro Area

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

NIDO DE ORO AREA (HORQUETA VEIN)								
DRILL HOLE	FROM (m)	TO (m)	INTERVAL (m)	TRUE WIDTH (m)	SILVER (g/t)	GOLD (g/t)	LEAD (%)	ZINC (%)
Z09-13	85.4	91.6	6.2	5	227.8	2.2	1.18	3.71
Including	85.4	87.9	2.5	2	342.9	5.2	1.24	4.08

This main northeasterly dipping Gold-Silver Horqueta Vein has been traced in trenches on surface for 1.9 kilometers and an additional series of silver-bearing 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 Horqueta Vein mineralization is open for expansion to the north.

Las Aguilas Zone

The Las Aguilas Zone is located 4.2 kilometers west of IMPACT's Guadalupe processing plant. It is host to a series of southwesterly dipping veins that are partially exposed in historic underground workings and in surface outcrops where rock chip samples returned up to 287 g/t silver and 3.25 g/t gold. Initial drill holes at Los Aguilas returned the following values:

LAS AGUILAS ZONE 2009 DRILL HOLES								
DRILL HOLE	FROM (m)	TO (m)	INTERVAL (m)	TRUE WIDTH (m)	SILVER (g/t)	GOLD (g/t)	LEAD (%)	ZINC (%)
SECTION 2050N								
Z09-07	27.8	30.5	0.8	0.7	239.0	0.1	0.08	0.13
And:	42.5	45.8	3.3	3.3	236.3	0.1	0.23	0.41
And:	51.3	51.8	0.5	0.5	2,040.0	0.4	1.42	2.23
Z09-08	46.0	46.6	0.6	0.5	362.0	0.2	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. Additional drilling is planned.

Zacualpan Early Stage Exploration

IMPACT employs field crews dedicated to early stage exploration throughout the District. These crews have been sampling some of the 1,600+ old mine workings and prospects in the project area, trenching areas of mineralization and carrying out extensive soil sampling on 100 meter x 25 meter grids. During 2009 this work included mapping and sampling of soils and rocks in the Golondrinas, Santa Lucia, Chontalpan North, Principe, Condesa, 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 km² 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. The Capire and Aurora 1 Zones in the Mamatla District are now in the mine planning and metallurgical testing stages.

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) achieved commercial production in April 2009 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 targets at Mamatla are the Capire and Aurora 1 VMS Zones, which were discovered less than one kilometer apart and were initially drilled by prior operators in the 1990s. In the fourth quarter of 2009 IMPACT announced initial NI 43-101 compliant mineral resource estimates for the Capire and Aurora 1 Zones. The combined Capire and Aurora 1 Measured and Indicated Mineral Resource Estimates total 7.2 million ounces silver, 94.3 million lbs zinc and 38.8 million lbs lead. Both zones remain open for expansion. Infill and expansion drilling on both zones is currently underway. Subsequent to year end in March 2010, additional drill results were announced from the Aurora 1 Zone.

A summary by zone of the total classified Measured and Indicated Mineral Resources inventory and separately, Inferred Mineral Resources based on a 3D geological model is as follows:

Classified Mineral Resources: Measured + Indicated and Separate Inferred							
Zone	Classification	Tonnes	Ag (g/t)	Au (g/t)	Cu (%)	Pb (%)	Zn (%)
Capire	Measured + Indicated	3,114,488	52.31	0.202	0.07	0.39	1.02
Aurora 1	Measured + Indicated	1,215,798	52.07	0.201	0.08	0.46	0.92
Grand Total	Measured + Indicated	4,330,286	52.24	0.201	0.07	0.41	0.99
Capire	Inferred	218,617	49.41	0.188	0.06	0.35	0.94
Aurora 1	Inferred	85,836	46.89	0.166	0.07	0.38	0.88
Grand Total	Total Inferred	304,453	48.7	0.182	0.07	0.36	0.92

No adjustments have been made for mining or metallurgical recoveries and no economic cut off values have yet been determined.

