IMPACT Silver Corp.
Form 51-102F1
Management's Discussion and Analysis
For the Three and Nine Months Ended September 30, 2013

INTRODUCTION

This Management's Discussion and Analysis ("MD&A") is for the three and nine months ended September 30, 2013 of IMPACT Silver Corp. ("IMPACT" or the "Company") prepared as at November 21, 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 control of nearly two entire mineral districts in central Mexico - the 423 km² **Royal Mines of Zacualpan Silver District** and the 200 km² **Capire-Mamatla Mineral District** adjacent to and southwest of Zacualpan. In addition to its 500 tonnes per day ("tpd") Guadalupe Mill, IMPACT also owns and operates a 200 tpd mill which it has installed as a pilot plant at its Capire Mine and Production Centre in the Capire-Mamatla Mineral District.

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 Capire-Mamatla Mineral District. As part of this process, management has established **three key objectives** for the districts in 2013:

1. Optimization of operations in the Capire pilot plant and open pit to further define the parameters for the potential expansion of the mine and plant.

2. Continued exploration across the entire 623 km² land package, focusing on discovery and definition of additional high grade mineral resources near the four producing mines.

3. Advance engineering work to develop the Mirasol Prospect for potential future mine production.

Refocusing in Times of Lower Metal Prices

On January 2, 2013, the first day of trading for the year, the London Fix silver price was US$30.87. On September 30, 2013, the silver price was US$21.68, a 30% decrease. In response to this significant drop in silver price, the Company is refocusing its mining and exploration work. Mining is now targeting the higher grade silver zones at the operating San Ramon, Noche Buena and Cuchara-Oscar mines. At the Capire Mine, higher grade material from the open pit is currently being processed while lower grade material is stockpiled for future processing. At the Mirasol Prospect, engineering studies for potential development of the project toward production have been accelerated. IMPACT is fortunate that its producing mines contain higher grade zones capable of generating positive cash flow in these times of lower metal prices. Exploration for the balance of 2013 will be largely focused on drilling high grade targets that can be quickly put into production through the low cost and rapid expansion of the current producing mines. These initiatives began during the beginning of 2013 to improve cash flow in response to lower metal prices while keeping lower grade zones accessible for when metal prices recover.

Subsequent to the end of the quarter, the Mexican congress passed legislation that would impact mining companies in Mexico. At this time, it is understood that there will be a two tiered royalty system, for precious metals: 1) a royalty of 7.5% on the earnings before interest taxes, depreciation and amortization ("EBITDA"); 2) a further 0.5% royalty on revenue from gold and silver, based on Net Smelter Returns ("NSR"). NSR's are normally calculated based on the net payment from the smelter to where the product is sold. While EBITDA is commonly used in finance, it is not an accounting terminology and will have to be defined under the regulation. There have been further amendments to the Mexican income tax act as well. The Company is currently unable to provide an evaluation of the expected impact upon the Company's after tax earnings of either royalty nor the proposed income tax amendments.

In response, the Company is operationally redefining its definition of cut-off mineralization for the purposes of mining and will change its mine plans accordingly. This suggests that ultimately the new tax rules and the royalties will reduce the total amount of tonnes the Company may mine in the future.

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 QUARTER ENDED SEPT 30, 2013

Financial Overview

- Revenues for the third quarter of 2013 were $3.1 million, a slight decrease from $3.2 million in the third quarter of 2012, despite a significantly lower silver price.

- Mine operating loss for the third quarter of 2013 was $0.4 million loss, a decrease from $0.7 million earnings in the third quarter of 2012.

- Losses before taxes for the third quarter of 2013 were $1.2 million compared to earnings before taxes of $0.009 million for the same period of 2012.

- Cash flows used in operations[1] before changes in non-cash working capital for the third quarter of 2013 were $0.05 million, compared to cash flows provided in operations of $0.5 million in the same period for 2012.

- Net working capital remained strong at $9.9 million on September 30, 2013, compared to $12.7 million on June 30, 2013 after spending $3.5 million on exploration and development of the Company's properties and $6.5 million on property, plant and equipment, year-to-date.

Production Overview

- Total tonnes milled during the third quarter of 2013 decreased to 38,520 from 44,699 in the third quarter of 2012 and 42,086 tonnes from the second quarter of 2013.

