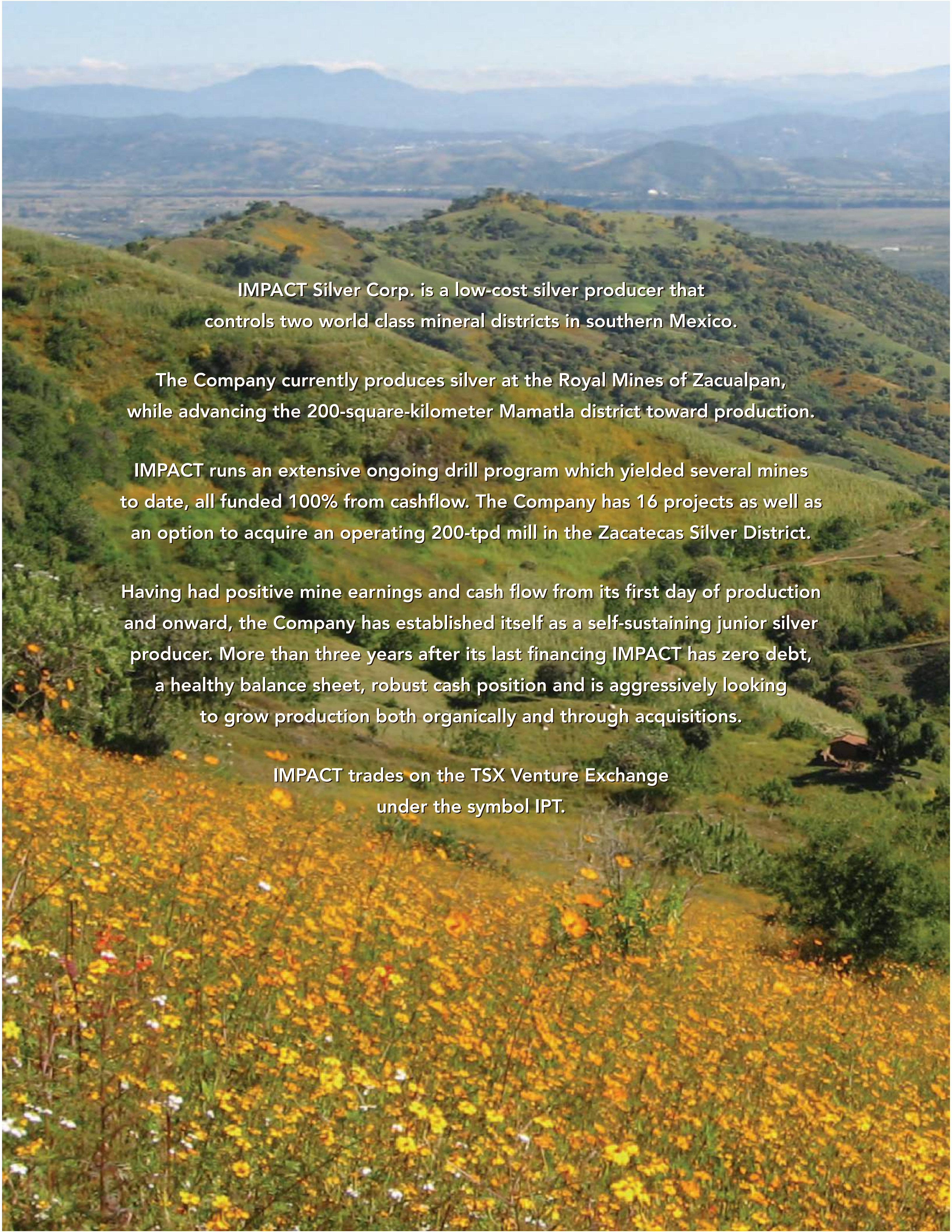
ANNUAL REPORT 2008

IMPACT SILVER CORP



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

The Company currently produces silver at the Royal Mines of Zacualpan,
while advancing the 200-square-kilometer Mamatla district toward production.

IMPACT runs an extensive ongoing drill program which yielded several mines
to date, all funded 100% from cashflow. The Company has 16 projects as well as
an option to acquire an operating 200-tpd mill in the Zacatecas Silver District.

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

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

LETTER TO SHAREHOLDERS

Dear Fellow Shareholders,

In 2008 IMPACT solidified its position as a leading primary silver producer with record production levels and a third consecutive year of revenue growth. It was also a year of progress on the exploration side, with a series of positive drill results and significant expansion of our land holdings. Of most significance however is the fact that during a period of dramatic decline in base metal pricing, IMPACT remained profitable.

Our operational flexibility is more important than ever under current economic conditions and, in combination with our strong working capital, means that we are well-positioned to endure the current global economic crisis, pursue our plans for growth and remain cash-flow positive in 2009.

IMPACT now controls almost two entire mineral districts in Central Mexico; the Royal Mines of Zacualpan Silver District, with our Chivo, San Ramon and Guadalupe mines and over 900 mineral prospects, and the Mamatla Mineral District, with over 70 mineral prospects, immediately to the southwest of Zacualpan. The Company also controls the Veta Grande Silver Project in the Zacatecas Silver District.

Financial Results

As a result of the global economic crisis, commodity prices have declined. At December 31, 2008, metal prices had decreased by about 7% for silver, 40% for zinc and 20% for lead from prices prevailing at the beginning of the year.

Despite this decline, IMPACT remained profitable in 2008. Our net income for 2008 was $662,000, up 131% from $287,000 in 2007. The Company generated revenues (net smelter returns) for the year of $8,908,000, up 23% from $7,250,000 in 2007 in spite of higher refining costs. Operating margins for 2008 were adversely affected by increased costs for reagents, diesel fuel and other materials consumed in operations. Mine operating costs before amortization and depletion in 2008 were $5,424,000, up 23% from $4,411,000 in 2007. IMPACT continues to have amongst the lowest production costs in Mexico.

The Company ended the year with cash of $5.4 million and no long-term debt.

IMPACT is in the fortunate position of being able to take swift action in response to market changes. To date our response has been two-fold: to reschedule production to mines with higher silver grades and to stockpile zinc concentrate production until zinc prices improve. We are continuing to carefully monitor the situation and plan our mining activity, on a month-by-month basis, for the most advantageous financial results.

The Year In Review

Production

In 2008, IMPACT's production profile shifted back towards silver. Specifically, silver production for the year reached a record 635,668 oz., up 82% from 348,949 oz. in 2007.

This is due in part to the commencement of production at the high-grade Chivo Mine at the end of 2007 and recommencement of production from the San Ramon mine which led to increased throughput. The shift to silver production is also a result of our strategy to respond to current market conditions and metal pricing.

In 2008 we invested in upgrades to our Guadalupe Mill in Zacualpan. These investments are designed to move us closer to the maximum capacity of the mill of 500 tpd.

Exploration

In 2008 we invested in the exploration of key projects within our Zacualpan and Mamatla districts. With an exploration budget twice the size of the previous year, we carried out 12,000 meters of surface drilling and 4,700 meters of underground drilling at Zacualpan. At Mamatla, we completed a detailed 5,080 meter drill program to better define the Capire and Aurora I deposits. Our prospecting team continued intensive reconnaissance work in both districts including the collection and review of over 12,000 soil and rock chip samples in 2008.

In addition, in 2008 we continued with due diligence, exploration and engineering work to evaluate the production potential of the Veta Grande Silver Project in Zacatecas.

The Year Ahead

IMPACT is well positioned to continue to operate profitably and grow organically with minimal capital investment and through acquisitions, should the right opportunity arise. We are also in the fortunate position to be able to continue to move ahead with exploration activities in spite of the current economic environment. These activities will be funded primarily through existing cash balances and cash flow from operations. Consistent with our goal to remain cash flow positive in 2009, we will carefully monitor and manage our exploration related costs.

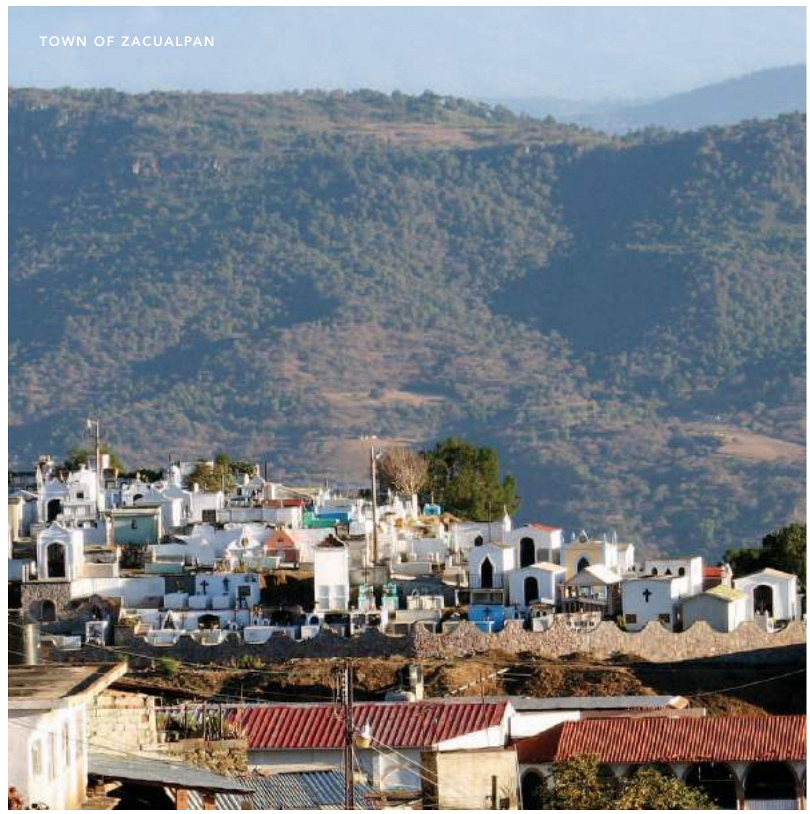
Production Expansion

In 2009, we intend to increase overall production levels by focusing on silver production from our higher-grade mines, Chivo and San Ramon. With a careful eye on costs, we will continue to invest in upgrades on our Guadalupe Mill to allow us to increase throughput but, given the capital investment required, we expect activity to begin in earnest once again only when metal prices rebound.

Significant Exploration Activity

In 2009, our exploration activities will remain focused on the Zacualpan and Mamatla districts. Our drilling program for 2009 will take place on a reduced scale and will focus on targets that have been advanced to the point of near-term production potential. These activities will take place in conjunction with underground development work. We have also budgeted for an expansion of both the reconnaissance and development exploration programs.

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


TOWN OF ZACUALPAN

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

Frederick W. Davidson
President, CEO

April 7, 2009

MANAGEMENT'S DISCUSSION & ANALYSIS

For the Period Ended December 31, 2008

INTRODUCTION

This Management's Discussion and Analysis ("MD&A") of IMPACT Silver Corp. ("IMPACT" or "the Company") is dated April 7, 2009. This MD&A should be read in conjunction with the audited annual consolidated financial statements of IMPACT Silver Corp. and the notes thereto for the period ended December 31, 2008, which have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). All amounts referred to herein are in Canadian dollars unless otherwise specified. Additional information relating to the Company including material change notices, certifications of annual and interim filings, and press releases are available on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com.

DRILL CORE FROM CARLOS PACHECO

This document contains forward-looking statements. Please refer to "NOTE REGARDING FORWARD-LOOKING STATEMENTS."

