IMPACT Silver Corp.
Form 51-102F1
Management's Discussion and Analysis
For the Three Months Ended March 31, 2012

INTRODUCTION

This Management's Discussion and Analysis ("MD&A") is for the three months ended March 31, 2012 of IMPACT Silver Corp. ("IMPACT" or the "Company") prepared as at May 28, 2012 and should be read in conjunction with the Company's quarterly unaudited condensed consolidated interim financial statements for the three months ended March 31, 2012 and audited consolidated financial statements for the year ended December 31, 2011 and the related notes contained therein. 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."

OVERVIEW FOR THE QUARTER ENDED MARCH 31, 2012

Financial Overview

The net loss for the quarter was $0.1 million, compared to $2.5 million in the first quarter of 2011, with earnings per share of $0.00 compared to $0.04 in the first quarter of 2011.

Revenues for the quarter were $4.5 million, an 8% decrease from the fourth quarter of 2011 and down 38% from $7.3 million in the comparable first quarter of 2011.

Mine operating earnings for the quarter were $ 1.6 million, a 66% decrease from $ 4.6 million in the first quarter of 2011.

Mine operating costs, amortization and depletion during the quarter were $2.9 million, a 9% increase from $2.7 million in the first quarter of 2011 on a 10% production volume increase in tonnes milled.

Net income for the quarter was a loss of $0.1 million, compared to net income of $2.5 million in the first quarter of 2011.

Foreign exchange losses in the quarter increased to $0.7 million, compared to losses of $0.2 million in the first quarter of 2011 as a result of recent unfavourable foreign exchange fluctuations with respect to the principal currencies in which the Company transacts business, namely the relative exchange values of the Canadian and US dollars and the Mexican peso.

Cash flows from operations before change in non-cash working capital in the quarter ended March 31, 2012 were $0.7 million, down from $3.1 million in the first quarter of 2011.

Net working capital remains strong at $32.1 million at March 31, 2012 compared to $21.9 million at March 31, 2011.

Production Overview

- During the quarter, the Chivo Mine encountered decreasing silver grades with depth leading to lower overall silver production. As such the Company has begun the process of fast tracking the new high grade Oscar Silver Mine into production to replace production from Chivo.

- Silver production in the quarter was 164,758 ounces, down marginally from 169,755 ounces in the fourth quarter of 2011 but down 37% from the 260,970 ounces in the first quarter of 2011.

- Lead production in the quarter was 149 tonnes, up marginally from 142 tonnes in the fourth quarter and down 23% from the 193 tons in the first quarter of 2011.

- Zinc production in the quarter was 260 tonnes, up marginally from 248 tonnes in the fourth quarter of 2011 and down by 30% from the 370 tons in the first quarter of 2011.

- Average mill throughput in the first quarter was 455 tonnes per day ("tpd"), 6% higher than the 428 tpd in the fourth quarter and 9% higher than the 419 tpd in the first quarter of 2011.

Other

- On February 29, 2012, IMPACT received 2,680,500 shares from Defiance Silver Corp. ("Defiance") valued at $1.4 million as a first payment under an option agreement for the acquisition of the Company's Zacatecas assets as described in note 7c to our 2011 annual report. IMPACT now owns approximately 16.5% of the issued and outstanding shares of Defiance.

- During the quarter the Company successfully resolved in its favour the 2007 tax appeal assessment that it had launched against the Mexican tax authorities ("SAT"). As a result of this successful appeal, the Company will receive a refund of the $0.6 million of taxes that it had paid.

- Construction of the Capire Open Pit Mine started in January 2012, with the goal of first concentrate shipments in late 2012. Plans are to first install a 200 tpd pilot plant this year to optimize mining and processing parameters toward planning for a larger operation at a later date.

Exploration

Oscar Silver Project

The Oscar Silver Project encompasses a corridor of high grade silver veins located 2.5 kilometers east of IMPACT's Guadalupe Processing Plant. Subsequent to quarter end on April 23, 2012 IMPACT announced further drill results from Oscar including **1,875 g/t silver across 1.00 meter** and **115 g/t silver across 23.39 meters**. With successful completion of this second phase drill program, the IMPACT mine development team has begun the process of fast tracking Oscar-Santa Lucia into production to take advantage of its high grade silver zone utilizing the existing mining infrastructure at the adjacent historic Cuchara Mine.

