IMPACT Silver Corp.
Form 51-102F1
Management's Discussion and Analysis
For the Three Months Ended March 31, 2013

INTRODUCTION

This Management's Discussion and Analysis ("MD&A") is for the three months ended March 31, 2013 of IMPACT Silver Corp. ("IMPACT" or the "Company") prepared as at May 22, 2013 and should be read in conjunction with the Company's annual audited consolidated financial statements for the year ended December 31, 2012 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."

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 km² **Royal Mines of Zacualpan Silver District** and the 200 km² **Mamatla Mineral District** adjacent to and southwest of Zacualpan. In addition to its 500 tonnes per day ("tpd") Guadalupe Mill, IMPACT also owns a 200 tpd mill which it has recently installed as a pilot plant at its Capire Mine in the Mamatla Mineral District.

2013 will continue to 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 2013:

1. Optimization of the Capire Production Centre in 2013, to further define the parameters for the potential expansion of the mine and pilot plant.

2. Continued exploration across the entire land package, focusing on expanding the Capire deposit and the gold-copper zones in the Valle de Oro.

3. Determine the economic potential for the recently discovered Mirasol Prospect for possible future mine development.

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**.

OVERVIEW FOR THE THREE MONTHS ENDED March 31, 2013

Financial Overview

- Losses before taxes for the three months ended March 31, 2013 were $0.3 million compared to earnings before taxes of $0.2 million for the same period of 2012.
- Revenues for the first quarter of 2013 were $4.2 million, a decrease from $4.5 million in the first quarter of 2012.
- Mine operating earnings for the first quarter of 2013 were $1.1 million, a decrease from $1.6 million in the first quarter of 2012 but an increase from $0.5 million in the fourth quarter of 2012.
- Cash flows from operations[1] before changes in non-cash working capital for the first quarter of 2013 were $0.8 million, an increase from $0.7 million in the same period for 2012.
- Net working capital remained strong at $16.8 million on March 31, 2013, compared to $21.4 million on December 31, 2012 after spending $3.9 million on exploration and development of the Company's properties.

Production Overview

- Total tonnes milled during the first three months of 2013 increased slightly to 42,009 from 41,444 in the first three months of 2012 and remained consistent with 42,870 tonnes from the fourth quarter of 2012.
- Direct costs per tonne milled decreased 8% to $64.28 for the first quarter of 2013 from $70.03 in the fourth quarter of 2012.
- Average mill throughput for the first quarter of 2013 increased 4% to 472 tpd from 455 tpd in the first quarter of 2012 and also increased over 466 tpd from the fourth quarter of 2012.
- Average mill feed grade for silver has increased in the first quarter of 2013 to 146 grams per tonne (g/t) from 131 g/t in the fourth quarter of 2012. However, there has been an 8% decrease in the average price of silver for this same period offsetting the increase in mill feed grade.

Looking Ahead: Transition to Growth

Going forward, management believes the Company has exceptional growth opportunities through continued development of the Zacualpan and Capire-Mamatla Mineral Districts. 2013 will continue to be a year of transition as the Company brings the new Capire Mine and pilot plant into full production and shifts into full production at the Cuchara-Oscar Mine. These areas of new production are anticipated to form the basis for expanding operations moving further into 2013. Additionally, the Company has found promising exploration results from the Mirasol Prospect. For the first time since the Company began its exploration drilling in 2006, the top of a new silver bearing vein has been discovered in the Zacualpan Mineral District in the Mirasol Prospect with the expectation that the entire mineralized system is preserved at depth.

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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."