HIGHLIGHTS FOR THE YEAR ENDED DECEMBER 31, 2008

- Silver production for the year reached a record 635,668 oz., up 82% from 348,949 oz. in 2007.
- Revenues for the year exceeded $8.9 million, up 23% from $7.2 million in 2007.
- Revenues less direct mining costs for the year were $3.5 million, up 23% from $2.8 million in 2007.
- Net income for the year increased to $662,000, up 131% from $287,000 in 2007.
- Cash flows from operations for the year equalled $1.7 million, down 4% from $1.8 million in 2007. Cash flows from operations before changes in non cash working capital for the year increased to $2.2 million, up 17% from $1.9 million in 2007.[1]
- After $1.5 million invested in property, plant and equipment and $5.4 million in resource properties and exploration, at the end of the year the Company had cash and cash equivalents of $5.4 million.

HIGHLIGHTS FOR THE FOURTH QUARTER ENDED DECEMBER 31, 2008

- Quarterly silver production reached a record 213,876 oz., up 106% from 103,772 oz. in the fourth quarter of 2007.
- Revenue for the fourth quarter was $2.2 million, up 5% from $2.1 million in the fourth quarter of 2007.

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

IMPACT is a natural resource mining and development company, primarily engaged in the acquisition, exploration and development of natural resource properties.

TAILINGS PONDS WITH THE TOWN OF ZACUALPAN IN THE DISTANCE

- Net loss for the fourth quarter was $256,000, compared to net income of $355,000 in the fourth quarter of 2007.

- During the fourth quarter, IMPACT announced high grade gold assays from the first drill holes on the Carlos Pacheco Zone including 19.6 g/t gold across 2.9m true width ("TW") and 11.3 g/t gold across 2.1m TW.

- Subsequent to year end, IMPACT announced wide drill intersections of silver mineralization on the Noche Buena Zone including 204 g/t silver across 8.55m TW and 233 g/t silver across 4.33m TW.

- Subsequent to year end, IMPACT announced extensive drill results from the Aurora I Deposit in the Mamatla Mineral District including 1,164 g/t silver across 1.5m and 196 g/t silver across 9.9m.

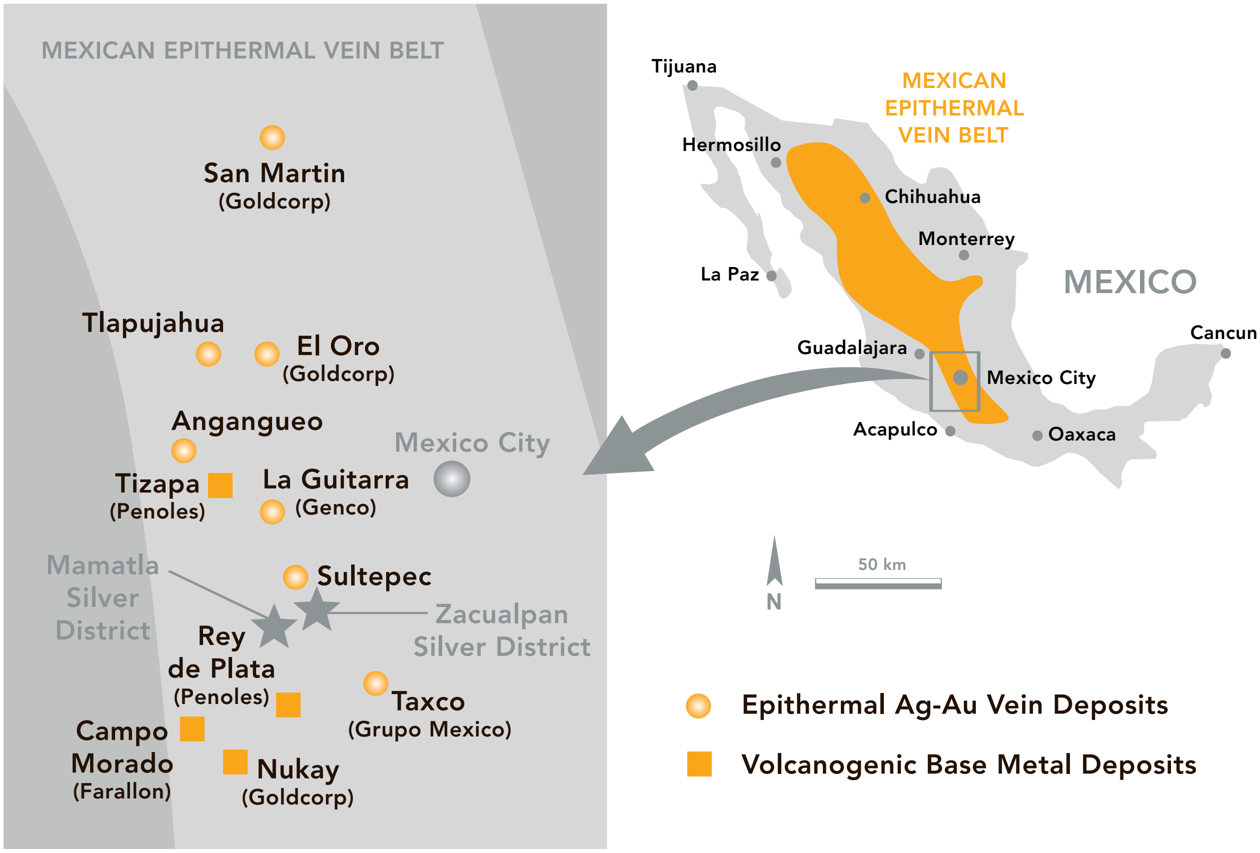
- Subsequent to year end, IMPACT announced extensive drill results from the Capire Deposit in the Mamatla Mineral District including 1,016 g/t silver across 1.8m and 338 g/t silver across 4.0m.

CORPORATE OVERVIEW

IMPACT is a natural resource mining and development company, primarily engaged in the acquisition, exploration and development of natural resource properties. The Company's principal business activities for the past ten years have been the exploration, development and mining of certain mineral properties located in Mexico and the Dominican Republic. IMPACT currently produces concentrates containing silver, lead, zinc and gold at the Royal Mines of Zacualpan in the State of Mexico with a mill rated at 500 tonnes per day ("tpd"). In the first quarter of 2008, the Company acquired a semi-portable 200 tpd mill for potential use at its projects in the Mamatla and Zacualpan mining districts and in the second quarter it was moved to storage in Zacualpan. The Company also holds an option on a third mill with a capacity of 200 tpd at the "Veta Grande Project" in Zacatecas.

Over the last three years, IMPACT has grown from an exploration company into a significant silver producer with levels of production continuing to rise. As importantly, the Company has managed to acquire control of almost two entire mineral districts in Central Mexico, the Royal Mines of Zacualpan Silver District and the Mamatla Mineral District immediately to the southwest of Zacualpan. It also controls the Veta Grande Silver Project in the Zacatecas Silver District, Mexico.

IMPACT's objective for the next two to three years at the Royal Mines of Zacualpan Silver District includes a three-phase program of exploration and exploitation. The first phase is designed to enhance immediate throughput until we achieve our current maximum rated capacity of 500 tpd at the Guadalupe mill. The second phase is to continue exploration and to prepare for development of new sources of ore that will justify expansion of our current facility or the construction of new processing plants within the overall district. The third phase is to continue a reconnaissance program designed to evaluate the longer term potential of this almost 500-year-old mining district. IMPACT is currently active in each phase of the plan.



During the last half of 2008, a dramatic change in commodity prices has affected our industry and the stock market. Because of our work over the last three years, the Company's mine in Zacualpan has the flexibility to address lower prices by shifting production to higher grade areas. While the third and fourth quarter results reflect the declining price of metals the rescheduling of production did not occur until the fourth quarter. In order to maintain profitability some of the scheduled increase in throughput has been delayed to avoid processing non economic material at this time. The Company's primary objective is to remain cash flow positive during this time of economic challenge.

In the Mamatla Mineral District the Company has been vetting the immense quantity of information available on the District with the objective of establishing and prioritizing exploration targets on this exciting new District. During 2008, the Company completed a 5,080-meter drill program on two of the Mamatla targets, Capire and Aurora I. The Company also acquired access to additional technical data for the Mamatla District which should accelerate our knowledge of this highly prospective area.

At the Veta Grande Silver Project, the Company plans to leverage itself with the option on the 200 tpd processing plant to become a significant participant in the Zacatecas Silver District. The Company is continuing due diligence and engineering work to evaluate the production potential of the purchased properties and upgrading of the processing plant.

IMPACT has an exceptional opportunity to continue to grow production with minimal capital investment and with the potential to develop two historic mineral districts in Central Mexico.

The Company is a reporting issuer in British Columbia and Alberta and trades on the TSX Venture Exchange as a Tier 1 Issuer under the symbol IPT and on Frankfurt as IKL.

As at December 31, 2008, the Company had cash and cash equivalents in excess of $5.4 million held with a large Canadian commercial bank. The Company has not invested in any short term commercial paper or asset-backed securities.

ROYAL MINES OF ZACUALPAN SILVER PROJECT (ZACUALPAN MINING DISTRICT), MEXICO

Introduction

IMPACT owns concessions covering most of the Royal Mines of Zacualpan silver District in central Mexico, including a 272-square-kilometer land position, operating mines and a mill rated at 500 tpd. The project is located 100 kilometers southwest of Mexico City and 25 kilometers northwest of the well-known Taxco Silver Mine. Access is by paved highway that runs through the middle of the district. Infrastructure is good throughout the district with gravel road networks, electric power, ample water supplies and a trained work force.

Production for the three months and year ended December 31, 2008:

	Three months ended			Year ended		
	Dec 31 2008	Dec 31 2007	% Change	Dec 31 2008	Dec 31 2007	% Change
Total tonnes (t) produced	26,343	24,349	+8%	102,426	99,918	+2%
Tonnes produced per day	286	265	+8%	280	274	+2%
Silver production (oz)	213,876	103,772	+106%	635,668	348,949	+82%
Lead production (t)	257	153	+68%	813	601	+35%
Zinc production (t)	300	259	+16%	1,053	976	+8%
Revenue per production tonne sold	$86.03	$86.67	-1%	$89.89	$72.56	+24%
Direct costs per tonne produced	$56.82	$44.05	+29%	$54.80	$44.15	+24%

Note: all measurements are metric (other than silver) and are subject to smelter settlements.

Mining

Royal Mines of Zacualpan

The Royal Mines of Zacualpan Silver Project was purchased by the Company on January 16, 2006 and the Company's first full day of production was January 18, 2006. The majority of the ore mined at that time was from the high grade San Ramon Mine. Later in 2006, as underground mining and haulage costs rose at the San Ramon Mine, the Company started to principally source its ore supply from the Guadalupe Mine, where base metal grades are higher and silver grades lower. In the fourth quarter of 2007 development at the new Chivo Mine raised silver grades and continued to do so in 2008. The much higher silver grades resulted in a higher contribution margin per tonne in 2008. In early 2008 the San Ramon Mine was brought back into production on a selective mining basis.

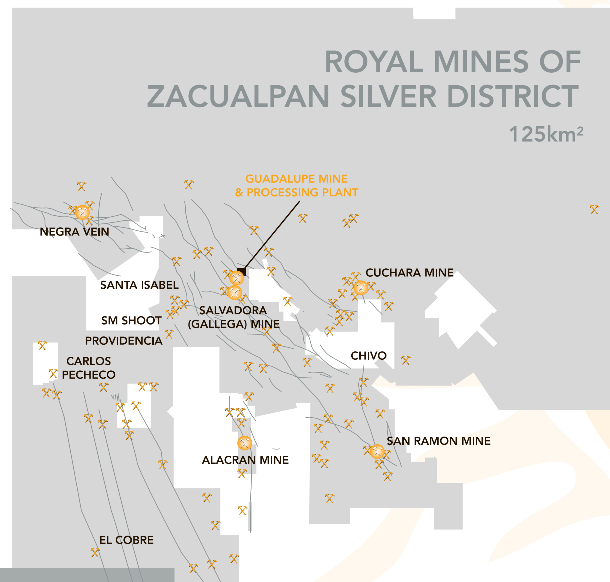
IMPACT's objective for the next two to three years at the Royal Mines of Zacualpan Silver District includes a three-phase program of exploration and exploitation.