Combined Measured and Indicated, and separately Inferred, In Ground Metal Content are as follows:

Total Measured + Indicated In Ground Metal Content						
		Ag (oz)	Au (oz)	Cu (lbs)	Pb (lbs)	Zn (lbs)
Capire +Aurora 1	Measured	3,225,633	12,256	2,972,731	17,020,021	40,950,998
Capire +Aurora 1	Indicated	4,047,211	15,773	3,523,296	21,862,477	53,428,372
Capire +Aurora 1	Measured+ Indicated	**7,272,844**	**28,029**	**6,496,027**	**38,882,498**	**94,379,370**
Total Inferred In Ground Metal Content						
Capire +Aurora 1	Inferred	476,688	1,779	421,645	2,405,978	6,157,909

Mine planning, metallurgical studies and economic studies are now underway to evaluate the production potential of the Capire and Aurora 1 zones. The orientation and shallow depth from surface of the mineralization indicates potential for open pit mining of at least a portion of the zones. The Company is considering the installation of a pilot plant on this project while it continues to test the expansion of the existing deposit and exploration of a number of nearby targets. Should a production decision be made on Capire and Aurora 1, it is anticipated that a new processing plant would be built on site to create a second production centre on IMPACT's 472 km^2 mineral holdings in the region.

A map of the drill grids for both Capire and Aurora 1 can be found on the company website at www.IMPACTSilver.com. Full details of the breakdown of these mineral resources can be found in the IMPACT news release dated November 19, 2009 and the full NI 43-101 report is posted on www.sedar.com.

Mamatla Epithermal Vein Prospects

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

Veta Grande (Zacatecas) Silver Project, Mexico

On March 17, 2010 the Company completed the purchase, through its wholly-owned subsidiary MAP, of the 200 tpd Veta Grande processing plant in the Zacatecas Silver District of Mexico. The Company plans to upgrade the processing plant and use it to increase IMPACT's presence in the Zacatecas Silver District. IMPACT intends to process historic surface mine dumps from its own concessions in the District. The Company is also exploring opportunities with other companies in the District who own mineral concessions with in-ground mineral resources or historic surface mine dumps that could be processed at the Veta Grande processing plant on a joint venture or toll milling basis.

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 16 mineral concessions located within the district, three of which are in a joint venture.

Future Exploration Plans

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

During 2009, exploration continued at a high level in order to put some of the other 1,600+ 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 1,600+ 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., Vice President and Director of IMPACT Silver Corp., and a Qualified Person under the meaning of Canadian National Instrument 43-101, is responsible for the technical information in this MD&A for the Royal Mines of Zacualpan Silver Project, the Mamatla Mineral District and the Veta Grande (Zacatecas) Silver Project. The Capire and Aurora 1 mineral resource estimates in this MD&A were taken from a technical report (posted on www.sedar.com) by Claus G. Wiese. P.Eng. of I-Cubed LLC, an independent professional engineer. 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. The Company did not carry out any work on the Dominican Republic properties in 2009.

Nigel Hulme, P. Geo., a Qualified Person under the meaning of Canadian National Instrument 43-101, is responsible for the technical information described in this 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 2009, IMPACT had booth displays promoting the Company at three industry and investor conferences in Canada, two in the U.S.A. and one in Europe. In addition, the Company conducted numerous presentations to retail and institutional investors in various cities across Canada, the United Kingdom and Germany. The Company plans to continue these activities on an ongoing basis. Energold (a significant shareholder) assists IMPACT with its day-to-day investor relations.

FINANCIAL DISCUSSION

Mine Operating Earnings for the year ended December 31, 2009

Revenues (net smelter returns) in the year ended December 31, 2009 were $12.2 million, up 37% from $8.9 million in 2008. These higher revenues were due to increasing silver prices and higher silver, lead, zinc and gold production, which more than offset the lower realized lead and zinc prices. Average metal prices in 2009 in Canadian dollars were higher by approximately 5% for silver and lower by approximately 12% for lead and 5% for zinc as compared to average prices in 2008. Average mill throughput during 2009 was 313 tpd, up 12% from 280 tpd during 2008.

Revenues per production tonne sold increased to $109.51 in 2009, up 22% from $89.89 in 2008. Higher silver grades and higher silver prices in Canadian dollars were the main driver behind this increase in 2009.