- Silver production increased 16% to 177,366 ounces for the third quarter of 2013 from 153,018 ounces in the same period of 2012 and decreased 5% from 185,998 ounces in the second quarter of 2013. During the third quarter of 2013 there was a 28% decrease in the average price of silver compared to the third quarter of 2012, accordingly, revenue only increased slightly compared with the previous year even though silver sales increased.

- Average mill feed grade for silver increased in the third quarter of 2013 to 171 grams per tonne (g/t) from 129 g/t in the third quarter of 2012 which was reflected in the higher production for the comparative periods.

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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."

- The Company started shipping concentrate during the start-up and testing phase of the Capire production centre during the quarter. The pilot plant has not yet entered into commercial production and its sales revenue is not included in reported sales results.

Looking Ahead: Transition to Growth

Management believes the Company has exceptional growth opportunities through the continued development of the Zacualpan and Capire-Mamatla Mineral Districts. 2013 will continue to be a year of progress as the Company commissions the Capire Mine and pilot plant into production and shifts into full production at the Cuchara-Oscar Mine. These areas of new production are anticipated to form the basis for enhancing operations in the future.

PRODUCTION AND SALES*

	For the Three Months Ended September 30			For the Nine Months Ended September 30		
	2013	2012	% Change	**2013**	2012	% Change
Total tonnes (t) produced	**38,520**	44,699	-14%	**122,615**	125,956	-3%
Tonnes produced per day	**419**	486	-14%	**449**	463	-3%
Silver production (oz)	**177,366**	153,018	+16%	**529,015**	472,182	+12%
Lead production (t)	**126**	96	+31%	**361**	384	-6%
Zinc production (t)	**85**	146	-42%	**376**	611	-38%
Gold production (oz)	**348**	172	+102%	**932**	465	+100%
Silver sales (oz)	**189,550**	129,373	+47%	**552,195**	432,401	+28%
Lead sales (t)	**135**	86	+57%	**391**	360	+9%
Zinc sales (t)	**65**	128	-49%	**320**	616	-48%
Gold sales (oz)	**348**	148	+135%	**918**	426	+115%
Average mill head grade –silver g/t	**171**	129	+33%	**160**	140	+14%
Revenue per production tonne sold	**$81.47**	$92.66	-12%	**$90.05**	$97.92	-8%
Direct costs per production tonne	**$66.91**	$61.13	-9%	**$67.10**	$62.69	-7%

* Table excludes Capire mine production

Production and Sales Highlights for the Three and Nine Months Ended September 30

As the Company disclosed in its first quarter 2013 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 mining from Cuchara-Oscar was development muck, with the expectation of mining higher grade material later in 2013.

Within the third quarter of 2013, Cuchara-Oscar provided 27% of all mill feed. This increase has provided higher grade ore for the Company's Guadalupe Production Centre increasing the average head grade for silver from 163 g/t in the second quarter of 2013 to 171 g/t in the third quarter of 2013. The higher grade ore also increased the year-to-date grade to 160 g/t for the current year compared with 140 g/t for the same period in 2012. These increases are due in part to increased production of higher grade ore from the Cuchara-Oscar 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 into higher grade mineral, the Company expects a steady increase in grades going forward in 2013. The Capire Mine and the pilot plant are projected to commence commercial production in the last quarter of the year and with rising grades at the Guadalupe mill, the Company anticipates an overall increase in silver production in 2014.

Average silver metal prices based upon the LME PM fix have decreased by 29% from the first quarter to the third quarter of 2013. Additionally, average silver prices have decreased 28% in the third quarter of 2013 from the same period in 2012. Silver sales were 189,550 ounces in the third quarter of 2013, an increase over the 129,373 ounces sold in the same period of 2012. In addition, silver sales also increased year-to-date for 2013 to 552,195 ounces compared with 432,401 ounces sold year to date in 2012. This decrease in silver price contributed to the decrease in revenue from the third quarter of 2013 compared to the same period in 2012 even though the Company had increased silver sales in the third quarter.

The Company's lower revenues per tonne sold in the third quarter of 2013 of $81.47 per tonne, a decrease from $92.66 per tonne from the same period in 2012, is a result of lower realized metal prices and slightly higher smelting and refining charges. The lower silver price also affected the year-to-date revenue per tonne as it decreased to $90.05 per tonne for the year compared with $97.92 per tonne for same period in 2012.