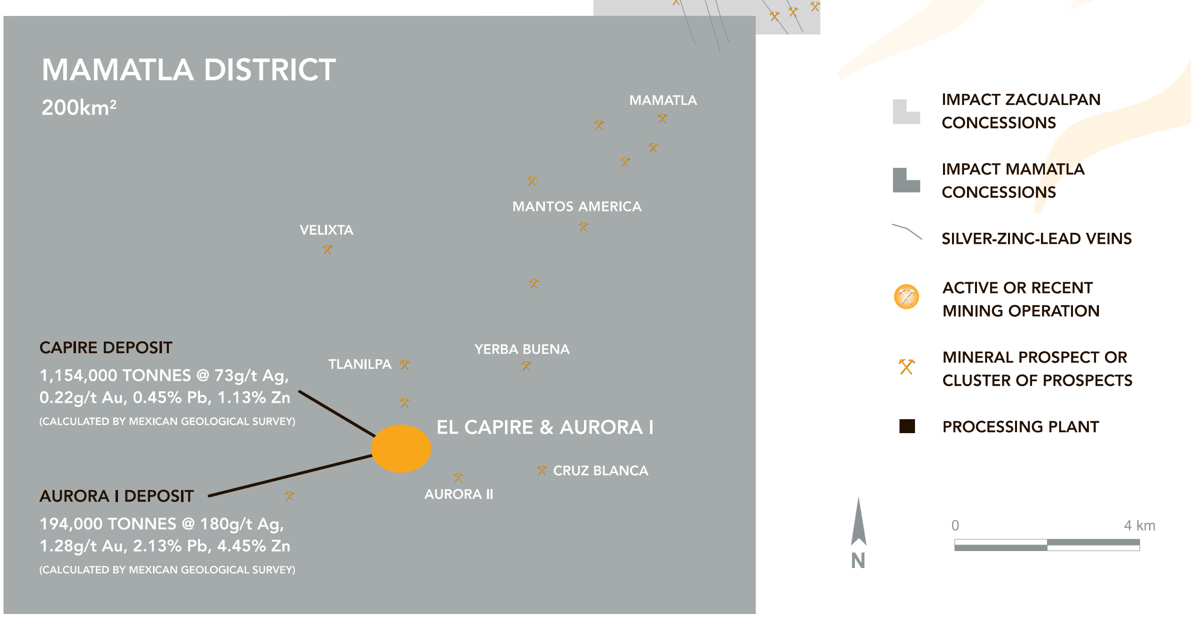
UNDERGROUND MINERALIZATION IN CHIVO MINE

The Company continues to budget funds and manpower to undertake its plans to modernize operations and increase production. Since its acquisition in 2006, much of the mining equipment has been upgraded, including rebuilding a number of the mine's scoop-trams and underground trucks.

The Company intends to further increase throughput at its current Guadalupe mill to ultimately reach its rated capacity of 500 tpd. This involves some additional expenditure for underground equipment, certain equipment replacements and upgrades in the plant and expansion of the tailings dam (now begun). While plant and facilities may at times limit capacity, sourcing mill feed from the Company's mines remains the critical factor for increased throughput. The process of finding, permitting, developing mines and production stopes takes an intensive contribution of resources of man-power, equipment and time. With current lower metal price environment the rate of expansion will be slowed to ensure cash flows remain positive.

The Company has seen fluctuations in grades due to the limited number of working faces available for mining. As a result of the exploration and development done over the last two years, the Company now has the ability to balance the grade of mill feed by drawing from a larger number of mine stopes to achieve a more blended overall grade for optimum metal recovery. Metal price weakness in the last half of 2008 negatively impacted the return on concentrate shipments and as a result caused the Company to revisit cut-off grades in certain stopes. This has resulted in the fourth quarter shutdown of mining in certain marginal areas and expansion of production in higher grade silver mines at Chivo and San Ramon.





Chivo

During 2008, Chivo provided 60% (2007 – 5%) of the ore and the majority of the high grade silver feed from production stopes in the upper levels. Ore from Chivo is the principal reason that silver production increased in 2008 over 2007. A second adit approximately 60 meters vertically lower on the structure reached the main vein in the fourth quarter of 2008 and has been providing high grade development muck to the mill. The first full production stope from the lower adit is scheduled to come on stream during the second quarter of 2009. The Chivo Mine is the newest addition to the Company's production profile. It was discovered in 2005, first drilled in late 2006 and then quickly developed, first commencing limited production from development muck in November 2007.

On August 12, 2008, the Company issued a news release reporting a significant increase in the strike length of the Chivo zone by 40% to over 300 meters, including high grade drill intercepts such as 3,902 g/t over 1.9 meters. Other Chivo Mine exploration activities are discussed in various news releases issued in 2008.

Chivo is the fourth producing mine at the Royal Mines of Zacualpan Silver Project and the second put into production by the IMPACT team. The Chivo Mine is located in the La Virgen Valley Camp in the central part of the Zacualpan District and as exploration and development continues, it is providing the majority of the higher grade feed to the Guadalupe processing plant.

San Ramon Mine

Approximately 7% (2007 – 0%) of mill feed in 2008 was from mining of medium and high grade mineral at the San Ramon Mine. In 2006, San Ramon, located in the La Virgen Valley Camp and 1.3 kilometers south of the Chivo Mine, generated the majority of the high grade feed for the Zacualpan mill; however, operating costs were substantially rising and ore delineation became increasingly more complex due to the nature of the mine access and the Company temporarily ceased mining there. After redesigning the mining plan, the Company recommenced mining at San Ramon in early 2008 on a selective basis with an emphasis on higher grade ores.

Guadalupe and Gallega Mines

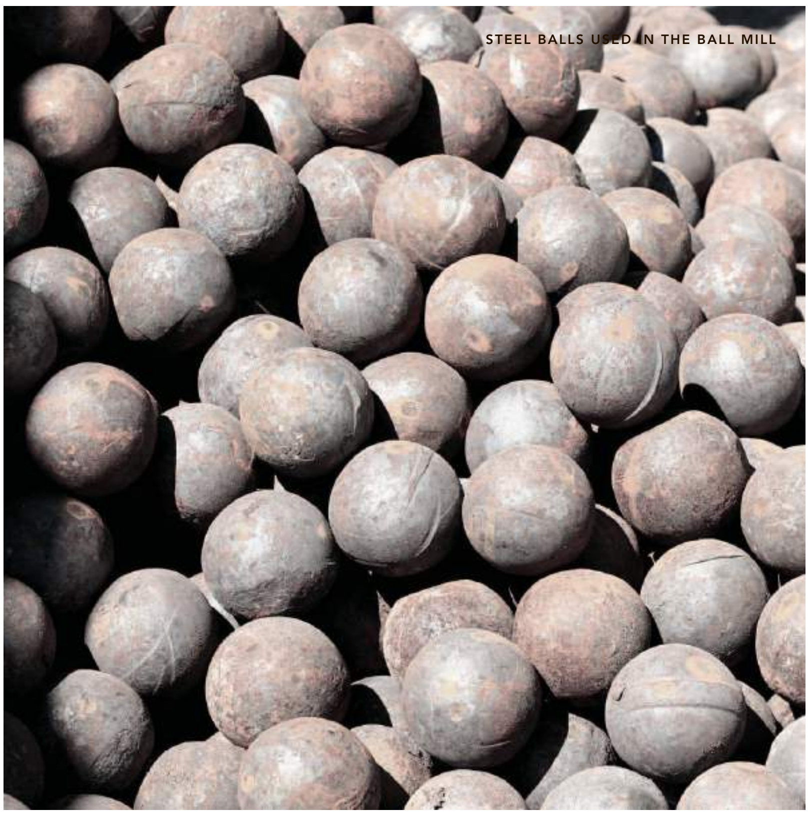
Approximately 33% (2007 – 95%) of the mill feed for 2008 was from mining of medium grade mineral at the Guadalupe and nearby Gallega Mines. The ore was sourced principally from the Lipton, Caballo, Intermedia, Orilla Alto and Orilla Bajo Veins. Material

FLOTATION CIRCUIT OF THE ROYAL MINES ZACUALPAN

from the Guadalupe Mine was brought to surface on a skip and transported by truck approximately 100 meters to the plant and it remains the lowest cost producer of the mines supplying the mill. The nearby Gallega Mine is accessed by a surface adit and intermittently supplements production from Guadalupe. During the fourth quarter of 2008 production was suspended at these mines to maximize mining efforts on higher grade zones at Chivo and San Ramon.

Processing Plant

At the Guadalupe processing plant the ongoing program of upgrades designed to enhance recoveries and improve processing economics is continuing. In June 2008, one of the secondary crushers was replaced by a new more efficient crusher which has improved the overall throughput of the crushing circuit. Further plans have been approved to expand the flotation circuit capacity and improve efficiencies as well as increase the thickener capacity. The zinc concentrate dryer was also rebuilt to better reduce moisture in concentrates.



STEEL BALLS USED IN THE BALL MILL

Engineering studies have been completed for increasing tailings capacity and enhancing the current dam. This program will be staged over the next year and initial estimates suggest that it will represent an investment of less than $1 million. Construction of the dam expansion commenced in the second quarter of 2008.

Other

Weather in central and southern Mexico was abnormally wet in June and July creating logistics problems, as a number of roads were flooded and mill feed limited. Our milling operations were curtailed in both months for several days as a result of power disruptions, thus negatively impacting our second and third quarter operating results.

In the first quarter, the Company announced the purchase of a semi-portable 200 tpd mill including all major equipment for US$700,000. This mill was subsequently dismantled, moved and is in storage at the Zacualpan operations site. The Company is currently conducting a number of advanced exploration projects in the Mamatla and Zacualpan Districts, some of which, because of ore hauling distances from the main facility or for metallurgical reasons, cannot be readily processed at the Guadalupe plant. This semi-portable plant may offer the opportunity of processing those potential ore deposits with superior economics, as well as providing an increase in overall processing capacity.

Zacualpan Exploration

During the year exploration was active on several fronts. Surface and underground drilling continued without interruption. Field work included extensive mapping, sampling of old mines and surface rock, and soil sampling. A summary of exploration work carried out during the fourth quarter is described below.

Data Compilation

Since 2004 the Company has been reporting results from a large number of old mine prospects at Zacualpan. To put the results of this extensive field work, historical information and assays in context and prioritize exploration targets, the Company hired a senior geological database expert to compile a computer Geographic Information System ("GIS") database encompassing all past mining and exploration data in the Zacualpan and neighbouring Mamatla Districts. To year end, over 900 old mine workings have been entered into the database, of which the Company's exploration crews have sampled 114 in detail. Of these, ten priority targets were drill tested resulting in the discovery of two new mines (Chivo and San Ramon). Five of the other ten targets returned economically significant results that will lead to further drilling. At this point only a small portion of the large Zacualpan property has seen detailed exploration.

IMPACT currently produces concentrates containing silver, lead, zinc and gold at the Royal Mines of Zacualpan in the State of Mexico with a mill rated at 500 tonnes per day.