PRODUCTION AND SALES

	For the three months ended March 31 **2013**	2012	% Change
Total tonnes (t) milled	**42,009**	41,444	+1
Tonnes milled per day	**472**	455	+4
Silver production (oz)	**165,651**	164,758	+1
Lead production (t)	**106**	149	-29
Zinc production (t)	**142**	260	-45
Gold production (oz)	**224**	134	+67
Silver sales (oz)	**163,065**	162,287	+1
Lead sales (t)	**115**	150	-24
Zinc sales (t)	**120**	231	-48
Gold sales (oz)	**205**	139	+47
Average mill head grade –silver g/t	**146**	147	-1
Revenue per tonne sold	**$98.94**	$104.33	-5
Direct costs per tonne milled	**$64.28**	$62.47	+3

Production and Sales Highlights for the Three Months Ended March 31

As the Company disclosed in its year-end 2012 MD&A, mine production in 2012 was impacted by lower silver grades, particularly from the Chivo Mine, where silver grades decreasing with depth resulted in lower overall production. Further, Chivo also supplied higher grades of lead and zinc and therefore, the phasing down of Chivo also contributed to reduced overall lead and zinc production. To offset these production losses, the Company fast tracked the high grade Cuchara-Oscar Mine into production. Commencement of production at Cuchara-Oscar was announced in late February of 2013. Upon commencing initial production, the first 30 days of mining from Cuchara-Oscar was development muck, with the expectation of mining higher grade material later in 2013.

Average silver metal prices based upon the LME PM fix have decreased by 8% from the first quarter of 2012 to the same period of 2013. This decrease in silver price contributed to the decrease in revenue from the first three months of 2012 to the same period of 2013. In comparison, zinc and lead sale prices for the first quarter of 2013 have slightly increased from the same period in 2012. The average LME cash price for lead in U.S. dollars per lb has increased by approximately 10% and zinc increased by 0.4% from the first quarter of 2012 to the same period in 2013. However, with silver accounting for approximately 85% of the Company's revenues, the increase in the prices of lead and zinc did not offset the decrease in the price of silver.

The Company's lower revenues per tonne sold in the first quarter of 2013 of $98.94 per tonne, a decrease from $104.33 per tonne from the same period in 2012, is a result in part of the aforementioned lower realized metal prices and slightly higher smelting and refining charges. However, direct costs per tonne milled remained consistent from $62.47 from the first quarter of 2012 to $64.28 in the same period of 2013.

Average mill head grade for silver has remained consistent from the first quarter of 2012 to the same period of 2013 at 147 g/t and 146 g/t respectively. However, there was an increase in average mill head grade for silver from the fourth quarter of 2012 to the first quarter of 2013 with 131 g/t increasing to 146 g/t respectively. This quarter to quarter increase is due in part to increased production of higher grade ore from San Ramon Mine. With production materials being drawn from several mines with different feed grades, mine production can vary from quarter to quarter. However, with the Cuchara-Oscar Mine developing to higher grade mineral and the Capire Mine and pilot plant commencing initial production, the Company expects a steady increase in grades going forward in 2013.

MINE PRODUCTION

Mine Operations

The Company has been operating the Guadalupe Production Centre in the Royal Mines of Zacualpan Silver District since 2006 and during the quarter, the Company began commissioning of a second production centre at Capire located 16km to the south in the Mamatla Mineral District.

Royal Mines of Zacualpan District

The Royal Mines of Zacualpan silver project was purchased by the Company in early January 2006 and since then an extensive program of upgrading the operations and expanding production has been carried out. Since acquiring the project the Company has expanded and upgraded most of the mining equipment including rebuilding and purchase of a number of scoop-trams and underground trucks. Upgrade expenditures also included new equipment in the Guadalupe Mill and expansion of the tailings dam (continuing). The Company has also purchased additional surface lands near the Mill to address the need for additional tailings capacity in the future.

While plant and facilities limit processing capacity to 500 tpd at Guadalupe, sourcing superior grade mill feed from the Company's mines remains the critical factor for increasing silver production. This is especially true in the current environment of lower silver prices. To address this issue the Company is moving the focus of its mining operations to higher grade zones in the San Ramon and Cuchara-Oscar Mines. The feed for the Guadalupe Mill is sourced from a series of mines in the Zacualpan District.