Corporate Overview

IMPACT has grown from an exploration Company into a significant silver producer with control of nearly two entire mineral districts in central Mexico—the 423 km^2 **Royal Mines of Zacualpan Silver District** and the 200 km^2 **Mamatla Mineral District** adjacent to and southwest of Zacualpan. In addition to its 500-tpd plant, IMPACT also owns a semi-portable, 200 tpd processing plant for use as a pilot plant at its Capire Mine Development Project in the Mamatla Mineral District. In the first quarter of 2011 the Company purchased a third processing plant, the Santa Gabriela (formerly Veta Grande) plant, with a 200 tpd capacity and then optioned it to Defiance for cash and a major share position.

IMPACT is a reporting issuer in British Columbia and Alberta. The Company's shares trade on the TSX Venture Exchange as a Tier 1 Issuer under the symbol **IPT** and on the Frankfurt Stock Exchange under the symbol **IKL**.

2012 will be a year of transition for the Company. The Company is carrying out a three-part program of exploration, development and mine production at both the Royal Mines of Zacualpan Silver District and Mamatla Mineral District. As part of this process, management has established **three key objectives** for the districts in 2012:

1. Complete the construction of the new Capire Open Pit Silver Mine and the 200 tpd Pilot Plant with first concentrate shipments anticipated by year end 2012.
2. Shift production to the high grade Oscar Silver Mine from the Chivo Mine.
3. Continue aggressive exploration and prepare new sources of mineral feed for mine development to justify expansion of the current facilities or construction of new processing plants, including Valle de Oro.

NI 43-101 Resource at Capire

On February 1, 2011, IMPACT announced updated NI 43-101 compliant mineral resource estimates for the Capire Deposit located in the Mamatla Mineral District. Measured and Indicated mineral resource estimates for the Capire Deposit included 7.2 million ounces silver, 95.6 million lbs zinc and 37.2 million lbs lead based on a US$20/tonne in ground metal value envelope. Capire remains open for expansion, and expansion drilling is in progress. Capire is located in the Mamatla Mineral District, 16 kilometers southwest of IMPACT's active mining and processing operations at Zacualpan.

Production Diversity Provides Flexibility

IMPACT's operations in Zacualpan now have the diversity and flexibility to weather fluctuating prices for silver, lead and zinc. With lower prices, production can shift quickly to higher grade areas. Conversely, higher prices allow lower grade mineral to be mined. Over the next nine months IMPACT will be shifting production from the Chivo Mine to the Oscar Mine to take advantage of Oscar's high silver grades.

Production and sales for the three months ended

	Three months ended **March 31 2012**	March 31 2011	% Change
Total tonnes (t) produced	**41,444**	37,752	+10
Tonnes produced per day	**455**	419	+9
Silver production (oz)	**164,758**	260,970	-37
Lead production (t)	**149**	193	-23
Zinc production (t)	**260**	370	-30
Gold production (oz)	**134**	170	-21
Silver sales (oz)	**162,287**	256,436	-37
Lead sales (t)	**150**	189	-21
Zinc sales (t)	**231**	317	-27
Gold sales (oz)	**139**	158	-12
Revenue per production tonne sold	**$104.33**	$209.16	-50
Direct costs per production tonne	**$62.47**	$68.17	-9

MINING AND EXPLORATION OVERVIEW – MEXICO

Royal Mines of Zacualpan Silver Project

IMPACT owns concessions covering most of the Royal Mines of Zacualpan Silver District in central Mexico. Assets include 423 square kilometers of mineral concessions, operating mines, 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 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.

Mine Operations

Background and Overview

The Royal Mines of Zacualpan Silver Project was purchased by the Company on January 16, 2006 and since then an extensive program of upgrading the operations and expanding production and profitability has been carried out. Since acquiring the project the Company has upgraded most of the mining equipment including rebuilding and purchase of a number of scoop-trams and underground trucks. Upgrade expenditures also include new equipment in the processing plant and expansion of the tailings dam (continuing). While plant and facilities may at times limit capacity, sourcing mill feed from the Company's mines remains the critical factor for increasing production further.

In earlier years the Company had seen fluctuations in grades due to the limited number of working faces available for mining. As a result of successful exploration and development over the last six years, the

Company now has a greater ability to balance mill feed grade by drawing from a larger number of mine stopes. This flexibility provides a more blended overall grade for optimum metal recovery.

Operating results were materially impacted in comparison with the first quarter of 2011 by significantly decreased realized silver, lead and zinc prices and by lower than expected mill production. Recent mining activity at the lower level of the Chivo mine showed the vein system with grades lower than previously expected which at today's metal prices are only marginally economic. This situation contrasts sharply with the first quarter of 2011 when the Company was mining high grade material with a feed grade of 250 g/t silver compared with 147 g/t silver in the most recent quarter. Despite a 10% increase in mill throughput and the exercise of good controls over the direct costs of mine production, this has resulted in lower metal production and sales in the quarter than anticipated. The Company is moving to address this issue by accelerating the development of the new Oscar zone as well as to increase where possible production from the Company's other mines to supplant production from the Chivo mine.