MINE PRODUCTION

Mine Operations

The Company has been operating the Guadalupe Production Center in the Royal Mines of Zacualpan Silver District since 2006 and during the first quarter of 2013, IMPACT began the commissioning of a second production centre at Capire, located 16 kilometres to the south in the Capire-Mamatla Mineral District.

Royal Mines of Zacualpan District

The Royal Mines of Zacualpan Silver District was acquired by the Company in early January 2006 and since then an extensive program of upgrading the operations and expanding production has been carried out. IMPACT has expanded and upgraded the majority of the mining equipment, including the rebuilding and purchase of a number of scoop-trams and underground trucks. Upgrade expenditures included new equipment in the Guadalupe Production Centre and expansion of the tailings dam (continuing). The Company has also purchased additional surface lands near the Guadalupe 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 shifting the focus of mining operations to the higher grade zones in the San Ramon, Noche Buena and Cuchara-Oscar Mines and carrying out surface and underground exploration for high grade mineralization with very near-term production potential in close proximity to these mines.

San Ramon Mine

During the third quarter of 2013, the San Ramon Mine provided 41% (Q3 2012 – 50%) 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.

Noche Buena Mine

During the third quarter of 2013, the Noche Buena Mine provided 32% (Q3 2012 – 27%) of mill feed to the Guadalupe Mill. The mine is located 4 kilometers southwest of the Guadalupe Production Centre and commenced production in the first quarter of 2010. The mine is contributing a silver-gold feed to the Guadalupe mill. A cross cut was excavated to the nearby Carlos Pacheco Gold Vein where mining began late in the third quarter resulting in a modest increase in gold production at the Guadalupe Mill.

Cuchara-Oscar Mine

On February 20, 2013, the Company announced initial production at the new Cuchara-Oscar Mine. During the third quarter Cuchara-Oscar produced 27% (Q3 2012 – 0%) of mill feed to the Guadalupe Mill. The Cuchara-Oscar Mine is another exploration success story taken from initial field exploration through drilling to mine construction and production by the IMPACT team. 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 kilometers east of the Guadalupe mill. Initial production at Cuchara-Oscar is from development muck in the Marqueza and Oscar Veins with plans to develop other nearby veins in the near future. Higher silver grades from Cuchara-Oscar are largely responsible for the overall increased production grades in the Guadalupe Production Center in the third quarter.

Chivo and Gallega Mines

After a period of reduced production, the Chivo and Gallega Mines were put on care and maintenance during the first quarter and production shifted to the new higher grade Cuchara-Oscar Mine. During the third quarter of 2013, the Chivo and Gallega Mines provided no mill feed (Q3 2012 –23%) to the Guadalupe Mill.

Capire Production Centre

On March 14, 2013, IMPACT 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.

In the third quarter of 2013, Capire mined 10,750 tonnes and milled 11,739 tonnes. Average mill feed grade for silver was 96 g/t.

Capire is located 16 kilometers southwest of the 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 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 kilometers 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). Initial mining is focused on higher grade portions of the deposit with lower grade material being stockpiled for future processing.

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 explored and placed four mines (Chivo, Noche Buena, Cuchara-Oscar and Capire) into production over the past six years.

San Juan Drill Results

During the third quarter, drilling focussed on the San Juan Project area covering the northern extensions of the veins currently being mined in the Noche Buena Mine. Subsequent to quarter end, IMPACT announced initial results with high silver and gold grades from this drill program including 1,409 g/t silver over 2.07 meters (true width) on the northern extension of the Noche Buena Vein and 17.1 g/t gold over 1.89 meters (true width) on the northern extension of the Carlos Pacheco Vein. Other significant intersections on these and other veins in this system were also reported in a news release dated October 30, 2013. Drilling, mapping and sampling of this system are continuing to the north.

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 district. They have also trenched areas of mineralization and carried 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, Manto Rico, El Paso, Noche Beuna North and Zotzacola areas with favourable results.

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 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 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). The option agreement consisted of two staged payments to the Company, an initial payment of 2,680,500 common shares of Defiance (paid) for total consideration of $1,420,665 and $1,955,200 due as a final closing payment on the earlier of September 9, 2013 or the commencement of commercial production. Subsequent to the end of the second quarter of 2013, the Company amended the agreement to extend the final closing payment. Under the terms of the amended agreement, Defiance paid 150,000 common shares in September 2013 to extend the term to September 9, 2014, and must pay $25,000 or 350,000 common shares at the Company's option on or before September 9, 2014 to extend the term to September 9th 2015.