San Ramon Mine

During the first quarter of 2013, the San Ramon Mine provided 47% (Q1 2012 – 27%) of mill feed to the Guadalupe Mill. San Ramon has been a significant contributor to production since 2008 and continues to be a pillar of the Company's production profile. During 2012, a second access adit was constructed from the valley floor to access the lower San Ramon workings at Level 15 and is now the main production adit for the mine. This second access has reduced mining and hauling costs at San Ramon.

Cuchara-Oscar Mine

On February 20, 2013, the Company announced initial production at the new Cuchara-Oscar Mine and during the first quarter of 2013, Cuchara-Oscar produced 13% (Q1 2012 – 0%) of mill feed to the Guadalupe Mill. The Cuchara-Oscar Mine is another of the Company's exploration success stories taken from initial field exploration through drilling to mine construction and production. Within eight months of the production decision, the Cuchara-Oscar Mine was moved into production utilizing the historic infrastructure in the area.

Cuchara-Oscar encompasses a corridor of high-grade silver veins located 2.5 km east of the Company's Guadalupe Mill. Initial production at Cuchara-Oscar is from development muck in the Marqueza Vein, with plans to expand production to the nearby Oscar Vein in June 2013, and the Resguardo and Maria de Jesus Veins later in 2013. The feed from the Cuchara-Oscar Mine will replace lower grade silver production from the Chivo Mine (now closed). Later in 2013 the average silver mining grade at Cuchara-Oscar is anticipated to be in excess of 200 g/t which will allow for an increase in overall silver production at the Guadalupe Mill commencing in the second half of 2013.

Noche Buena Mine

During the first quarter of 2013, the Noche Buena Mine provided 32% (Q1 2012 – 33%) of mill feed to the Guadalupe Mill. The mine is located 4 km southwest of the Guadalupe Mill 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 Mill.

Chivo and Gallega Mines

After a period of reduced production, the Chivo and Gallega Mines were put on care and maintenance during the quarter and production shifted to the new higher grade Cuchara-Oscar Mine. During the first quarter of 2013, the Chivo and Gallega Mines provided 8% (Q1 2012 – 40%) of mill feed to the Guadalupe Mill.

Capire Production Centre

On March 14, 2013, the Company announced that commissioning of the new Capire Mine and pilot plant had begun. Production at Capire is beginning with a 200 tpd pilot plant to optimize mining and processing parameters toward planning for a larger operation in the future. Capire represents a new silver production centre and the next significant phase of growth for the Company that, upon successful completion of the exploration and development program, could propel the Company to become a multimillion ounce silver producer.

Capire is located 16 km southwest of the Company's active mining and processing operations at the Royal Mines of Zacualpan. Unlike the Zacualpan mines, Capire is a volcanogenic massive sulphide ("VMS") base and precious metal deposit. VMS mineralization in the Capire VMS District is predominantly silver-rich with zinc, lead, copper and gold credits. The district 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 km southwest of Capire.

The NI 43-101 compliant measured and indicated mineral resource estimates for the Capire Mine based on information available through early 2011 include 7.2 million ounces silver, 95.6 million lbs zinc and 37.2 million lbs lead based on a U.S.$20/tonne in ground metal value envelope contained in 4.9 million tonnes grading 45.74 g/t silver, 0.88% zinc and 0.34% lead with higher grade internal zones (see IMPACT News Release dated February 1, 2011 for details).

Since 2011, exploration drilling has continued at Capire and nearby zones of mineralization with the aim of expanding mineral inventories for future production.

EXPLORATION

IMPACT's exploration on the Royal Mines of Zacualpan Silver Project continues its' success story. IMPACT's team has discovered and placed four new mines (Chivo, Noche Buena, Cuchara-Oscar and Capire) into production over the past six years along with various satellite deposits.

During the quarter exploration continued at several locations including Mirasol, Capire, Aurora II and San Pablo Norte. Surface and underground drilling as well as extensive field work continued without interruption.