Chivo Mine

During the first quarter of 2012 the Chivo Mine provided 27% (Q1 2011 – 43%) of mill feed. In 2012, as the Chivo Mine continues to depth, silver grades will continue to decline as the mine transitions from higher grade silver to higher grade lead and zinc at depth. The Chivo Mine will continue to supply a significant amount of material to the mill in the first half of 2012. However with lower silver grades it will impact the average head grade during that time.

The Chivo Mine, located in the La Virgen Valley Mining Camp in the central part of the Zacualpan District, is the second mine put into production in the district by the IMPACT team. The mine was discovered in 2005, first drilled in late 2006, and rapidly put into initial production in November 2007.

San Ramon Mine

During the first quarter of 2012 San Ramon provided 27% (Q1 2011 – 37%) of mill feed from the mining of high grade mineral. Located in the La Virgen Valley Mining Camp and 1.3 kilometers south of the Chivo Mine, IMPACT recommenced mining at San Ramon in early 2008 on a selective basis with an emphasis on higher grade mineral. Mining continues to expand as the Company also developed underground access to a parallel structure, the Chaparrita Vein. During the fourth quarter of 2009, a new wide zone of silver-rich stockwork breccia style mineralization was discovered on level 5.5. This new target is now the main contributor to production at San Ramon. During the quarter a second access adit was begun from the valley floor and is anticipated to reach the San Ramon workings at about Level 13 later in 2012. This second access will reduce mining and hauling costs at San Ramon.

Noche Buena Silver Mine

During the first quarter of 2012 the Noche Buena Mine provided 33% (Q1 2011 – 20%) of mill feed. The mine is located four kilometers southwest of the Guadalupe processing plant and opened in the first quarter of 2010. The mine is contributing a silver-gold feed with low lead and zinc contents to the Guadalupe processing plant. This feed is being mixed and balanced with the higher grade lead ore from other mines to optimize the concentrate value.

The Noche Buena Mine is located in the Valle del Oro area where IMPACT has discovered and drilled several gold rich veins including the Carlos Pacheco vein which is located only 200 meters east of the Noche Buena Mine workings. After additional drilling on Carlos Pacheco (now in progress) is complete, IMPACT mine engineers intend to drive a cross cut from the Noche Buena Silver Mine workings across to the Carlos Pacheco Gold Zone for test mining.

Guadalupe and Gallega Mines

There was no mining during 2011 at the Guadalupe Mine. The nearby Gallega Mine was restarted in late 2011 and during the first quarter of 2012 provided 13% (Q1 2011 – 0%) of mill feed. Gallega will continue to supplement modest silver rich feed to the mill during 2012. The Guadalupe Mine remains dewatered and access is maintained for possible future mining. The remaining mineral at Guadalupe is mainly zinc-rich with modest silver values. Guadalupe was originally the lowest cost producer for the mines supplying the Guadalupe plant.

Guadalupe Processing Plant

The program of upgrades designed to enhance recoveries and improve processing economics is largely complete at the Guadalupe plant. The flotation circuit capacity has been expanded and other modifications are largely complete. Expansion of the tailing dam continues in order to provide additional capacity in future years.

Exploration (Royal Mines of Zacualpan)

IMPACT's exploration on the Royal Mines of Zacualpan Silver Project continues its' success story. IMPACT's team have discovered and placed three new mines (Chivo, San Ramon/Chaparrita, and Noche Buena) into production over the past five years along with various satellite deposits. The Capire Deposit and the Oscar Project are both scheduled for initial production before the end of 2012.

During the quarter exploration continued at several locations including Oscar, Huatecosco, Capire, San Pablo Norte and Condesa areas. Surface and underground drilling continued without interruption. Field work included extensive mapping, trenching, sampling of old mines and surface rock, and soil sampling.

Drilling

Oscar Silver Project

The Oscar Silver Project, located 2.5 kilometers east of the Guadalupe Processing Plant, is a series of high-grade silver veins linking the past producing Cuchara Silver mine and the Santa Lucia Silver Zone. Earlier drill results for Santa Lucia included **466 g/t silver across 3.2 meters** (see IMPACT News Release dated December 16, 2009). Drill results announced from Oscar in 2011 include many high grade and wide intersections including **1,007 g/t silver across 5.65m** and **291 g/t silver across 30.65 meters** (see IMPACT News Releases dated October 26, 2011 and October 20, 2011 respectively). Subsequent to quarter end on April 23, further drill results from Oscar were announced as follows:

OSCAR AREA DRILL RESULTS								
DRILL HOLE	SECTION	FROM (m)	TO (m)	INTERVAL (m)	Ag (g/t)	Au (g/t)	Pb (%)	Zn **(%)**
Z11-55	19+50N	21.80	22.85	1.05	**435**	0.01	0.15	0.24
Z11-61	19+50N	256.20	257.16	0.96	**216**	**1.71**	**11.03**	**19.73**
Z11-64	20+00N	36.60	43.20	**6.60**	**223**	0.08	0.18	0.52
Including		36.60	37.40	0.80	**1,270**	0.23	0.86	1.66
And		137.25	138.25	1.00	**468**	0.13	1.67	1.28
Z11-69	20+00N	0.70	3.35	**2.65**	**408**	0.62	0.73	1.12
And		71.05	72.10	1.05	**536**	0.17	**1.67**	**3.20**
Z11-71	20+00N	97.60	98.60	1.00	**234**	**0.74**	**11.25**	**13.55**
Z11-74	20+50N	21.35	22.35	1.00	**1,875**	**0.74**	**2.65**	**6.88**
And		90.00	91.24	1.24	**835**	**0.12**	**1.28**	**1.78**
Z11-76	20+50N	42.53	56.45	**13.92**	**80**	**0.98**	**1.03**	**1.44**
Including		42.53	44.24	1.71	220	0.41	1.76	1.57
Including		46.79	48.29	1.50	299	0.35	3.22	5.72
Including		53.96	56.45	2.49	71	**4.79**	1.84	1.66
Z11-78	20+50N	102.15	103.70	1.55	250	0.02	0.01	0.03
Z12-05	17+00N	92.50	97.60	**5.10**	**234**	0.05	0.14	0.49
Including		95.55	96.55	1.00	444	0.12	0.26	0.92
Z12-06	18+00N	86.25	87.15	0.90	**564**	0.01	0.16	1.22
Z12-08	19+00N	22.36	45.75	**23.39**	**115**	0.02	0.12	0.36
Including		22.36	23.85	1.49	**510**	0.06	0.36	1.27
Including		44.50	45.75	1.25	**297**	0.08	0.36	0.87
Z12-09	19+00N	118.15	121.15	3.00	272	0.20	0.90	2.44
Z12-12	18+50N	153.45	153.95	0.50	**346**	0.03	0.242	0.88

These Oscar drill results are from multiple veins in a wide vein corridor (Oscar Vein Corridor) located on the southern extensions of the large Cuchara Mine, a former producer that last operated in 2004. With the successful completion of this second phase drill program, the IMPACT mine development team has begun the process of fast tracking Oscar-Santa Lucia into production to take advantage of its high grade silver zones. Initial mining plans envision utilization of the existing infrastructure of the Cuchara Mine which includes a nearby modern mine access ramp located close to the drill intersections reported here. This pre-existing nearby mining infrastructure, its relative position at elevations below the Oscar and Santa Lucia drill intersections, and the short transport distance to the Guadalupe processing plant should result in a low cost structure for mining operations in this area.

Zacualpan Early Stage Exploration

IMPACT employs field crews dedicated to early stage exploration throughout the District. These crews have been sampling some of the 2,500+ old mine workings and prospects in the project area. They are also trenching areas of mineralization and carrying out extensive soil sampling on 100 meter x 25 meter grids. During the quarter this work included mapping and sampling of soils and rocks mainly in the Noche Buena West area with the objective of defining additional near-term drill targets.

Capire Subdistrict Silver and Base Metals Mine Development and Exploration

Capire is located in the Mamatla Mineral District, 16 km southwest of IMPACT's active mining and processing operations at Zacualpan. The Capire area hosts epithermal silver and base metal veins as well as volcanogenic massive sulphide ("VMS") base and precious metal mineralization. The new Capire Open Pit VMS Mine is now under construction.

Capire Subdistrict VMS Prospects

VMS mineralization in the Capire VMS Subdistrict is predominantly silver-rich with zinc, lead, copper and gold credits. The subdistrict covers the same stratigraphy as the Campo Morado VMS belt, where Nyrstar NV (formerly Farallon Resources) is in commercial production on the G-9 VMS deposit (5.57 million tonnes grading 7.3% zinc, 1.0% lead, 1.3% copper, 186 g/t silver and 2.8g/t gold). The G-9 VMS deposit is located along trend, 45 kilometers southwest of Capire.

Capire Mine Development Project

On January 11, 2012, IMPACT announced that construction of the Capire Mine and pilot plant had begun. The open-pit Capire Silver Project represents a new production center in a new mining district and an opportunity that, upon successful completion of a long term exploration and development program, would propel IMPACT to become a multimillion ounce silver producer.