ONE OF THE TWO BALLS MILLS IN ACTION AT THE ROYAL MINES OF ZACUALPAN

Noche Buena and Carlos Pacheco Mining Camp

During the fourth quarter IMPACT announced the commencement of a 5,000 meter drill program in the Noche Buena and Carlos Pacheco Mining Camp located 4 kilometers southwest of the Guadalupe processing plant. The Noche Buena and Carlos Pacheco Zones are subparallel vein systems 200 meters apart with the Noche Buena being a silver system and the Carlos Pacheco being a gold-copper system at lower elevations and becoming more silver rich at higher elevations. A variety of both silver and gold-copper targets consisting of old mine workings, past drill intersections and outcropping veins are being drill tested.

During the fourth quarter IMPACT announced high grade gold assays from the first drill holes on the Carlos Pacheco Vein. Drilling highlights are as follows:

Carlos Pacheco Vein Drill Holes

Drill Hole No.	Top Of Intercept (m)	Estimated True Width (m)	Gold (g/t)	Silver (g/t)	Copper (%)	Zinc (%)
Section 1150N						
Z08-68	85.74	2.9	19.7	68	0.29	0.11
	Including:	1.7	31.1	69	0.31	0.12
	Including:	1.0	49.7	59	0.31	0.14
Section 1200N *(Drill holes listed from east to west)*						
Z08-66	101.45	3.1	0.8	48	0.72	0.54
Z08-67	116.20	1.9	–	99	1.01	4.95
Section 1350N *(Drill holes listed from east to west)*						
Z08-64	104.68	0.5	0.2	132	1.70	1.53
Z08-65	120.00	1.5	5.1	46	0.28	0.12
	Including:	0.4	14.8	96	0.39	0.23
And:	131.2	2.1	11.3	18	–	–
	Including:	1.2	18.8	24	–	–
	Including:	0.3	53.6	41	–	–

These holes were drilled over a strike length of 200m. The zone is open for expansion in all directions. Drill intersections are spaced at 50m intervals on each section and drilling is continuing on a 50m spaced grid.

These drill holes were targeted on a vein previously sampled by IMPACT field crews in a small historic mine working which assayed 14.6 g/t gold and 0.46% copper across 2.7m true width ("TW") including 32.4 g/t gold and 0.80% copper across 1.2m TW (see IMPACT news release dated January 18, 2007).

Context of Gold and Copper Mineralization

IMPACT geologists have been working on an idea that there may be a gold and copper district lying underneath the silver district at the Royal Mines of Zacualpan. Historically Zacualpan has been known as an intermediate sulphidation epithermal silver district with secondary zinc and lead mineralization. However local zones of gold and copper mineralization have been observed in the deeper parts of some of the mines and in deep valleys such as this Carlos Pacheco area for many years. These results support the idea that gold and copper mineralization lies at depth below the silver mineralization of the district. Exploration for copper and gold mineralization will continue here and elsewhere in the district to complement silver exploration and with continued success will bring an expanded and more multi element mix to IMPACT's production profile.

Subsequent to year end, IMPACT announced wide zones of silver rich assays from the first holes on the Noche Buena Zone as follows:

Noche Buena Vein

Drill Hole	Vein Name	From (meters)	To (meters)	True Width (meters)	Silver (g/t)	Gold (g/t)
Section 1150N						
Z08-70	Noche Buena	21.80	30.35	8.55	204	0.24
	New Vein	104.35	105.65	1.30	248	0.27
Z08-71	Upper Vein	97.37	98.62	1.25	150	0.16
	Noche Buena	108.30	112.63	4.33	233	0.70
	New Vein	120.57	122.20	1.63	106	0.41

These wide Noche Buena Vein intersections in drill holes Z08-70 and Z08-71 are 57 meters apart down dip of each other on Section 1150N. Several previously unknown "New Veins" were discovered in these drill holes with significant silver grades including 248 g/t over a true width of 1.30m and 106 g/t over 1.63m. Assays indicate that all these veins are silver and gold dominant with only low values in base metals.

Two additional drill holes attempted to test the Noche Buena Vein further north. Hole Z08-72 located on Section 1200N (50m north of Section 1150N) intersected the Noche Buena Vein (116 g/t silver over 1.92m), but was stopped short of the newly discovered Noche Buena del Bajo Vein. Hole Z08-73 located on Section 1350N tested these targets at a relatively shallow depth and unfortunately encountered very poor recoveries in the Noche Buena Veins due to faulting and extreme oxidation. These sections will be drilled again to intersect the veins at deeper levels.

Zacualpan Early Stage Exploration

The Company employs field crews dedicated to early stage exploration throughout the District. These crews have been sampling some of the 900+ old mine workings on the project area and have been carrying out extensive soil sampling on 100 x 25 meter grids.

During the third quarter IMPACT acquired several new concessions in the district and more than doubled its mineral holdings to 272 km^2. These new acquisitions consisted of the Cadena and Zapote concessions which cover extensions of veins being mined and explored by IMPACT and the large Zacualpan Northwest Concessions which cover a large area over the northwest projections of veins from the district. Field crews have begun reconnaissance exploration and soil sampling over these new areas.

MAMATLA SILVER AND BASE METALS PROJECT (MAMATLA MINERAL DISTRICT), MEXICO

The Company won the 200-square-kilometer Mamatla Mineral District in a government auction in February 2007 and a dedicated field crew has been working there developing drill targets. The District is located immediately adjacent to and southwest of Zacualpan. Mamatla is host to epithermal silver and base metal veins as well as volcanogenic massive sulphide ("VMS") base and precious metal mineralization.

Mamatla VMS Prospects

The Mamatla VMS mineralization varies from copper and gold-rich systems to zinc, lead, gold and silver-rich systems. The Mamatla project covers the same stratigraphy as the Campo Morado VMS belt, where Farallon Resources Ltd. (TSE: FAN) recently began 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 Mamatla.

Capire-Aurora VMS Project

The most advanced exploration targets at Mamatla are the Capire and Aurora I VMS deposits, which were discovered less than one kilometer apart and partially drilled by prior operators in the 1990s.

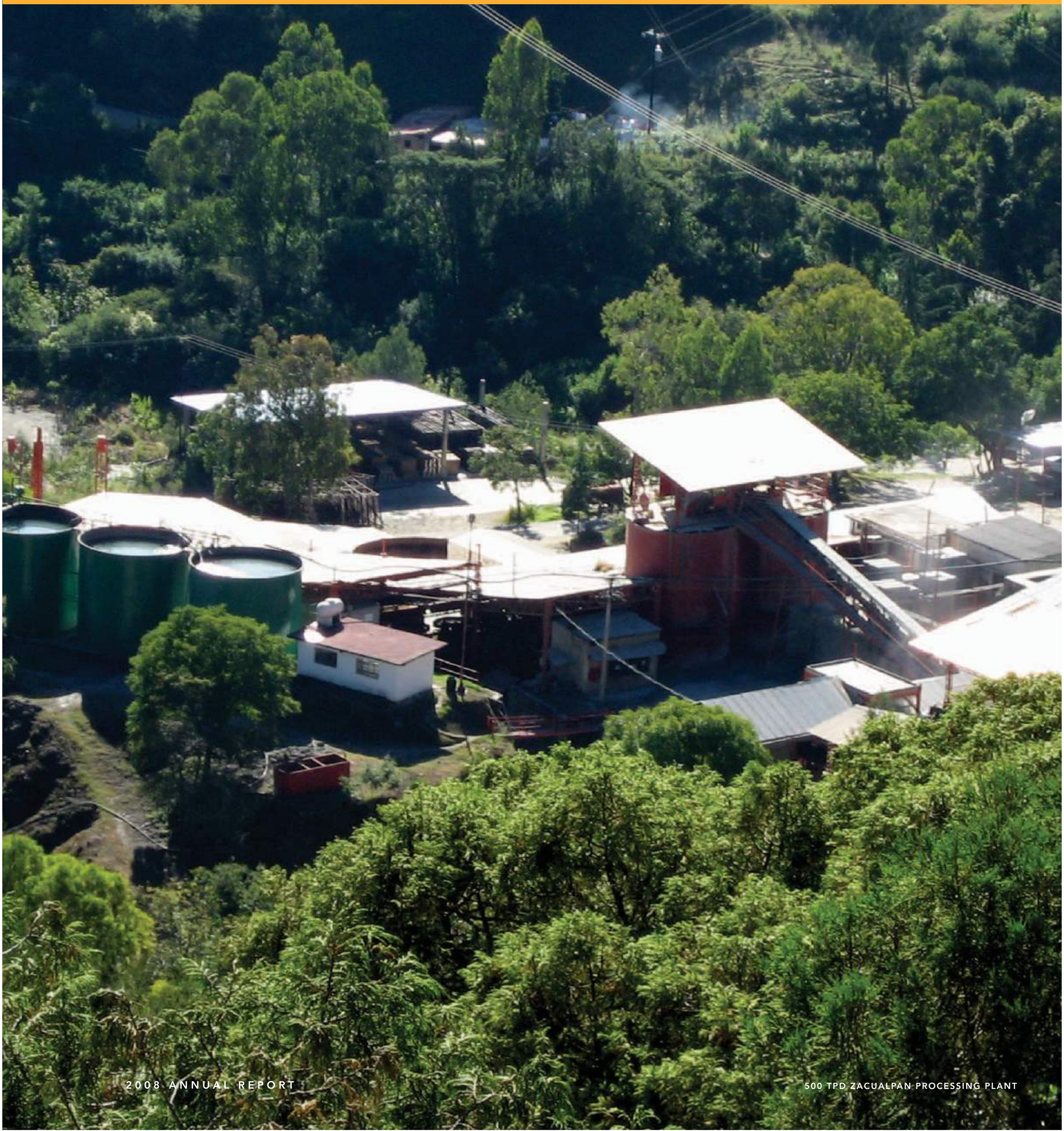
In 2008 IMPACT completed a 5,080 meter program of detailed core drilling on a 50 x 25 meter grid to calculate mineral inventories on these two potential open pit deposits. Subsequent to year end, drill assays from both deposits were announced.

Highlights from the 24 hole (1,324m) drill program on the Aurora I Deposit included the following:

Aurora I Zone

Drill Hole No.	Top Of Intercept (m)	True Width (m)	Silver (g/t)	Gold (g/t)	Copper (%)	Lead (%)	Zinc (%)
M08-01	9.2	9.9	196	0.5	0.2	1.7	3.0
	Including:	0.6	103	0.3	0.6	11.1	18.9
	Including:	0.6	789	0.2	0.4	0.9	1.5
	Including:	0.6	1,345	3.2	0.7	2.7	5.0
And	48.6	2.4	303	2.1	0.4	1.4	2.7
	Including:	1.1	420	0.5	0.6	2.4	4.8
M08-02	45.6	2.2	389	2.3	0.2	0.6	1.0
	Including:	0.5	1,745	9.4	0.8	2.1	3.5
M08-07	8.6	9.2	125	0.5	0.2	1.6	3.0
	Including:	0.4	770	5.9	0.7	2.8	5.6
	Including:	2.1	219	0.3	0.4	2.9	5.2
M08-08	8.2	6.9	317	1.1	0.1	0.3	0.7
	Including:	1.5	1,164	3.2	0.1	0.6	1.2
	Including:	0.3	2,060	5.4	0.3	1.6	2.7
And	60.7	2.3	136	1.6	0.4	1.9	4.7
	Including:	0.3	612	4.1	1.0	6.1	11.2
M08-11	32.1	4.1	320	1.3	0.3	2.3	4.2
	Including:	1.5	626	2.9	0.8	5.5	10.1
M08-13	23.9	2.2	383	1.0	0.9	1.5	2.6
	Including:	0.7	1,155	2.5	2.9	4.5	7.6
M08-24	27.6	4.6	214	0.6	0.3	1.7	3.9
	Including:	0.5	683	1.9	0.9	2.7	5.6
	Including:	2.4	226	0.5	0.3	2.4	5.4

Over the last three years, IMPACT has grown from an exploration company into a significant silver producer with levels of production continuing to rise.