Exploration Highlights

Mirasol Prospect

The Mirasol Prospect is a silver zone with a series of veins located 5.5 km southeast of the Company's Guadalupe Mill. On January 28, 2013 additional drill results were reported and included 1.8 meters grading 945 g/t silver and 3.2 meters grading 288 g/t silver (See IMPACT news release dated January 28, 2013 for further results). The principal veins of the Mirasol area represent a shear zone in which the veins strike northwesterly and dip to the southwest. The Mirasol Central and Mirasol NW Zones remain open. Further exploratory drilling is continuing at the Mirasol Prospect for 2013.

Drilling

During the quarter drilling continued with two surface drills on the Mirasol and, Pilarica areas of the Zacualpan district, and the Aurora II, Guadalupe-Mamatla and Capire South areas of the Capire VMS District. Pilarica and Guadalupe-Mamatla returned low grade results.

Early Stage Exploration

IMPACT employs field crews dedicated to early stage exploration throughout the districts. These crews have been sampling some of the 3,000+ 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, fieldwork in the form of detailed geological mapping, rock sampling and soil sampling was carried out in the San Pablo Norte, El Orito and Valle de Oro areas. Favourable results have been obtained from each of these areas.

Veta Grande (Zacatecas) Silver Project, Mexico

The Zacatecas Project consists of a 200 tpd plant and 13 mineral concessions in the Zacatecas Silver District located 500 km 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 six years intermittent exploration has focused on several of the 13 mineral concessions located within the district.

In 2011, the Company optioned most of its Zacatecas assets to Defiance Silver Corp. ("Defiance", DEF: TSX.V) in return for a major share position (paid) and a final payment of $1,955,200 in cash which is not yet due. On February 29, 2012, the Company received the 2,680,500 shares from Defiance as a first payment under an option agreement for the acquisition of the Company's Zacatecas assets.

During 2012, the Company participated in two small private placements in Defiance for 636,500 shares. With this additional participation, the Company now has a 15.2% interest in Defiance. Defiance plans to refurbish the plant and commence commercial production with mineral feed from the Company concessions and the past producing San Acacio mine, which they optioned from a third party.

Dominican Republic

The Dominican Republic is attracting interest from the industry with significant recent drill discoveries by Goldquest Mining, exploration work by other junior companies and the ongoing activities of Barrick Gold Corporation ("Barrick") and Xstrata plc. The Company's exploration concessions and applications 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 km 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 the Company's concessions. The Company did not carry out any work in the Dominican Republic during the quarter.

FUTURE PLANS

Mining Plans

During the quarter, IMPACT announced that both the new Cuchara-Oscar Mine and the Capire Mine had achieved initial operations. Plans are to ramp up production at both sites with the eventual goal of growing the Company into a multi-million ounce silver producer.

Exploration Plans

The Company's exploration work in the Zacualpan and Capire Districts has resulted in the opening of four new mines—Chivo, Noche Buena, Cuchara-Oscar and Capire—over the past six years. Plans are to continue aggressive exploration with a goal of putting some of the other 3,000+ compiled old mine workings in the Zacualpan and Capire Districts on a faster track to potential production and build mineral inventories for mining. Aggressive field work and drilling on targets in the Mirasol, Valle de Oro and in the Capire Mine areas continues. Additional drilling is also required for both the Condesa silver area where the mineralization remains open to expansion at depth and to the southeast. Additional fieldwork in the form of geological mapping and detailed rock sampling continues in the Valle de Oro and the San Pablo Norte areas.

With a track record of successful exploration, rapid mine development and more than 3,000 old mine workings identified to date, the Company's long term vision sees potential for establishment of multiple mills throughout the two districts each fed by multiple mines. Construction of the Capire Mine and pilot plant is the first step in achieving this vision. With organic growth plans now in motion on the back of new mines at Capire and Cuchara-Oscar supported by a healthy treasury, the Company is also continuing to investigate accretive acquisition opportunities.