Construction of the Capire Open Pit Mine continues on schedule with the goal of first concentrate shipments in late 2012. Plans are to first install a 200 tpd pilot plant this year to optimize mining and processing parameters toward planning for a larger operation.

In February 2011, the updated NI 43-101 compliant Measured and Indicated Mineral Resources was announced and totaled **7.2 million ounces silver, 30,446 ounces gold, 95.6 million lbs zinc and 37.2 million lbs lead** (see IMPACT News Release dated February 1, 2011). The following is a summary of the Capire Deposit by zone of the total classified Measured and Indicated Mineral Resources inventory and separately, Inferred Mineral Resources, based on a 3D geological model:

Summary Table Classified Mineral Resources – Measured + Indicated and Separate Inferred							
Zone	Classification	Tonnes	Ag (g/t)	Au (g/t)	Cu (%)	Pb (%)	Zn (%)
Capire	Measured + Indicated	3,104,944	46.46	0.19	0.06	0.33	0.93
Aurora 1	Measured + Indicated	1,807,302	44.50	0.199	0.07	0.36	0.80
Grand Total	Total Measured + Indicated	4,912,246	45.74	0.193	0.06	0.34	0.88
Capire	Inferred	69,144	41.14	0.169	0.05	0.26	0.72
Aurora 1	Inferred	301,922	35.49	0.159	0.06	0.28	0.71
Grand Total	Total Inferred	371,066	36.54	0.161	0.06	0.28	0.71

No adjustments have been made for mining or metallurgical recoveries, and no economic cut off values were incorporated.

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

Total Measured + Indicated In Ground Metal Content						
		Ag (oz)	Au (oz)	Cu (lbs)	Pb (lbs)	Zn (lbs)
Capire +Aurora 1	Measured	3,529,969	14,146	3,389,275	18,234,678	46,140,820
Capire +Aurora 1	Indicated	3,694,066	16,300	3,693,733	19,029,800	49,522,173
Capire +Aurora 1	Measured+Indicated	7,224,035	30,446	7,083,007	37,264,478	95,662,993
Total Inferred In Ground Metal Content						
Capire +Aurora 1	Inferred	435,959	1,919	475,594	2,260,089	5,823,490

See IMPACT news release dated February 1, 2011 and posted on www.sedar.com for full details.

Subsequent to the mineral resource announcement, IMPACT completed 6,698 meters of drilling to expand the Capire zone to the north, east and southeast (see IMPACT News Releases dated May 24, 2011 and August 17, 2011). Highlights from this expansion drilling include **304 g/t silver and 4.51 g/t gold across 5.00 meters** and **212 g/t silver and 0.37 g/t gold across 6.60 meters**.

Mamatla Epithermal Vein Prospects

Since acquisition of the Mamatla project in February 2007 IMPACT field crews have also identified many epithermal vein prospects and old mines primarily in the northeast area of the concession. This work is continuing and new targets are being outlined in preparation for drilling.

Veta Grande (Zacatecas) Silver Project, Mexico

In 2010, IMPACT completed the purchase of a 200 tpd processing plant in the Zacatecas Silver District and previously purchased 13 mineral concessions with no underlying royalties. 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 five years intermittent exploration has focused on several of the 13 mineral concessions located within the district, three of which are in a joint venture.

In 2011, IMPACT optioned its Zacatecas assets to Defiance for an initial payment of 2,680,500 shares (paid during the quarter) and a second payment of $1,955,200 in cash which will be paid upon the earlier of achieving commercial production at the mill or two years from signing of the agreement. The agreement remains subject to Defiance completing a financing for a minimum of $1.5 million prior to the final closing

Future Exploration Plans

IMPACT's exploration work in the Zacualpan and Mamatla Districts has resulted in the opening of three new mines—Chivo, San Ramon/Chaparrita and Noche Buena—over the past five years. In 2012 IMPACT is fast tracking two new mines into production at Capire and Oscar.

During the quarter exploration continued with the objective of generating drilling and production targets. Plans for 2012 are to continue aggressive exploration with a goal of putting some of the other 2,500+ compiled prospects in the Zacualpan and Mamatla Districts on a faster track to potential production and build mineral inventories for mining.

With a track record of successful exploration, rapid mine development and more than 2,500 old mine workings identified to date, IMPACT's long term vision sees potential for establishment of multiple processing plants throughout the two districts each fed by multiple mines. Construction at the new Capire production centre is the first step in achieving this vision.

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 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 and website at www.IMPACTSilver.com .