500 TPD ZACUALPAN PROCESSING PLANT

The holes were drilled over an area of 200 x 200m on a 25 x 50m drill grid. Other holes delimited the zone to the north and west. The zone remains open to the south and east for expansion. A map of the drill grid can be found on the Company website at www.IMPACTSilver.com. The shallow depth below surface and orientation of the mineralization indicate that the zone has potential for low cost open pit mining.

Highlights from the 54 hole (3,756m) drill program on the Capire Deposit included the following:

Capire Zone

Drill Hole No.	Top Of Intercept (m)	True Width (m)	Silver (g/t)	Gold (g/t)	Copper (%)	Lead (%)	Zinc (%)
M07-02	33.5	4.0	338	0.8	0.6	3.1	7.1
	Including:	1.4	861	1.9	1.4	7.2	15.7
M08-29	6.1	2.2	185	0.8	0.3	1.4	4.6
	Including:	1.2	219	0.6	0.3	1.7	5.9
M08-30	7.7	2.7	385	1.0	0.1	1.0	2.1
	Including:	0.2	4,210	9.5	0.9	9.0	18.6
M08-41	22.5	3.5	127	0.2	0.2	1.3	3.5
	Including:	0.7	302	0.4	0.3	2.6	5.7
M08-42	8.4	9.2	98	0.3	0.2	1.5	3.6
M08-46	6.0	2.8	159	0.9	0.2	0.8	1.9
	Including:	0.6	470	3.2	0.3	1.4	3.1
M08-48	33.6	2.6	168	0.3	0.2	0.9	2.2
	Including:	1.7	230	0.3	0.2	1.0	2.7
M08-50	43.3	4.0	485	0.7	0.2	2.4	4.9
	Including:	1.8	1,016	1.2	0.4	5.0	10.2
M08-52	58.1	11.7	136	1.1	0.1	0.7	1.9
	Including:	1.1	141	0.3	0.2	2.4	5.0
M08-55	41.0	5.9	127	0.5	0.2	1.0	2.3
	Including:	1.3	351	1.3	0.5	2.1	5.2

The holes were drilled over an area of 350 x 150m on a 25 x 50m drill grid. Other holes delimited the zone and its edges. A map of the drill grid can be found on the Company website at www.IMPACTSilver.com. The shallow depth below surface, its position on a small hill and the orientation of the mineralization indicate that the zone has potential for low cost open pit mining.

IMPACT mining engineers are studying the Capire and Aurora I drill data to quantify the economics of the zones and make preliminary mine plans. Samples from the drilling are being sent for metallurgical testing.

Mamatla Epithermal Vein Prospects

Since acquisition of the Mamatla Mineral District in February 2007 a dedicated exploration crew has discovered over 70 epithermal vein prospects and old mines.

Veta Grande (Zacatecas) Silver Project, Mexico

On September 28, 2006 the Company announced the signing of a Comprehensive Agreement to purchase the Veta Grande Silver Project in the historic Zacatecas Silver District of Mexico over a maximum of four years for US$1,110,000 and 500,000 shares (300,000 issued to date). The project includes a 200 tpd processing plant, several mineral concessions and certain surface rights. The project is located 500 kilometers northwest of Mexico City. Access is by paved highways that run through the District. Infrastructure is good throughout the District with road networks, electric power and a trained work force. During 2007 exploration focused on some of the 17 mineral concessions located within this District, four of which were in a joint venture with Yale Resources. No exploration work was carried out by the Company on the concessions in 2008. In the second quarter the Company sold its interest in one of the non-core claims for US$325,000 plus a retained 1% NSR, purchasable for US$1.0 million.

Zacatecas Processing Plant

The 200 tpd processing plant began operations during the third quarter 2006. It is now operating on a custom milling basis by the vendor processing mineral for local small scale miners. The Company engineers are carrying out an assessment of the plant and associated facilities as part of the Company's due diligence work toward a decision to finalize the purchase.

Future Exploration Plans

The exploration budget for 2008 increased in order to put some of the more than 900 known prospects at the Zacualpan and Mamatla Districts on a faster track to potential production and build mineral inventories for mining. To date this has succeeded in expanding mineral inventories at the Chivo Mine, detailing mineralization in the Capire and Aurora I Zones, and initial successful drilling at Noche Buena and Carlos Pacheco. The exploration program is being funded through existing cash balances and positive cash flows from operations. Three dedicated field crews each led by a senior geologist continue to work on various project areas in the Zacualpan and Mamatla Districts. A prospecting team continues reconnaissance work in the districts. Three geologists are overseeing both surface and underground drilling operations at Zacualpan. One crew continues to sample an expanded soil grid. The GIS database compilation continues with an emphasis put on district-wide interpretation and potential near term mining targets.

George Gorzynski, P. Eng., a Qualified Person under the meaning of Canadian NI 43 101, is responsible for the technical information described in this MD&A for the Royal Mines of Zacualpan Silver Project, the Mamatla Mineral District and the Veta Grande (Zacatecas) Silver Project. Details on sampling methods and other information on the projects can be found in the Company's news releases.

The Dominican Republic

The Dominican Republic continues to attract interest from the industry with the ongoing activities of Barrick Gold Corporation ("Barrick") and Xstrata plc, as well as a number of juniors. The exploration concessions in the Dominican Republic held by the Company constitute a block covering highly favourable stratigraphy in the eastern part of the Los Ranchos formation. The area has been tectonically active in the past with numerous faults and cross-faults, which the Company believes offers the opportunity for mineralization. The Company's block of concessions is located some 100 kilometers east of Barrick's large Pueblo Viejo gold deposit with over 12 million ounces of proven and probable gold reserves reported and is hosted in the same rock formation. During 2008 the Company completed a limited program of geophysical-induced polarisation work to better define future drill targets.

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.

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

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

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

INVESTOR RELATIONS

Over the year, the Company's officers and employees attended a number of industry and investor conferences in Europe, Canada and Latin America on behalf of IMPACT. Energold (a significant shareholder) also assists IMPACT with its day-to-day investor relations.

During the year, Impact also retained a consultant to assist in its investor relations program for fees of $3,000 per month.

FINANCIAL DISCUSSION

Mine Operating Earnings for the year ended December 31, 2008

Revenues (net smelter returns) for the year ended December 31, 2008 were $8,908,000, up 23% from $7,250,000 in 2007. These higher revenues were due to increased silver, lead and zinc production, which more than offset lower realized silver, lead and zinc prices. Average mill throughput during the year ended December 31, 2008 was 280 tpd, up from 274 tpd during 2007.

The Company has not been able to realize the full benefit of its significantly higher contained metal production in 2008 compared to 2007 due to declining silver, zinc and lead prices and higher smelting costs. Operating margins in 2008 have been adversely affected by increased costs for reagents, diesel fuel and other materials consumed in operations.

At December 31, 2008, metal prices had declined by about 7% for silver, 40% for zinc, and 20% for lead from prices prevailing at the beginning of the year. As a result of the dramatic decline in zinc prices, the Company stopped shipping and began stockpiling its zinc concentrate production at the end of October.

Mine operating costs before amortization and depletion in 2008 were $5,424,000, up 23% from $4,411,000 in 2007. Amortization and depletion in 2008 was $1,297,000, up 69% from $768,000 in 2007. Mine operating costs per tonne in 2008 were $54.80, up 24% from $44.15 in 2007.

Mine operating earnings for 2008 were $2,187,000, up 6% from $2,071,000 in 2007. Net income for 2008 was $662,000, up 131% from $287,000 in 2007.

Mine Operating Earnings for the three months ended December 31, 2008

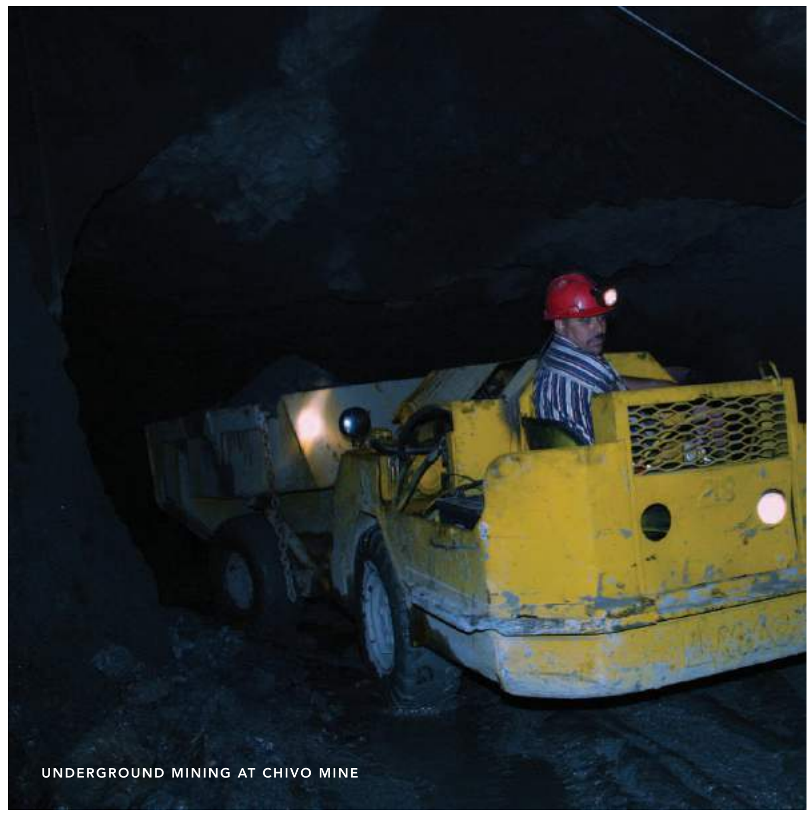
Revenues (net smelter returns) for the fourth quarter were $2,221,000, up 5% from $2,110,000 in the fourth quarter of 2007. These higher revenues were due to increased silver, lead and zinc production which more than offset lower realized silver, lead and zinc prices. Average mill throughput during the quarter was 286 tpd, up 8% from 265 tpd during the same quarter in 2007.

Reported earnings during the quarter are based on smelter settlements received during the quarter and metal prices in affect at the end of the quarter. Sales of metals in concentrate are recognized in revenue on a provisional pricing basis when title transfers and the rights and obligations of ownership pass to the smelter. However, final pricing is not determined until a subsequent date and is often based on a formula such as the average metal exchange traded price in the month following delivery. Pricing adjustments result in additional revenues in a rising price environment and reductions to revenues in a declining price environment. These adjustments are reflected in the following quarter's earnings. In the fourth quarter of 2008 the Company had negative pricing adjustments of ($205,000) before taxes.

Mine operating costs in the fourth quarter of 2008 were $1,474,000, up 34% from $1,097,000 in the fourth quarter of 2007. Amortization and depletion in the fourth quarter of 2008 were $480,000, up 176% from $174,000 in the fourth quarter of 2007.

Mine operating costs per tonne in the fourth quarter of 2008 were $56.82, up 29% from $44.05 in the fourth quarter of 2007. Mine operating costs were significantly higher as lower cost bulk mining was used in 2007 to recover higher grade zinc and lead ore from the Guadalupe mine to take advantage of higher prices prevailing for these metals in 2007. In 2008, we shifted our principal ore reliance to recover higher grade silver ore from the Chivo Mine, which we are now accessing through the new mine adits that are being developed. Ore recovered from this mine incurs higher trucking, mining and amortization costs than ore recovered from the old Guadalupe mine which is immediately adjacent to the mill.