Mine operating expenses in the year ended December 31, 2009 were $6.67 million, up 23% from $5.42 million in 2008. Amortization and depletion in 2009 was $1.34 million, up 3% from $1.30 million in 2008. Direct mine operating costs per tonne in 2009 were $60.39, up 14% from $54.80 in 2008. Higher costs were incurred in mining as the Company produced a greater amount of ore from lower levels of the Chivo Mine in 2009 as compared to 2008 and temporarily halted mining in the Guadalupe and Gallega Mines. Processing costs in 2009 remained in line with 2008 costs. On average the Canadian dollar was stronger against the Mexican peso in 2009 as compared to 2008 which helped keep operating costs down in Canadian dollar terms.

Mine operating earnings in 2009 were $4.2 million, up 90% from $2.2 million in 2008. Net earnings in 2009 were $1.16 million, up 75% from $0.66 million in 2008.

Mine Operating Earnings for the three months ended December 31, 2009

Revenues (net smelter returns) in the fourth quarter were $2.3 million, up 5% from $2.2 million in the fourth quarter of 2008. The timing of shipments at the end of 2009 reduced revenues in the fourth quarter of 2009 as a significant amount of production from the fourth quarter was not sold and was held in inventories at the end of the year. These lead and zinc concentrate inventories are included in the December 31, 2009 balance sheet at their production cost of $0.5 million, however were subsequently sold in January 2010 for $0.7 million.

Revenues per production tonne sold increased in the fourth quarter of 2009 to $91.08, up 6% from $86.03 in the fourth quarter of 2008. Average metal prices in the fourth quarter of 2009 in Canadian dollars were higher by approximately 50% for silver, 61% for lead and 63% for zinc as compared to average prices in the fourth quarter of 2008. This allowed the Company to mine and process lower grade ore while maintaining profitability and positive cash flows from operations in the fourth quarter of 2009. Average mill throughput during the fourth quarter was 314 tpd, up 10% from 286 tpd during the fourth quarter of 2008.

Mine operating expenses in the fourth quarter of 2009 were $1.7 million, up 12% from $1.5 million in the fourth quarter of 2008. Amortization and depletion in the fourth quarter of 2009 was $0.26 million, down 46% from $0.48 million in the fourth quarter of 2008. Direct mine operating costs per tonne in the fourth quarter of 2009 were $65.02, up 14% from $56.82 in the fourth quarter of 2008. Higher costs were incurred in mining as the Company produced a greater amount of ore from lower levels of the Chivo Mine in 2009 as compared to 2008. Processing costs in the fourth quarter of 2009 remained in line with 2008 costs. On average the Canadian dollar was stronger against the Mexican peso in the fourth quarter of 2009 as compared to the fourth quarter of 2008 which helped keep operating costs down in Canadian dollar terms.

Mine operating earnings in the fourth quarter of 2009 were $0.42 million, up 57% from $0.27 million in the fourth quarter of 2008. Net earnings in the fourth quarter of 2009 were $0.12 million, up from a net loss of $0.26 million in the fourth quarter of 2008.

General, Administrative and Other Expenses for the year ended December 31, 2009

General and administrative expenses in 2009 were $1.53 million, up 9% from $1.41 million in 2008. Non-cash stock-based compensation expense increased to $0.45 million in 2009 from $0.31 million in 2008 as a result of stock options granted in January 2009. The Company realized reductions in accounting, audit and legal, investor relations, promotion and travel, and office rent, insurance and sundry in 2009 as compared to 2008.

The Company incurred a foreign exchange loss of $0.29 million in 2009 compared to a foreign exchange loss of $0.32 million in 2008. The Company earns revenues in U.S. dollars and incurs costs in Mexican pesos and Canadian dollars. Foreign currency fluctuations create foreign exchange gains and losses as the Company translates its U.S. dollar and Mexican peso assets and liabilities into Canadian dollars for financial reporting purposes. These foreign exchange gains and losses will continue and may have a significant impact on future net earnings.

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 a refinery strike at the Company's principal customer, Penoles. 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 $0.34 million which is included in other expense in 2009. The Company recovered approximately $0.07 million 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 three months ended December 31, 2009

General and administrative expenses in the fourth quarter of 2009 were $0.43 million, up 48% from $0.29 million in the fourth quarter of 2008. Non-cash stock based compensation expense was $0.8 million in both the fourth quarter of 2009 and 2008. Office salaries and services were higher in the fourth quarter of 2009 as a result of an adjustment which was made in the fourth quarter of 2008. All other general and administrative expenses in the fourth quarter of 2009 were consistent with expenses recorded in the fourth quarter of 2008.