EXPLORATION OVERVIEW – 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 several junior companies. IMPACT's exploration concessions in the Dominican Republic 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 structures which the Company believes offer the opportunity for mineralization. The Company's block of concessions is located some 100 kilometers east of Barrick's large Pueblo Viejo Gold deposit which contains reported proven and probable gold reserves of over 23.7 million ounces. Pueblo Viejo is hosted in the same rock formation as IMPACT's concessions. No material work was carried out by the Company on its concessions during the quarter.

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

Safety, Social and Environmental Policy

Exploration and mining create a physical change within the area of work. The Company believes in its responsibility to ensure that it minimizes the environmental impact of its efforts and where possible effects reclamation on both current and historical activities.

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

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

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

Investor Relations

During the quarter, IMPACT exhibited at a number of investor conferences, including the Cambridge House Vancouver Resource Investment Conference in Vancouver, B.C., the Association for Mineral Exploration British Columbia (AME BC) Conference, the World Money Show in Orlando, Florida, the Prospectors & Developers Association of Canada (PDAC) International Convention in Toronto, Ontario and the Howe Street Money Expo in Kelowna, B.C. In February 2012, IMPACT engaged in a marketing road show in Toronto, Ontario, conducting numerous presentations to institutional and retail investors. Also in February 2012, IMPACT partnered with the investment management firm CM-Equity AG for a marketing road show, presenting the Company to investor audiences in a number of European cities including Munich, Frankfurt, Geneva and Vienna. IMPACT will continue to aggressively target the European and Canadian institutional and retail investor audience, with plans to embark on marketing road shows in the United States in 2012.

FINANCIAL DISCUSSION

Summary of Quarterly Results

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

	Three months ended March 31	
	2012	2011
Revenue	**4,467**	7,258
Net earnings	**(147)**	2,474
Earnings per share – basic ($)	**0.00**	0.04
Earnings per share – diluted ($)	**0.00**	0.04
Cash and cash equivalents	**28,065**	19,968
Total assets	**67,842**	51,083

Note: The Company has no non-current financial liabilities.

Mine Operating Earnings for the three months ended March 31, 2012 compared to the three months ended March 31, 2011

Revenues (net smelter returns) in the first quarter ended March 31, 2012 were $4.5 million, down from $7.3 million in the first quarter of 2011. Revenue per production tonne sold decreased to $104.33 in the first quarter of 2012, down 50% from $209.16 in the first quarter of 2011. Revenues in the first quarter of 2012 were lower due principally to lower metal concentrate production available for sale as a result of lower mill feed grades as well as reduced realized selling prices for silver, lead and zinc as outlined in the MD&A mine operations section. Increased smelter refining charges implemented in July 2011 also played a minor role in reducing net smelter returns in the first quarter of 2012 when compared to the first quarter of 2011.

Mine operating expenses during the quarter were $2.5 million, up marginally from $2.4 million in the first quarter of 2011. Amortization and depletion in the quarter was $0.4 million, compared to $0.3 million in the first quarter of 2011. Direct mine operating costs per production tonne in the first quarter of 2012 were $62.47 compared to $68.17 in the first quarter of 2011. Efficiencies gained by the increased mill throughput and mill improvements and upgrades helped to offset increases in salaries, wages, and other operating costs at the mine. Operating expenses were also reduced by the decline in value of the Mexican peso relative to the Canadian dollar from the first quarter of 2012 when compared to the first quarter of 2011.

Mine operating earnings in the quarter were $1.6 million, a decrease from $4.6 million in the first quarter of 2011.

General, Administrative and Other Expenses for the three months ended March 31, 2012 compared to the three months ended March 31, 2011

General and administrative expenses in the first quarter of 2012 were $0.7 million and $0.5 million in the first quarter of 2011. Investor relations, promotion and travel in the quarter was $0.07 million similar to $0.08 million in the first quarter 2011. Office salaries and services expense increased to $0.18 million in the first quarter of 2012, up from $0.11 million in the first quarter of 2011. Non-cash stock based compensation was $0.2 million in the first quarter of 2012 compared to $0.04 million in the first quarter of 2011 as a result of higher stock compensation amortization expenses associated with the Company's September 27, 2011 grant of stock options exercisable at a price of $1.85 per share. All other categories of general and administrative expenses remained largely the same between quarters.

The Company incurred a foreign exchange loss of $0.7 million in the first quarter of 2012 compared to a foreign exchange loss of $0.2 million in the same period of 2011. 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

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 per share.