Mine operating earnings in the fourth quarter of 2008 were $268,000, down 68% from $840,000 in the fourth quarter of 2007. Net loss in the fourth quarter of 2008 was ($256,000), down from net income of $355,000 in the fourth quarter of 2007.



UNDERGROUND MINING AT CHIVO MINE

General, Administrative and Other Expenses for the year ended December 31, 2008

General and administrative expenses for the year ended December 31, 2008 were $1,407,000, up 14% from $1,232,000 in 2007. Office salaries and services were $389,000, up from $308,000 in 2007 as a result of an increased level of staff required in connection with our operation of the Royal Mines of Zacualpan and our other exploration efforts in Mexico. Stock-based compensation expense increased to $310,000 in the year ended December 31, 2008 from $218,000 in 2007.

These increases were offset by decreases in management fees and consulting expenses which were $91,000 in the year ended December 31, 2008 as compared to $113,000 in 2007.

The Company incurred a foreign exchange loss of ($324,000) in the year ended December 31, 2008 compared to a foreign exchange loss of ($451,000) in 2007. Foreign exchange fluctuations in the translation of the Company's Mexican-owned assets into Canadian dollars will continue each quarter and may have a significant impact on future net income.


DRY BELT IN THE 500 TPD ZACUALPAN PLANT

General, Administrative and Other Expenses for the three months ended December 31, 2008

General and administrative expenses for the fourth quarter were $288,000, down 8% from $314,000 in the fourth quarter of 2007. Accounting, audit and legal expenses increased to $46,000 in the fourth quarter of 2008 from $27,000 in the fourth quarter of 2007. Management fees and consulting expenses increased to $51,000 in the fourth quarter of 2008 from $23,000 in the fourth quarter of 2007. These increases were offset by decreases in investor relations, promotion and travel; office, rent, insurance and sundry; and office salaries and services. Additionally stock-based compensation expense was $77,000 in the fourth quarter of 2008 which was equal to the amount expensed in the fourth quarter of 2007.

The Company earns its revenues paid under its smelter contracts in U.S. dollars and incurs its costs in Mexican pesos and Canadian dollars. Because the Company reports its earnings in Canadian dollars, under Canadian GAAP it must translate its revenues and expenses into Canadian dollars for financial statement purposes using the temporal method. The Company incurred a foreign exchange loss of ($429,000) in the fourth quarter of 2008 compared to a foreign exchange loss of ($57,000) in the fourth quarter of 2007. Foreign exchange fluctuations in the translation of the Company's Mexican-owned assets into Canadian dollars will continue each quarter and may have a significant impact on future net income.

OTHER FINANCIAL INFORMATION

Selected Annual Information

	2008	2007	Restated 2006
Revenue	**$8,907,958**	$7,250,077	$7,005,793
Net income	**$662,100**	$286,727	$505,660
Earnings per share – Basic	**$0.01**	$0.01	$0.01
Earnings per share – Diluted	**$0.01**	$0.01	$0.01
Total assets	**$29,274,284**	$27,677,980	$18,483,936
Total long-term financial liabilities	**$ NIL**	$ NIL	$ NIL

Summary of Quarterly Results

The following table presents our unaudited quarterly results of operations for each of the last eight quarters. All figures are in thousands of Canadian dollars except earnings (loss) per share:

For the three months ended

	Dec 31 2008	Sept 30 2008	Jun 30 2008	Mar 31 2008	Dec 31 2007	Sept 30 2007	Jun 30 2007	Mar 31 2007
Revenue	2,221	2,244	1,756	2,687	2,110	1,604	1,677	1,859
Net income (loss)	(256)	(233)	305	845	356	(287)	(48)	266
Earnings (loss) per share Basic*	(0.01)	(0.00)	0.01	0.02	0.01	(0.01)	0.00	0.01
Earnings (loss) per share Diluted*	(0.01)	(0.00)	0.01	0.02	0.01	(0.01)	0.00	0.01
Cash and cash equivalents	5,433	7,091	8,285	8,851	10,145	4,847	3,850	4,169
Total assets	29,274	30,058	29,848	28,795	27,678	20,364	19,175	19,156
Total liabilities	4,958	5,561	5,265	4,652	4,522	2,042	2,192	3,229

* Per share numbers have been rounded to two decimal places

Liquidity and Capital Resources

Working Capital and Cash Flow

IMPACT's financial position at December 31, 2008 remained strong with $5.4 million in cash and cash equivalents (December 31, 2007 – $10.1 million) and net working capital of $7.3 million (December 31, 2007 – $11.3 million). The decrease in cash and cash equivalents is primarily due to the Company's investment in exploration expenditures and resource property costs of $5.4 million and property, plant and equipment acquisitions of $1.5 million. These cash outflows were offset by positive cash flows from operations of $1.7 million during 2008 (2007 – $1.8 million). Cash flows from operations before changes in non cash working capital were $2.2 million during 2008 (2007 – $1.9 million).[2]

The Company's working capital position is expected to remain strong through 2009 as cash flow from mining operations should be sufficient to fund the Company's planned 2009 resource property costs, exploration expenditures and acquisition of property, plant and equipment.

Resource Property Expenditures

Exploration expenditures and property acquisition costs related to Zacualpan in 2008 were $5.5 million compared to $2.6 million in 2007. The increase is due to the new concession acquisitions, increased drilling, field sampling, data compilation, assaying, and wages which result from the greater amount of activity in 2008 as compared to 2007.

IMPACT has also committed additional resources and has hired additional geological support staff and resources to lead three separate teams to accelerate the early exploration and mapping of its properties and prospective drill targets.

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

The Company expects that its 2009 exploration expenditures in the Zacualpan and Mamatla Districts will continue at levels similar to 2008 as it proceeds to explore some of the more promising exploration targets. However, the Company will continue to closely monitor its cash and cash equivalents balance and may adjust exploration expenditures as required.

Share Capital Transactions

During the year ended December 31, 2008, 35,000 stock options were granted, 616,500 stock options were exercised for proceeds of $77,450 and 35,000 options expired.

On January 6, 2009, the Company announced that 2,235,000 incentive stock options were granted to directors, officers, employees and consultants exercisable on or before January 6, 2014 at a price of $0.55 per share.

Outstanding Share Data

The following common shares and convertible securities were outstanding at April 7, 2009:

	# of Shares	Exercise Price	Expiry Date
Issued and outstanding common shares at April 7, 2009	48,000,210		
Employee stock options	175,000	$0.15	May 12, 2009
	35,000	$1.44	February 6, 2010
	551,000	$0.42	April 13, 2010
	1,055,000	$1.40	September 5, 2012
	75,000	$1.67	October 22, 2012
	2,235,000	$0.55	January 6, 2014
Fully Diluted at April 7, 2009	52,126,210		

Of the 4,126,000 options outstanding, 2,711,000 have vested as at April 7, 2009.

RELATED PARTY TRANSACTIONS

Energold Drilling Corp. ("Energold") owns 6,650,001 shares of the Company and due to management and directors in common, it is considered a related party.

Under a management services agreement, Energold recovers direct labour costs for administrative support and public relations. Investor relations' activities are assisted by Energold's staff and consist of dissemination of information to shareholders and prospective investors through brochures, quarterly reports, industry conventions, annual reports and press releases.

During the year ended December 31, 2008, fees in the amount of $2,333,847 (2007 – $1,368,903) were paid to Energold for contract drilling services performed in Mexico at Zacualpan and Mamatla. These services were provided in the normal course of business operations at similar rates that would be offered to any other mining company. As at December 31, 2008, the balance owed to Energold was $760,054 (December 31, 2007 – $582,081).

During the year ended December 31, 2008, fees in the amount of $184,314 (2007 – $269,900) were paid or accrued to two directors and officers of the Company, of which $139,764 is recorded in various administrative expenditures on the income statement, and $44,550 is recorded in resource properties.

Financial Instruments and Management of Financial Risk

Financial Assets and Liabilities

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, investments and accounts payable and accrued liabilities. For cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities, carrying value is considered to be fair value due to the short-term nature of these instruments. The fair value of investments represents the market value of quoted investments.

Financial Instrument Risk Exposure

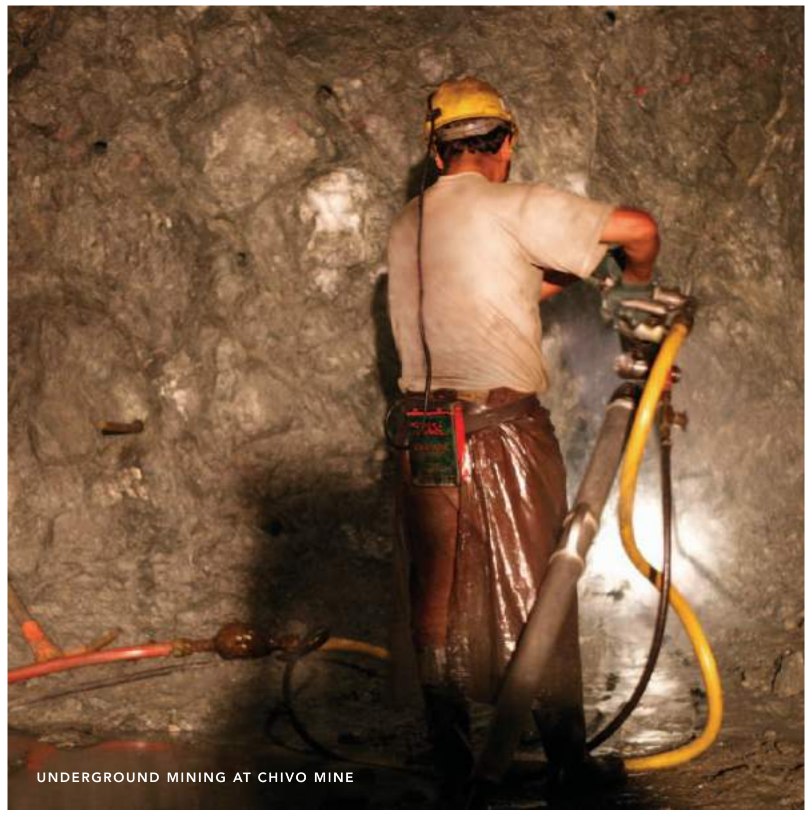
The Company's financial instruments are exposed to a number of financial and market risks including credit, liquidity, currency, interest rate and price risks. The Company may, or may not, establish from time to time active policies to manage these risks. The Company does not currently have in place any active hedging or derivative trading policies to manage these risks since the Company's management does not believe that the current size, scale and pattern of cash flow of its operations would warrant such hedging activities.

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk include cash and cash equivalents, accounts receivable and investments. The Company deposits its cash and cash equivalents with high credit quality financial institutions as determined by ratings agencies, with the majority deposited with a Canadian Tier 1 Bank. As is typical within the mining industry the Company deals with one refiner for the processing of all of its mineral concentrates. The Company has a significant concentration of credit risk exposure to its Mexican refining and smelting company Met-Mex Peñoles, S.A. de C.V. at any one time but is satisfied that this company has an adequate credit rating as determined by Standard and Poor's. The Company's maximum exposure to credit risk at the reporting date is the carrying value of its cash and cash equivalents ($5.4 million), accounts receivable ($2.2 million) and investments ($0.02 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


UNDERGROUND MINING AT CHIVO MINE

operational needs. The Company has not been required to establish committed credit facilities but will do so as necessary. Liquidity requirements are managed based on expected cash flow to ensure that there is adequate capital to meet short-term and long-term obligations. The Company has in place a planning and budgeting process to help determine the funds required to support the Company's normal operating requirements on an ongoing basis and its growth plans. As at December 31, 2008 the Company did not have any significant future debt obligations.