The Company incurred a foreign exchange gain of $0.02 million in the fourth quarter of 2009 as compared to a foreign exchange loss of $0.43 million in the fourth quarter of 2008. The Company earns revenues in U.S. dollars and incurs costs in Mexican pesos and Canadian dollars. Foreign currency fluctuations create foreign exchange gains and losses as the Company translates its U.S. dollar and Mexican peso assets and liabilities into Canadian dollars for financial reporting purposes. These foreign exchange gains and losses will continue and may have a significant impact on future net earnings.

OTHER FINANCIAL INFORMATION

Selected Annual Information

All figures are in thousands of Canadian dollars except earnings per share.

	For the year ended		
	2009	2008	2007
Revenues	**$12,176**	$8,908	$7,250
Net earnings	**$1,160**	$662	$287
Earnings per share – Basic	**$0.02**	$0.01	$0.01
Earnings per share – Diluted	**$0.02**	$0.01	$0.01
Total assets	**$31,690**	$29,274	$27,678
Total long-term financial liabilities	**$nil**	$nil	$nil

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							
	Dec 31 2009	Sept 30 2009	June 30 2009	Mar 31 2009	Dec 31 2008	Sept 30 2008	Jun 30 2008	Mar 31 2008
Revenues	**2,333**	4,983	3,404	1,457	2,221	2,244	1,756	2,687
Net earnings (loss)	**116**	785	191	68	(256)	(233)	305	845
Earnings (loss) per share - Basic*	**0.00**	0.02	0.00	0.00	(0.01)	(0.00)	0.01	0.02
Earnings (loss) per share - Diluted*	**0.00**	0.02	0.00	0.00	(0.01)	(0.00)	0.01	0.02
Cash and cash equivalents	**5,295**	5,494	4,050	5,357	5,433	7,091	8,285	8,851
Total assets	**31,690**	31,415	31,492	30,065	29,274	30,058	29,848	28,795
Total liabilities	**5,551**	5,570	6,590	5,460	4,958	5,561	5,265	4,652

* Per share numbers have been rounded to two decimal places

Liquidity and Capital Resources

Working Capital and Cash Flow

IMPACT's financial position at December 31, 2009 remained strong with $5.3 million in cash and cash equivalents (December 31, 2008 - $5.4 million) and net working capital of $6.3 million (December 31, 2008 - $7.3 million). The decrease in cash and cash equivalents is primarily due to the Company's investment in resource property costs of $4.1 million and property, plant and equipment acquisitions of $0.4 million. These cash outflows were offset by positive cash flows from operations of $4.4 million during 2009 (2008 - $1.7 million). Cash flows from operations before changes in non-cash working capital[2] were $3.7 million during 2009 (2008 - $2.2 million).

The Company's working capital position is expected to remain strong as planned resource property costs, exploration expenditures and acquisition of property, plant and equipment will be supported by positive cash flow from mining operations.

Resource Property Expenditures

Exploration expenditures and property acquisition costs related to Zacualpan in 2009 were $4.2 million compared to $5.5 million in 2008. Expenditures on drilling and other exploration costs are budgeted to continue to be between $1.0 and $1.6 million per quarter 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 remaining 2010 exploration expenditures in the Zacualpan and Mamatla Districts will continue at levels similar to 2009 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.

[2] 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."

Outstanding Share Data

The following common shares and convertible securities were outstanding at April 8, 2010:

	# of Shares	Exercise Price	Expiry Date
Issued and outstanding common shares at April 8, 2010	48,625,585		
Employee stock options	405,000	$0.42	April 13, 2010
	985,000	$ 1.40	September 5, 2012
	75,000	$ 1.67	October 22, 2012
	2,064,375	$0.55	January 6, 2014
Fully Diluted at April 8, 2010	52,154,960		

Of the 3,529,375 options outstanding, 3,263,750 have vested at April 8, 2010.