Prior to and during the third quarter, the Company participated in several small private placements in Defiance. With this additional participation, the Company now has a 19.9% interest in Defiance. Defiance is in the final stages of re-permitting the plant and plans to commence commercial production with mineral feed from the Company concessions and the past producing San Acacio mine, which they optioned from a third party.

As at September 30, 2013, there was a prolonged decline in the value of the shares of Defiance held by the Company. To provide for this decline in value, the Company recorded a non-cash write-down of $0.6 million in the second quarter of 2013. Given the uncertainties facing the mining industry at this time, the Company anticipates that there will be further non-cash write-downs to the Defiance investment.

Dominican Republic

The Dominican Republic is attracting interest from the industry with significant drill discoveries last year by Goldquest Mining, exploration work by other junior companies and the ongoing activities of Barrick Gold Corporation ("Barrick") and Xstrata plc. Currently the Company is in the process of renewing its mineral concessions in the Dominican Republic, a process it has successfully done several times in the past. However, the new government is undertaking an extensive review of all applications for concession renewals and it is uncertain at this time whether such renewals will be granted. The Company's exploration concessions under renewal constitute a block of early stage exploration areas covering 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.

FUTURE PLANS

Over the last nine months, IMPACT has completed the construction of the Capire mill and facilities, the pre-strip at the open pit, and conducted a very successful exploration program including over 29,000 metres of diamond drilling, and opened the Cuchara-Oscar mine for production. These were all accomplished from the Company's treasury and cash flows from operation without incurring any long term debt. However with weaker metal prices and the need to interpret the implications of the new Mexican Tax and Royalty amendments, IMPACT will be focused on maximizing cash flows from its current assets over the next few quarters. Future plans for mining and exploration in the Zacualpan and Capire Districts are a balance between the near term to focus on high grade zones close to the active mining operations in response to the current lower metal price environment and activities to prepare for and seize opportunities in the Districts and elsewhere in anticipation of a recovery in metal prices.

Mining Plans

During the first nine months of the year, IMPACT announced that both the new Cuchara-Oscar Mine and the Capire Mine had achieved initial operations. Near term plans are to ramp up production at both sites and focus on increasing production grade at all mines to continue operating on a cash flow positive basis. Long term plans are to grow the Company into a multimillion ounce silver producer.

Exploration Plans

Plans are to continue 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. Current field work and drilling has refocused on targets close to current production areas. Near term drill targets include the northern extensions of the Noche Buena Mine and the Condesa South, Copal and Cuchara North targets in the Cuchara-Oscar Mine area of the Zacualpan District, and the Aurora II area of the Capire-Mamatla District.

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 foster 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 and onsite ambulance on standby in case of emergencies.

INVESTOR RELATIONS

During the third 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 and Europe, 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 September 30			
		2013		2012
Revenue	**$**	**3,119**	$	3,194
Net loss	**$**	**(1,223)**	$	(436)
Loss per share – basic	**$**	**(0.02)**	$	(0.01)
Loss per share – diluted	**$**	**(0.02)**	$	(0.01)

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

For the three months ended September 30, 2013, the Company's mine operating losses were $0.4 million compared to earnings of $0.7 million in 2012 on net smelter return revenues of $3.1 million in 2013 compared to $3.2 million in 2012. Direct costs per tonne for the three months ended increased to $66.91 in Q3-2013 from $61.13 compared to Q3-2012 because of a decrease in total tonnes produced. Operating expenses increased from $2.2 million in the third quarter of 2012 to $2.7 million in the same period of 2013. Operating expenses in the quarter increased due to retroactive payments to union employees, severance payments to workers who were laid-off and higher mining costs at the Cuchara-Oscar mine as initial production consisted of development muck. In addition, the average foreign exchange rate between the Mexican peso and Canadian dollar increased by approximately six percent from Q3-2012 and Q3-2013 which had an impact on the Company's increased expenses. Amortization and depletion expenses increased by $0.5 million to $0.8 million during the quarter ended September 30, 2013 from $0.3 million in the same period of 2012 as a result of a change in estimate in one of the factors related to the depletion calculation.