	For the three months ended							
	March 31 2012	Dec 31 2011	Sept 30 2011	Jun 30 2011	Mar 31 2011	Dec 31 2010	Sept 30 2010	Jun 30 2010
Revenues	**4,467**	4,848	4,163	7,997	7,258	6,820	3,209	2,948
Net earnings (loss)	**(147)**	637	1,994	2,471	2,474	2,087	414	302
Earnings (loss) per share - Basic*	**0.00**	0.01	0.03	0.04	0.04	0.04	0.01	0.01
Earnings (loss) per share - Diluted*	**0.00**	0.01	0.03	0.04	0.04	0.04	0.01	0.01
Cash and cash equivalents	**28,065**	30,775	33,746	32,633	19,968	18,690	2,939	3,973
Total assets	**67,842**	64,600	65,702	65,238	51,083	46,939	29,789	29,129
Total liabilities	**8,191**	6,823	8,302	7,747	6,768	5,643	4,879	4,462

* *Per share numbers have been rounded to two decimal places*

* *The financial results from January 1, 2010 have been restated in accordance with IFRS.*

Liquidity, Financial Position and Capital Resources

Working Capital and Cash Flow

IMPACT's financial position at March 31, 2012 remained strong with $28.0 million in cash (2011 - $20.0 million) and net working capital of $32.1 million (2011 - $21.9 million). IMPACT generated negative cash flows from operations of $0.4 million in the quarter (2011 - $2.7 million). The Company had positive cash flows from operations before changes in non-cash working capital[1] were $0.7 million during the first quarter of 2012. During the first quarter of 2012 cash was invested in resource properties ($2.7 million) and property, plant and equipment ($0.1 million). By comparison, cash flows from operations before changes in non-cash working capital were $3.1 million during the first quarter of 2011. These positive cash flows were invested in resource properties ($1.6 million) and property, plant and equipment ($0.2 million).

The Company's financial condition as at March 31, 2012 continues to be very strong with net working capital of $32.1 million, an overall increase from the working capital of $31.9 million at December 31, 2011. The Company continues to have no bank borrowings or long term debt.

The Company's working capital position is expected to remain sufficiently strong to fund all planned resource property costs, exploration expenditures and acquisition of property, plant and equipment over the coming year.

Resource Property Expenditures

Exploration expenditures related to Zacualpan in the first quarter of 2012 were $1.8 million, up from $1.3 million in 2011. Expenditures on drilling and other exploration costs are budgeted to continue to be about $1.5 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 2012 exploration expenditures in the Zacualpan and Mamatla Districts will continue at levels in excess of 2011 as it proceeds to explore some of the more promising exploration targets. The Capire capital program is anticipated to cost approximately $7.0 million. To date over $3.0 million has been advanced towards the Capire project. The Company will continue to closely monitor its cash balance and may adjust exploration expenditures as required.

Zacatecas Assets

On February 28, 2012, IMPACT received 2,680,500 shares from Defiance valued at $1.4 million as a first payment towards the acquisition of the Company's Zacatecas assets as described in note 7c to our 2011 annual report. The Company credited these net proceeds against its Zacatecas asset costs and included on its balance sheet the shares acquired as an investment. IMPACT now owns approximately 16.5% of the issued and outstanding shares of Defiance. In accordance with the Company's accounting policies, the Company has not recognized or made any provision for the future receipt of the $1.9 million cash payment which Defiance is obligated to pay to IMPACT to acquire the optioned assets from the Company. Upon receipt, most of this payment will be recognized by IMPACT as a gain on sale. Defiance remains responsible under the terms of the Operating Licence Agreement to operate the Santa Gabriela Processing Mill in accordance with an operating permit granted by the Mexican Federal Government agency, PROFEPA, which includes a schedule of obligatory repairs and upgrades to the Mill and work site which Defiance will be responsible for.

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

Outstanding Share Data

The following common shares and convertible securities were outstanding at May 28, 2012:

	# of Shares	Exercise Price	Expiry Date
Issued and outstanding common	68,029,710		
Stock options	867,500	$ 1.40	September 5, 2012
Stock options	75,000	$ 1.67	October 22, 2012
Stock options	1,310,000	$0.55	January 6, 2014
Stock options	900,000	$1.10	Dec. 6, 2015
Stock options	2,000,000	$1.85	September 26, 2016
Fully diluted at May 28, 2012	73,182,210		

Of the 5,152,500 options outstanding, 4,152,500 have vested at May 28, 2012.

Related Party Transactions

Energold Drilling Corp. ("Energold") owns 6,980,001 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 quarter ended March 31, 2012, fees in the amount of $0.9 million (March 31, 2011 - $0.8 million) 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. At March 31, 2012, the balance owed to Energold was $1.0 million (March 31, 2011 - $0.7 million).