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 year ended December 31, 2009, fees in the amount of $2,137,289 (2008 - $2,333,847) were paid or accrued to Energold for contract drilling services performed in Mexico at the Zacualpan Mines and Concessions. These services were provided in the normal course of business operations at similar rates that would be offered to any other mining company. At December 31, 2009, the balance owed to Energold was $274,560 (December 31, 2008 - $760,054).

During the year ended December 31, 2009, fees in the amount of $263,591 (2008 - $184,314) were paid or accrued to three officers and two directors of the Company, of which $218,141 is recorded in various administrative expenditures on the income statement, and $45,450 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, accounts payable and accrued liabilities, and due to related parties. For cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, and due to related parties, carrying value is considered to be fair value due to the short-term nature of these instruments. The fair value of investments is determined by quoted prices in active markets for identical assets at the balance sheet date. At December 31, 2009 all equity investments held were classified as Level 1 and cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities were classified as Level 2 on the fair value hierarchy of Handbook Section 3862 – *Financial Instruments - Disclosures.*

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 December 31, 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 January 2009, the CICA issued EIC-173, "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities." The EIC provides guidance on how to take into account credit risk of an entity and counterparty when determining the fair value of financial assets and financial liabilities, including derivative instruments. This standard is effective for our fiscal year beginning January 1, 2009. The adoption of EIC-173 did not result in a material impact on the Company's consolidated financial statements.

In June 2009, the CICA amended Handbook Section 3862 – *Financial Instruments – Disclosures* to include additional disclosure requirements about fair value measurements of financial instruments and to enhance liquidity risk disclosure requirements for publicly accountable enterprises. The amendments are applicable for the Company's annual consolidated financial statements for its fiscal year ending December 31, 2009.

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 replaces 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. The Company is currently assessing these sections.

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.

In 2009 the Company began 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. The detailed assessment is ongoing and to date the Company has identified presentation and disclosure, property, plant and equipment, and future income taxes as areas where the adoption of IFRS may have a material effect on the Company's financial reporting, processes and controls. The Company is also assessing the available elections under IFRS to determine the effect of each election to the Company. This detailed assessment is expected to be completed in 2010.

The transition from Canadian GAAP to IFRS may materially affect reported financial position and results of operations. The Company has not yet determined the full accounting effects of adopting IFRS, since some key accounting policy alternatives and implementation decisions are still being evaluated.

In 2010 the Company will:

- complete a detailed evaluation and selection of the available IFRS exemptions
- complete the selection of accounting policies under IFRS
- prepare draft financial statements and notes under IFRS
- prepare a January 1, 2010 opening balance sheet and 2010 comparative data under IFRS
- identify and implement any changes required to information technology systems and data collection processes

Other important considerations during the IFRS transition include:

Internal control over financial reporting ("ICFR") – for all accounting policy changes identified, the Company will assess the impact on the ICFR design and effectiveness implications and will ensure that all changes in accounting policies include the appropriate additional controls and procedures for future IFRS reporting requirements.

Disclosure controls and procedures ("DC&P") – for all accounting policy changes identified an assessment of DC&P design and effectiveness implication will be analyzed to address any issues with respect to DC&P during IFRS transition.

Updates on the progress of the conversion process will be provided to the Company's audit committee and disclosed in the Company's MD&A on a quarterly basis throughout 2010.

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 year ended December 31, 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, and due to related party).

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

April 8, 2010

IMPACT SILVER CORP.

April 21, 2010

British Columbia Securities Commission
701 West Georgia Street
P.O. Box 10142, Pacific Centre
Vancouver, B.C. V7Y 1L2

Alberta Securities Commission
4th Floor, 300-5th Avenue SW
Calgary, AB T2P 3C4

Dear Sirs:

Re: IMPACT Silver Corp. ("the Company")
Management's Discussion & Analysis (MD&A)
YE December 31, 2009

We would like to advise that the Company will be re-filing its MD&A for the year ended December 31, 2009.

The Company has changed the date of the MD&A to April 8, 2010 and, accordingly, has revised the Outstanding Share Data table therein.

If you require further information, kindly contact me at 604 681 9501.

IMPACT Silver Corp.

RSYounker

Richard S. Younker
Chief Financial Officer

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