The net loss was $1.2 million for the third quarter in 2013 compared to net loss of $0.4 million in 2012. The increase in loss was largely attributable to increased wages and salaries of $0.5 million as indicated above within operating expenses, an increase to share-based payments of $0.2 million due to new stock options issued in the first quarter of 2013 and property investigations costs that were not incurred in 2012 of $0.1 million. General and administrative expenses excluding share based payments increased slightly to $0.6 million for the current quarter from $0.5 million in the same period of 2012.

Silver production was 177,366 ounces during the three months ended September 30, 2013, which was a 16% increase compared with 153,018 ounces produced within the same period of 2012. Lead production increased in the third quarter of 2013 over the same time period in 2012 from 96 tonnes to 126 tonnes. Zinc production decreased in the third quarter of 2013 to 85 tonnes from 146 tonnes in the same period in 2012. Gold production increased from 172 ounces to 348 ounces during the third quarter of 2012 and 2013 respectively.

Average silver prices declined 28% from the third quarter of 2012 in comparison to the same period in 2013. During this same period, lead prices increased by 6% while zinc prices decreased by 2%. As silver sales account for the majority of the Company's revenues, the increase and decrease in lead and zinc prices did not significantly affect mining operating earnings.

Summary of Year to Date Results

In thousands	Nine months ended September 30	
	2013	2012
Revenue	**$ 11,071**	$ 11,279
Net earnings (loss)	**$ (3,820)**	$ (306)
Earnings (loss) per share – basic	**$ (0.06)**	$ (0.00)
Earnings (loss) per share – diluted	**$ (0.06)**	$ (0.00)

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

For the nine months ended September 30, 2013, the Company's mine operating earnings were $0.8 million compared to $3.6 million in 2012 on net smelter return revenues of $11.1 million in 2013 compared to $11.3 million in 2012. Operating expenses, excluding amortization and depletion, were $8.5 million compared to $6.6 million in 2012. Direct costs per tonne for the nine months ended increased to $67.10 in Q3-2013 from $62.69 compared to Q3-2012 because of a decrease in total tonnes produced. The increase in operating expenses in 2013 is mainly due to retroactive payments to union employees, severance payments to workers who were laid-off, and higher mining costs at the Cuchara-Oscar mine as initial production consisted of development muck and higher transportation costs. In addition, the average foreign exchange rate between the Mexican peso and Canadian dollar increased every quarter in 2013 from 2012: 3% from Q1-2012 and Q1-2013, 10% from Q2-2012 and Q2-2013 and 6% from Q3-2012 and Q3-2013 which had an impact on the Company's increased expenses. Amortization and depletion expenses increased to $1.7 million in 2013 from $1.1 million in 2012 as a result of ore being pulled from different mines which affects the depletion.

The net loss was $3.8 million in 2013 compared to net loss of $0.3 million in 2012. General and administrative expenses, excluding share-based payments were $1.8 million in both 2013 and 2012. The largest increase in general and administrative expenses was from share-based payments due to new stock options issued in the first quarter of 2013 and the expense associated with the revaluation of stock options as a result of extending the exercise period by five years during the second quarter of 2013.

In the second quarter of 2013, it was determined that there was a significant and prolonged decline in the value of the shares of Defiance held by the Company. To provide for this decline in value, the Company recorded a non-cash partial write-down of $0.6 million. The Company still has legal ownership to these assets as the final payments on the option agreement are not yet due. If Defiance is unable to pay the final payments owing, then the assets will return back to the Company and the Company will retain the original payment. Given the uncertainties facing the mining industry at this time, the Company anticipates that there will be further non-cash write-downs to the Defiance investment.

The Company's net smelter revenues remained relatively consistent during the first three quarters of 2013 compared to the same period in 2012 as a result of increased metal sales offset with a decrease in the average silver price year to date. During the first three quarters of 2013, 552,195 ounces of silver were sold compared to 432,401 ounces sold in the same period in 2012, an increase of 28%. However, during the same period, silver prices decreased by 29% offsetting this increase in sales.

Silver production during the first nine months of 2013 from 2012 increased by 12% as a result of mining higher grade feed materials from the Company's mines in 2013. During this time period silver production increased to 529,015 ounces from 472,182 ounces in 2012. Additionally, gold production increased 100% from the first nine months of 2012 to the first nine months of 2013 from 465 ounces to 932 ounces respectively. This increase in production in the first three quarters of 2013 is attributable to the mining of higher grade mineral from the Cuchara-Oscar Mine.