Currency Risk

Foreign exchange rate fluctuations may affect the costs that the Company incurs in its operations. Silver, zinc, lead, and gold are sold in U.S. dollars and the Company's costs are principally in Mexican pesos and Canadian dollars.

Interest Rate Risk

The Company's interest rate risk arises primarily from the interest received on cash and cash equivalents. The floating rate deposits expose the Company to cash flow interest rate risk. The Company does not currently have any short or long term interest borrowings.

LOADING CONCENTRATES FOR SHIPMENT

Commodity Price Risk

The Company is subject to commodity price risk for all the principal metals that are recovered from the concentrates that it produces. These include silver, lead, zinc, and gold. These metal prices are subject to numerous factors beyond the control of the Company including central bank sales, producer hedging activities, interest rates, exchange rates, inflation and deflation, global and regional supply and demand, and political and economic conditions in major producing countries throughout the world. The Company has elected not to actively manage our exposure to metal prices at this time.

Changes in Accounting Policies – Adoption of New Accounting Policies

On January 1, 2008, the Company adopted three new presentation and disclosure standards issued by the Canadian Institute of Chartered Accountants (CICA). Section 3862, Financial Instruments – Disclosure, and Section 3863, Financial Instruments – Presentation, have replaced Section 3861, Financial Instruments – Disclosure and Presentation. These new sections in corporate many of the disclosure requirements of Section 3861, but place an increased emphasis on disclosure about risk, including both qualitative and quantitative information about the risk exposures arising from financial instruments. Section 1535, Capital Disclosures, establishes disclosure requirements about the Company's objectives, policies and processes for managing capital, quantitative data about what the Company regards as capital, whether the Company has complied with capital requirements and, if the entity has not complied, the consequences of such non-compliance.

On January 1, 2008, the Company adopted Section 3031, Inventories, which replaced Section 3030, Inventories. The new standard establishes standards for the measurement and disclosure of inventories and provides more extensive guidance on the determination of cost, including allocation of overhead and requires impairment testing. The adoption of this new accounting policy did not have an impact on the Company's consolidated financial statements except for the increased disclosure in Note 4 of the annual consolidated financial statements.

Section 1400, General Standards on Financial Statement Presentation, was amended to include requirements to assess and disclose an entity's ability to continue as a going concern. The Company adopted these changes on January 1, 2008 and the changes did not have an impact on its consolidated financial statements.

Recent Accounting Pronouncements Issued But Not Yet Implemented

In February 2008, the CICA issued Section 3064 Goodwill and Intangible Assets, which replaces Section 3062, Goodwill and Other Intangible Assets and Section 3450, Research and Development Costs. Section 3064 establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The new standard also provided guidance for the treatment of preproduction and start-up costs and requires that these costs be expensed as incurred. The new Section will be applicable to the Company's financial statements for its fiscal year beginning January 1, 2009. The Company is currently assessing the impact of the adoption of this new Section on its consolidated financial statements.

International Financial Reporting Standards ("IFRS")

In February 2008, the Canadian Accounting Standards Board confirmed that IFRS will replace current Canadian GAAP for publicly-accountable, profit-oriented enterprises effective January 1, 2011. The transition date of January 1, 2011 will require the restatement, for comparative purposes, of amounts reported for the year ended December 31, 2010.

The Company is currently in the process of identifying the differences between Canadian GAAP and IFRS and identifying how these differences may affect the reporting of the Company's financial results. A project plan is being developed and resource and training requirements are being assessed. Over the next two years changes will be implemented and work performed to ensure the accuracy and effectiveness of the transition to IFRS. At this time it is not possible to determine how reporting according to IFRS will affect future financial statements.

Management's Report on Internal Control over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting. Any system of internal control over financial reporting, no matter how well designed, has inherent limitations and may not prevent or detect misstatements. Therefore even those systems determined to be effective can only provide reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

Management believes that the Company has designed, established and is operating reasonable overall controls and systems to meet the needs of the Company, its shareholders, and other stakeholders who rely on the Company's financial information and reporting systems.

Changes in Internal Control over Financial Reporting

There have been no changes in the Company's internal control over financial reporting during the year ended December 31, 2008 that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

Approval

The Board of Directors oversees management's responsibility for financial reporting and internal control systems through an Audit Committee. This Committee meets periodically with management and annually with the independent auditors to review the scope and results of the annual audit, and to review the financial statements before the financial statements are approved by the Board of Directors and submitted to the shareholders of the Company. The Board of Directors of IMPACT has approved the financial statements and the disclosure contained in this MD&A. A copy of this MD&A will be provided to anyone who requests it.

NON-GAAP MEASURES

The Company uses both GAAP and non-GAAP measures to assess performance and believes the non-GAAP measures provide useful information to investors. Following are the non-GAAP measures the Company uses in assessing performance:

Cash flows from operations before changes in non cash working capital: Calculated as Cash flows from operations less the changes in non cash working capital (accounts receivable and prepaid expenses, inventories, investments, accounts payable, income tax payable, and due to related party).

The Company's method of calculating these non-GAAP measures may differ from other entities, and accordingly, may not be comparable to measures used by other entities. Investors are cautioned, however, that these measures should not be construed as an alternative to measures determined in accordance with GAAP as an indicator of the Company's performance.

NOTE REGARDING FORWARD–LOOKING STATEMENTS

Except for historical information, this MD&A may contain forward-looking statements. These statements involve known and unknown risks, uncertainties, and other factors that may cause the Company's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievement expressed or implied by these forward looking statements.

The factors that could cause actual results to differ materially include, but are not limited to, the following: general economic conditions; changes in financial markets; the impact of exchange rates; political conditions and developments in countries in which the Company operates; changes in the supply, demand and pricing of the metal commodities which the Company mines or hopes to find and successfully mine; changes in regulatory requirements impacting the Company's operations; the ability to properly and efficiently staff the Company's operations; the sufficiency of current working capital and the estimated cost and availability of funding for the continued exploration and development of the Company's exploration properties.

This list is not exhaustive and these and other factors should be considered carefully, and readers should not place undue reliance on the Company's forward-looking statements. As a result of the foregoing and other factors, no assurance can be given as to any such future results, levels of activity or achievements and neither the Company nor any other person assumes responsibility for the accuracy and completeness of these forward-looking statements.

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

On Behalf of the Board of Directors,

Frederick W. Davidson
President and Chief Executive Officer

April 7, 2009

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

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

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

F.W. Davidson President and Chief Executive Officer

R. S. Younker Chief Financial Officer

April 7, 2009

AUDITORS' REPORT

To the Shareholders of IMPACT Silver Corp.

We have audited the consolidated balance sheets of IMPACT Silver Corp. as at December 31, 2008 and 2007 and the consolidated statements of income, comprehensive income and deficit and cash flows for each of the years ended December 31, 2008 and 2007. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2008 and 2007 and the results of its operations and its cash flows for each of the years then ended in accordance with Canadian generally accepted accounting principles.

Yours very truly,

PricewaterhouseCoopers LLP

Chartered Accountants
Vancouver, British Columbia

April 08, 2009

CONSOLIDATED BALANCE SHEETS

As at December 31 *Canadian Dollars*	**2008**	2007
ASSETS		
Current		
Cash and cash equivalents	**$ 5,433,480**	$ 10,144,831
Accounts receivable and prepaid expenses	**2,235,097**	2,200,292
Inventories *Note 12*	**650,778**	344,977
Investments	**20,000**	50,000
Future income tax asset *Note 10*	**356,537**	415,257
	8,695,892	13,155,357
Property, Plant and Equipment *Note 5*	**3,164,473**	1,948,076
Resource Properties *Schedule and Note 6*	**17,413,919**	12,574,547
	$ 29,274,284	$ 27,677,980
LIABILITIES		
Current		
Accounts payable and accrued liabilities	**$ 654,595**	$ 1,159,185
Income taxes payable	**–**	64,718
Due to related party *Note 7*	**760,054**	582,081
	1,414,649	1,805,984
Future Income Tax Liability *Note 10*	**3,542,888**	2,716,137
	4,957,537	4,522,121
SHAREHOLDERS' EQUITY		
Share Capital *Note 8a*	**27,436,653**	27,134,387
Contributed Surplus *Note 8c*	**794,992**	568,470
Accumulated Other Comprehensive Income *Note 8d*	**(30,000)**	–
Deficit *Statement 2*	**(3,884,898)**	(4,546,998)
	24,316,747	23,155,859
	$ 29,274,284	$ 27,677,980

ON BEHALF OF THE BOARD:

F.W. Davidson
Director

G. Gorzynski
Director

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

CONSOLIDATED STATEMENTS OF INCOME, COMPREHENSIVE INCOME AND DEFICIT

For the Years Ended December 31 *Canadian Dollars*	**2008**	2007
Revenue	**$ 8,907,958**	$ 7,250,077
Expenses		
Operating costs	**5,423,910**	4,411,191
Amortization and depletion	**1,296,924**	767,955
	6,720,834	5,179,146
Mine Operating Earnings	**2,187,124**	2,070,931
General and Administrative Expenses		
Accounting, audit and legal	**165,786**	150,826
Amortization	**25,960**	15,968
Investor relations, promotion and travel	**174,100**	187,603
Management fees and consulting	**91,419**	112,797
Office, rent, insurance and sundry	**250,549**	238,629
Office salaries and services	**389,497**	308,292
Stock-based compensation expense *Note 8e*	**309,708**	218,161
	1,407,019	1,232,276
Income Before the Following	**780,105**	838,655
Other Income (Expenses)		
Foreign exchange loss	**(323,977)**	(450,921)
Interest income	**177,354**	200,295
Other income	**10,299**	49,571
Gain on sale of resource properties *Note 6c*	**328,249**	–
Write-off of resource properties	**(13,101)**	(2,791)
	178,824	(203,846)
Income before Taxes	**958,929**	634,809
Current income tax expense	**(765)**	(64,718)
Future income tax expense	**(296,064)**	(283,364)
Net Income	**662,100**	286,727
Deficit – Beginning of year	**(4,546,998)**	(4,833,725)
Deficit – End of Year	**$ (3,884,898)**	$ (4,546,998)
Earnings Per Share – Basic	**0.01**	0.01
– Diluted	**0.01**	0.01
Weighted Average Number of Shares Outstanding – Basic	**47,538,404**	42,778,704
Weighted Average Number of Shares Outstanding – Diluted	**47,993,161**	43,975,280
Net Income	**$ 662,100**	$ 286,727
Other Comprehensive Income		
Unrealized (loss) on investments held as available-for-sale	**(30,000)**	–
Total Comprehensive Income	**$ 632,100**	$ 286,727

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31 *Canadian Dollars*	**2008**	2007
Cash Resources Provided By (Used In)		
Operating Activities		
Net income for the year	**$ 662,100**	$ 286,727
Items not affecting cash		
Amortization and depletion	**1,322,884**	783,923
Stock-based compensation expense	**309,708**	218,161
Future Income taxes	**296,064**	283,364
Gain on sale of resource property	**(328,249)**	–
Write-off of resource properties	**13,101**	2,791
Unrealized (gain) loss on foreign exchange	**(91,827)**	298,749
Changes in non-cash working capital		
Accounts receivable and prepaid expenses	**137,666**	(794,451)
Inventories	**(260,678)**	(14,289)
Investments	**–**	(50,000)
Accounts payable	**(330,052)**	136,262
Income tax payable	**(64,718)**	64,718
Due to related party	**67,859**	592,119
	1,733,858	1,808,074
Investing Activities		
Acquisition of property, plant and equipment	**(1,489,390)**	(33,175)
Resource property costs	**(5,381,654)**	(2,766,593)
Proceeds from sale of resource property	**328,249**	–
	(6,542,795)	(2,799,768)
Financing Activities		
Shares to be issued	**99,080**	7,375,089
	99,080	7,375,089
Effect of exchange rate changes on cash and cash equivalents	**(1,494)**	(208,383)
Net (Decrease) Increase in cash and cash equivalents	**(4,711,351)**	6,175,012
Cash and cash equivalents – Beginning of year	**10,144,831**	3,969,819
Cash and cash equivalents – End of Year	**$ 5,433,480**	$ 10,144,831