Tax Reassessment

In 2010 the Company's Mexican subsidiary, MPZ, received a letter from the Mexican federal tax authorities SAT Servicio de Administracio Tributaria (SAT) reassessing MPZ's tax return filings for the 2007 calendar year. This reassessment was based principally on SAT's disallowance of certain expenses charged by IMPACT to MPZ for services rendered by it and reimbursed by MPZ to IMPACT. The total reassessment was for $0.6 million.

On November 30, 2010 MPZ launched an official appeal of this assessment with the Mexican tax authorities. The total assessed funds amount has been transferred to SAT pending the outcome of the Company's appeal. As management believed that the Company has a strong case to win this appeal, payments made in respect to this have been presented on the balance sheet as a tax reassessment deposit and no expense was recognized in that year.

In December 2011, the appeal went forward to the Superior Court where a favourable judgement was attained for MPZ. No further appeal was launched by SAT against this judgement and as of the final court decision on March 1, 2012, MPZ has successfully won its appeal of the reassessment. MPZ is now in the process of having the tax reassessment deposit funds refunded.

Financial Instruments and Management of Financial Risk

Financial assets and liabilities

The Company's financial instruments consist of cash, trade and other receivables, investments, and trade payables. The Company has designated cash and trade receivables as loans and receivables, which are measured at amortized cost. Investments are designated as available for sale and measured at fair value as determined by reference to quoted market prices. Trade payables are designated as other liabilities which are measured at amortized cost. At March 31, 2012 investments were classified as Level 1 on the fair value hierarchy.

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, trade and other receivables and investments. The Company deposits its cash with high credit quality financial institutions as determined by ratings agencies, with the majority deposited with a Canadian Tier 1 Bank. As is customary in the mining industry, the Company has entered into two contracts with Mexican refining and smelting companies for the refining and sale of its silver, lead, zinc and gold contained in its lead and zinc concentrates. The contracts are with Met-Mex Penoles, S.A. de C.V. ("Penoles") and Consorcio Minero de Mexico Cormin Mex, S.A de C.V. ("Cormin Mex") with both accounting for 100% of the sales of the Company for the fiscal year. The Company has a significant concentration of credit risk exposure to Penoles and Cormin Mex at any one time but is satisfied that these companies have 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 ($28.1 million), trade and other receivable ($5.3 million) and investments ($1.2 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 March 31, 2012 the Company did not have any future debt obligations.

Interest rate risk

The Company is exposed to interest rate risk on its cash. 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 March 31, 2012 the Company is exposed to currency risk through the cash, trade and other receivables, trade payables and due to related party held in U.S. dollars and Mexican pesos. Based on these foreign currency exposures at March 31, 2012, a 10% depreciation or appreciation of all the above currencies against the Canadian dollar would result in an approximate $0.7 million decrease or increase in the Company's net earnings for the year ended March 31, 2012.

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 its exposure to metal prices at this time.

Operational risk

The profitability and operating cash flow of the Company are affected by numerous factors, including but not limited to, the tonnes and grade of material mined and milled, the amount of metal concentrates produced, the level of operating costs, and general and administrative charges. Operating results are also influenced by factors over which the Company has less direct control such as refining and smelting charges and still other factors such as commodity prices and foreign exchange rates which are largely outside the Company's control. The nature of the Company's business is demanding of capital for property acquisition costs, exploration commitments and holding costs. The Company's liquidity is affected by the results of its own acquisition, exploration and development activities. The acquisition or discovery of an economic mineral deposit on one of its mineral properties may have a favorable effect on the Company's liquidity, and conversely, the failure to acquire or find one may have a negative effect. Historically, the major sources of liquidity have been the capital markets and project financing. The Company has been and will continue to be dependent upon adequate financing and investor support to meet its long term growth objectives.

Political, Regulatory & Security Issues

The Company's operations are subject to control and scrutiny by several levels of government, various departments within each level, and corporate, environmental and mining regulations. Permission must also sometimes be secured from local peoples for exploration and drilling permits, water and land surface use rights. Consequently the Company, in carrying out its mining and exploration activities may be exposed to a large array of conditions to satisfy on a daily basis in its activities. Risk exists that the Company might fail to be fully compliant in all respects in this political and regulatory environment or that permits might not be issued on a timely basis to facilitate the Company's planned development activities. In addition, social and political unrest may exist within a region covered by the Company's operations and such events may affect the feeling of safety and security of the local peoples and may affect the operating activities of the Company.

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 period ended March 31, 2012 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-IFRS MEASURES

The Company uses both IFRS and non-IFRS measures to assess performance and believes the non-IFRS measures provide useful information to investors. Following are the non-IFRS 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 (trade and other receivables, inventories, trade payables, income taxes payable, and due to related party).

The Company's method of calculating these non-IFRS 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 IFRS 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

May 28, 2012