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							
	Sept 30 2013	Jun 30 2013	Mar 31 2013	Dec 31 2012	Sep 30 2012	Jun 30 2012	Mar 31 2012	Dec 31 2011
Revenues	3,119	3,779	4,173	4,654	3,194	3,619	4,467	4,848
Net earnings (loss)	(1,223)	(1,942)	(655)	(839)	(436)	278	(147)	637
Earnings (loss) per share - Basic*	(0.02)	(0.03)	(0.01)	(0.01)	(0.01)	0.00	0.00	0.01
Earnings (loss) per share - Diluted*	(0.02)	(0.03)	(0.01)	(0.01)	(0.01)	0.00	0.00	0.01
Cash	6,741	9,973	13,340	16,013	19,563	23,057	28,065	30,775
Total assets	65,860	68,648	69,803	66,074	64,972	65,476	67,842	64,600
Total liabilities	8,191	8,481	8,167	7,131	6,224	6,896	8,191	6,823

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

Liquidity, Financial Position and Capital Resources

Working Capital and Cash Flow

The Company's financial position at September 30, 2013 remained strong with $6.7 million in cash and net working capital of $9.9 million. The Company had cash flows from operations before changes in non-cash working capital[2] of $0.6 million for the nine months ended September 30, 2013. This compares to cash flow generated from operations before changes in non-cash working capital of $2.4 million in the same period of 2012.

The Company's working capital as at September 30, 2013 of $9.9 million decreased from $12.7 million at June 30, 2013 as the Company continued to invest its capital in the development of the Capire Mine and pilot plant as well as continued exploration in the Royal Mines of Zacualpan Silver District. Total investments in development and exploration were $0.4 million for the quarter and $3.5 million year-to-date. Total expenditures to capital additions were $2 million for the quarter and $6.5 million year to date. In addition, cash flow from operations decreased during the quarter due to higher operating expenses as discussed above as well as the decrease in the silver price both, of which, also contributed to the overall decrease in working capital during the quarter.

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.

Capire Mine Development

Expenditures related to the development of the Capire Mine and pilot plant were $0.9 million in the third quarter of 2013 of which $0.1 million was invested in capital development of the mine and pilot plant with the remaining $0.8 million invested in exploration for additional mineral deposits at the Capire Mine. At September 30, 2013, $12.9 million has been invested in exploration and capital development at Capire, of which $5.7 million has been spent on exploration.

Outstanding Share Data

The following common shares and convertible securities were outstanding at November 21, 2013:

	# of Shares	Exercise Price	Expiry Date
Issued and outstanding common shares as of November 21, 2013	68,128,244		
Stock options	1,310,000	$0.55	January 6, 2019
Stock options	867,500	$1.10	December 6, 2015
Stock options	1,970,000	$1.85	September 26, 2016
Stock options	2,285,000	$1.20	January 23, 2018
Fully diluted at November 21, 2013	74,838,244		

Of the 6,432,500 options outstanding, 5,290,000 have vested at November 21, 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.

[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."

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 nine months ended September 30, 2o13, fees in the amount of $3.6 million (2012 – $2.8 million) were incurred by Energold Drilling Corp., a significant shareholder of the Company, for contract drilling services performed in Mexico at the Zacualpan and Capire concessions. At September 30, 2013, the balance owed to Energold was $1.3 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 September 30, 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"), Trafigura Mexico, S.A. De C.V. ("Trafigura") 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 ($6.7 million), trade and other receivables ($4.5 million), and investments ($0.3 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 September 30, 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 September 30, 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 September 30, 2013, a 10% depreciation or appreciation of all the above currencies against the Canadian dollar would result in an approximate $0.5 million decrease or increase in the Company's net earnings (loss) for the period ended September 30, 2013.

Commodity price risk

The Company is continuing to assess whether the recent decline in silver prices is short or long term in nature. Should the prices continue to decline, the Company's operating results will be adversely impacted and potentially the Company may have to recognize an impairment on the carrying value of its non-financial assets.

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 September 30 as follows:

		2013		2012
Silver price	$	**71,000**	$	137,000

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. From time-to-time, government regulatory agencies may review the books and records of the Company which may result in changes in the Company's operating results.

In October 2013, the Mexican government enacted significant changes to the mining tax and royalty regime which have significant impacts on the mining industry. Given the magnitude of these changes, it may create significant impact on the Company's earnings.

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

November 21, 2013