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 Capire 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, a Qualified Person under the meaning of Canadian National Instrument 43-101 and an independent professional engineer. Other information on the Company's projects can be found on the Company website at www.IMPACTSilver.com .

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 are kept informed of our activities and their concerns addressed. The Company retains a Community Relations Officer to ensure open communications. The use of personnel and other workers from the local communities fosters understanding, direct involvement in the Company's operations and financial benefits to the local communities.

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 and a paramedic in case of emergencies.

INVESTOR RELATIONS

During the first quarter of 2013, the Company continued to build investor awareness and shareholder value by conducting institutional presentations and attending investment and mining related conferences within Canada. Plans for the balance of 2013 include participation in investor conferences in North America, Europe and the United Kingdom, conducting institutional presentations, and leading mine tours for select invitees with the intent to increase the Company's visibility. Beyond this, the Company continues to strengthen its presence via social media, print magazine articles and online advertisements.

FINANCIAL DISCUSSION

Summary of Quarterly Results

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

In thousands		Three months ended March 31 2013		2012
Revenue	**$**	**4,173**	$	4,467
Net earnings (loss)	**$**	**(655)**	$	(147)
Earnings (loss) per share – basic ($)	**$**	**(0.01)**	$	0.00
Earnings (loss) per share – diluted ($)	**$**	**(0.01)**	$	0.00
Cash	**$**	**13,340**	$	28,065
Total assets	**$**	**69,803**	$	67,842

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

For the three months ending March 31, 2013, the Company's mine operating earnings were $1.1 million compared to $1.6 million in 2012 on net smelter return revenues of $4.2 million compared to $4.5 million in 2012. The decrease in both operating earnings and net smelter return revenue is due to lower realized silver prices and slightly higher smelting and refining charges. Operating expenses, excluding amortization and depletion, were well controlled at $2.7 million compared to $2.5 million in 2012. Amortization and depletion expenses remained consistent at $0.4 million during the quarter ended March 31, 2013 and $0.4 million in the same period of 2012.

Net loss was $0.7 million year to date in 2013 compared to a net loss of $0.1 million in 2012. A reason for the increase in the loss for 2013 is attributable to increased non-cash share-based payments expense for the first quarter of 2013. The increase in share-based payments expense from $0.2 million in the first quarter of 2012 to $0.7 million in the same period of 2013 is due to the issuance of incentive stock options in January of 2013. General and administrative expenses excluding share based payments were $0.6 million year to date 2013 compared to $0.5 million the same period of 2012. The increase in general and administrative expenses in 2013 over 2012 was primarily due to an increase of $0.06 million for office salaries and services and an increase of $0.01 million in office, rent, insurance and sundry.

Silver production was 165,651 ounces year to date in 2013, consistent with 164,758 ounces produced within the same period of 2012. Lead and zinc production decreased over the same time period from 149 tonnes of lead and 260 tonnes of zinc in the first quarter of 2012 to 106 tonnes of lead and 142 tonnes of zinc in the same period of 2013. Gold production increased from the first quarter of 2012 to the same period of 2013 from 134 ounces to 224 ounces respectively.

Average silver prices declined 8% from the first quarter of 2012 in comparison to the same period in 2013. During this same period, lead and zinc prices increased by 5% and 0.4% respectively. However, as silver accounts for 85% of the Company's revenues, the increase in lead and zinc prices did not offset the decrease in the price of silver.

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							
	Mar 31 2013	Dec 31 2012	Sept 30 2012	Jun 30 2012	Mar 31 2012	Dec 31 2011	Sept 30 2011	Jun 30 2011
Revenues	4,173	4,654	3,194	3,619	4,467	4,848	4,163	7,997
Net earnings (loss)	(655)	(839)	(436)	278	(147)	637	1,994	2,471
Earnings (loss) per share - Basic*	(0.01)	(0.01)	(0.01)	0.00	0.00	0.01	0.03	0.04
Earnings (loss) per share - Diluted*	(0.01)	(0.01)	(0.01)	0.00	0.00	0.01	0.03	0.04
Cash	13,340	16,013	19,566	23,057	28,065	30,775	33,746	32,633
Total assets	69,803	66,074	65,453	65,476	67,842	64,600	65,702	65,238
Total liabilities	8,167	7,131	6,705	6,896	8,191	6,823	8,302	7,747

* *Earnings per share numbers have been rounded to two decimal places.*

Liquidity, Financial Position and Capital Resources

Working Capital and Cash Flow

After considerable exploration and capital expenditures for continued development of Capire and Cuchara-Oscar Mine, the Company's financial position at March 31, 2013 remained strong with $13.3 million in cash and net working capital of $16.8 million. The Company had positive cash flows from operations before changes in non-cash working capital[2] of $0.8 million for the period ended March 31, 2013. This compares to positive cash flow generated from operations before changes in non-cash working capital of $0.7 million in the same period of 2012.

The Company's working capital as at March 31, 2013 of $16.8 million decreased from the working capital balance of $21.4 million at December 31, 2012. This change represents a $4.6 million decrease in net working capital from the fourth quarter of 2012 to the first quarter of 2013. This decrease in working capital can partially be explained by the increase in investment activities for the Company during the period. Total investment activities in the first three months of 2013 were $3.9 million in comparison to $2.8 million in the same period of 2012. The majority of this increase was due to capital development of the Capire Mine and pilot plant in addition to continued exploration in the Royal Mines of Zacualpan Silver District, and investment in plant property and equipment. Further, due to a change in management estimate for the first quarter of 2013, a larger portion of value added taxes receivable has been allocated to a long-term asset further decreasing net working capital.

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.

[2] 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."

Capire Mine Development

Expenditures related to the development of the Capire Mine and pilot plant were $2.9 million in the first three months of 2013 of which $2.2 million was invested in capital development of the mine and pilot plant with the remaining $0.7 million invested in exploration for additional mineral deposits at the Capire Mine. The Capire Mine capital project is budgeted to cost approximately $7.0 million. At March 31, 2013, $6.9 million had been invested in capital development at Capire and the project is on budget.

Outstanding Share Data

The following common shares and convertible securities were outstanding at May 22, 2013:

	# of Shares	Exercise Price	Expiry Date
Issued and outstanding common	68,128,244		
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
Stock options	2,500,000	$1.20	January 23, 2018
Fully diluted at May 22, 2013	74,838,244		

Of the 6,710,000 options outstanding, 5,147,500 have vested at May 22, 2013.

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.

For the first quarter of 2013, fees in the amount of $1.2 million (2012 - $0.9 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, 2013, the balance owed to Energold was $1.2 million (December 31, 2012 - $0.6 million).

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, 2013 investments were classified as Level 1 on the fair value hierarchy of IFRS 7 - 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, 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 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 principal 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"). 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 ($13.3 million), trade and other receivables ($3.8 million) and investments ($0.5 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 a planning and budgeting process in place 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, 2013, the Company did not have any significant 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, 2013, 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, 2013, a 10% depreciation or appreciation of all the above currencies against the Canadian dollar would result in an approximate $669,000 decrease or increase in the Company's net earnings (loss) for the period ended March 31, 2013.

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.

The only financial instrument affected by commodity price risk for the Company is trade accounts receivable. Assuming the same rate of production, a 10% change in commodity prices from actual realized prices would have increased or decreased the Company's trade accounts receivable balance in the period ended March 31 as follows:

		2013		2012
Silver price	$	**98,000**	$	162,000

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 favourable 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 AND 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. Furthermore, 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. In addition, risk exists that mining regulations may change such that mining royalties may be required.

MANAGEMENT'S REPORT ON INTERNAL CONTROLS 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, 2013 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 22, 2013