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

CONSOLIDATED SCHEDULES OF RESOURCE PROPERTIES

For the Years Ended December 31 *Canadian Dollars*	2008	2007
Zacualpan Mine and Concessions, Mexico *Note 6b*		
Acquisition cost	**$ 307,236**	$ 111,219
Deferred exploration costs		
Assaying	**424,595**	119,844
Development	**333,637**	178,601
Drilling	**2,371,605**	1,147,069
Field administration and legal	**315,574**	160,077
Future income taxes	**438,327**	157,865
Travel and accommodation	**197,873**	120,120
Vehicles	**85,295**	31,532
Wages and consulting	**1,033,917**	552,196
	5,200,823	2,467,304
Amortization and depletion	**(1,142,324)**	(600,227)
	4,365,735	1,978,296
Zacatecas Properties, Mexico *Note 6c*		
Acquisition costs	**206,346**	462,890
Deferred exploration costs		
Assaying	**–**	22,514
Drilling	**–**	285,516
Field administration	**3,387**	53,556
Future income taxes	**7,505**	18,292
Travel and accommodation	**3,978**	24,344
Vehicles	**188**	9,591
Wages and consulting	**34,453**	188,391
	49,511	602,204
Recoveries	**118,329**	(537,235)
	374,186	527,859
Other Properties, Dominican Republic *Notes 6d & 6e*		
Deferred exploration costs		
Field administration	**2,405**	4,234
Travel and accommodation	**119**	3,283
Vehicles	**–**	55
Wages and consulting	**109,206**	34,762
	111,730	42,334
Write-off of resource properties	**(12,279)**	(2,791)
	99,451	39,543
Costs for the Year	**4,839,372**	2,545,698
Balance – Beginning of year	**12,574,547**	10,028,849
Balance – End of Year	**$ 17,413,919**	$ 12,574,547

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2008 *Canadian Dollars*

1. NATURE OF OPERATIONS

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

a) Principles of Consolidation

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

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

All significant inter-company balances have been eliminated. The Company has determined that it does not have any variable interest entities as at December 31, 2008 and 2007.

b) Use of Estimates

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

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

c) Revenue Recognition

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

d) Cash and Cash Equivalents

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

e) Inventories

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

f) Investments

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

g) Resource Properties

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

Mineral Property Titles

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

Property Option Payments

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

h) Property, Plant and Equipment

Plant and equipment is recorded at cost and is amortized using a straight-line method over the assets expected useful life, not exceeding ten years. All vehicles, including mine mobile equipment as well as office furniture and equipment are amortized on a declining balance at rates varying from 10% to 30% annually.

i) Asset Impairment

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

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

j) Asset Retirement Obligations

The Company accounts for asset retirement obligations ("ARO") by recognizing the fair value of a liability for an ARO in the period in which it is incurred if a reasonable estimate of fair value can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset. The Company has determined that it has no ARO's at December 31, 2008 and 2007.

k) Earnings Per Share

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

l) Stock Options

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

m) Income Taxes

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

n) Foreign Currency Translation

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

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

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

o) Comprehensive Income

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

p) Financial Instruments

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

3. CHANGES IN ACCOUNTING POLICIES

Adoption of New Accounting Policies

On January 1, 2008, the Company adopted three new presentation and disclosure standards issued by the Canadian Institute of Chartered Accountants (CICA). Section 3862, Financial Instruments – Disclosure, and Section 3863, Financial Instruments – Presentation, have replaced Section 3861, Financial Instruments – Disclosure and Presentation. These new sections incorporate many of the disclosure requirements of Section 3861, but place an increased emphasis on disclosure about risk, including both qualitative and quantitative information about the risk exposures arising from financial instruments (Note 12). Section 1535, Capital Disclosures, establishes disclosure requirements about the Company's objectives, policies and processes for managing capital, quantitative data about what the Company regards as capital, whether the Company has complied with capital requirements and, if the entity has not complied, the consequences of such non-compliance (Note 11).

On January 1, 2008, the Company adopted Section 3031, Inventories, which replaced Section 3030, Inventories. The new standard establishes standards for the measurement and disclosure of inventories and provides more extensive guidance on the determination of cost, including allocation of overhead and requires impairment testing. The adoption of this new accounting policy did not have an impact on the Company's consolidated financial statements except for the increased disclosure in Note 4.

Section 1400, General Standards on Financial Statement Presentation, was amended to include requirements to assess and disclose an entity's ability to continue as a going concern. The Company adopted these changes on January 1, 2008 and the changes did not have an impact on its consolidated financial statements.

Recent Accounting Pronouncements Issued But Not Yet Implemented

In February 2008, the CICA issued Section 3064 Goodwill and Intangible Assets, which replaces Section 3062, Goodwill and Other Intangible Assets and Section 3450, Research and Development Costs. Section 3064 establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The new standard also provided guidance for the treatment of preproduction and start-up costs and requires that these costs be expensed as incurred. The new Section will be applicable to the Company's financial statements for its fiscal year beginning January 1, 2009. The Company is currently assessing the impact of the adoption of this new Section on its consolidated financial statements.

4. INVENTORIES

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

	2008	2007
Materials and supplies	**$ 416,406**	$ 344,977
Finished goods – lead and zinc concentrates	**234,372**	–
Total inventories	**$ 650,778**	$ 344,977

5. PROPERTY, PLANT AND EQUIPMENT

	December 31, 2008			December 31, 2007		
	Cost $	Accumulated amortization $	Net Book Value $	Cost $	Accumulated amortization $	Net Book Value $
Mine equipment	**1,287,128**	**200,864**	**1,086,264**	744,090	103,783	640,307
Mobile equipment	**532,913**	**442,817**	**90,096**	532,913	387,839	145,074
Office furniture and equipment	**96,870**	**64,293**	**32,577**	90,385	54,257	36,128
Plant equipment	**1,145,289**	**120,876**	**1,024,413**	342,389	52,518	289,871
Surface rights	**734,128**	**–**	**734,128**	734,128	–	734,128
Vehicles	**331,698**	**134,703**	**196,995**	194,729	92,161	102,568
	4,128,026	**963,553**	**3,164,473**	2,638,634	690,558	1,948,076

6. RESOURCE PROPERTIES

a) Details are as follows:

	December 31, 2008	December 31, 2007
Zacualpan Mines and Concessions – Mexico		
Acquisition costs	$ 5,961,074	$ 5,653,838
Exploration	9,599,708	4,837,212
Future income taxes	1,261,310	822,983
Amortization and depletion	(2,172,958)	(1,030,634)
Recoveries	(67,990)	(67,990)
	14,581,144	10,215,409
Zacatecas Properties – Mexico		
Acquisition costs	1,450,945	1,244,599
Exploration	753,482	711,476
Future income taxes	43,674	36,169
Recoveries	(521,107)	(639,436)
	1,726,994	1,352,808
PMSA Concessions – Dominican Republic		
Acquisition	497,000	497,000
Exploration and development	493,773	395,280
	990,773	892,280
MMP Concessions – Dominican Republic		
Acquisition costs	85,000	85,000
Exploration	30,008	29,050
	115,008	114,050
Other Properties		
Exploration	22,464	10,185
Accumulated write-off	(22,464)	(10,185)
	–	–
	$ 17,413,919	$ 12,574,547

b) Zacualpan Agreements

On June 14, 2004, the Company signed two option agreements with third parties in the Zacualpan Silver Mining District in Central Mexico.

The first option agreement was a three-year lease with an option to purchase mining leases and concessions, called the Royal Mines of Zacualpan Silver Project ("Royal Mines"), which included San Ramon (Compadres) Mine which later went into production. Under terms of this agreement, the Company was required to make payments of US$3,000 per month for three years and to issue 100,000 shares per year to the third party, as well as incur work commitments totalling US$1,000,000 over three years. The Company was to have the option at any time before the end of the third year to purchase 100% interest in the mining leases and concessions for US$1,000,000.

In December 2005, the Company amended the terms of the agreements for the purchase of the Royal Mines from an asset purchase to a share purchase. Under the amended agreement, the Company, through its 100% subsidiary MAP, was to purchase all the issued and outstanding shares of Minera El Porvenir de Zacualpan, S.A. de C.V. (MPZ), which owns the Royal Mines, including the Capela Assets of Zacualpan Mines (mining concessions and surface rights). On January 16, 2006, this transaction was completed.

The second option agreement entered into in June 2004 was a three-year agreement for mining leases and concessions, which included the producing Guadalupe Mine and a 500-tonne-per-day processing plant with associated facilities. The assets in this second agreement were under lease by a third party, and the Company had an option to purchase all the lease rights to the assets for US$1,140,000. In February 2006, the Company, through its wholly owned subsidiary MAP, entered into an amended agreement giving it an exclusive option to purchase these same leased assets including the 500-tonne-per-day processing plant, certain mineral concessions and surface rights located in Zacualpan District for US$1,140,000 and 100,000 shares of the Company at any time before December 2, 2006. An initial option payment of US$2,000 was made just after signing of the agreement, and thereafter the Company paid US$4,000 monthly to the vendor. In July 2006, the Company exercised its option under this agreement and as a result owns all the equipment and surface rights related to its Royal Mines operations, and has a 100% interest with no underlying royalties on its mineral concessions.

In February 2007, the Company acquired the right to purchase a concession known as the Mamatla Mining District adjacent to the Company's Royal Mines of Zacualpan Silver Project in Central Mexico. The purchase price for the Mamatla Mining District was approximately $215,700 (2,211,990 Pesos), of which $91,690 (884,796 Pesos) was paid in 2007 and the balance of $124,010 (1,327,194 Pesos) was paid in February 2008. The Mamatla concession is subject to a 1% NSR.

In February 2008, the Company acquired six concessions directly from the Mexican government through normal staking procedures. These concessions, named the Zacualpan Northwest concessions, cover 140 square kilometers. In June 2008, the Company acquired the 112 hectare Cadena concession and the 161 hectare Zapote concession from private Mexican vendors. The Company spent $307,236 in concession acquisition costs in the Zacualpan Silver Mining District in the year ended December 31, 2008.

c) Zacatecas Agreements

Under an agreement dated July 10, 2006, the Company through its wholly owned subsidiary MAP acquired a four-year option from a third party to purchase a 200-tonne-per-day processing plant and associated surface rights in the Zacatecas Mining District of Mexico. Under the agreement, MAP may purchase the assets for US$1,110,000 (US$653,450 paid) and 500,000 shares (300,000 issued to December 31, 2008) in stages, plus commit to US$700,000 in work expenditures (US$350,000 in each of the first two years).

Under separate purchase agreements, the Company acquired eleven mineral concessions in the Zacatecas area during 2006 and two concessions in 2007. The Company now holds a total of sixteen concessions, three of which are under an option agreement with a third party who has now earned a 65% interest in these three concessions. No further payments or commitments exist for these concessions.

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

d) PMSA Agreement

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

The concessions are subject to a 1% NSR to a maximum of US $1,000,000.

e) MMP Agreement

By agreement dated July 15, 1999, the Company acquired 100% of the shares of the Canadian company, "Jade", which owns 100% of the shares of the Dominican Republic registered company, Minera Monte Plata, S.A. ("MMP"). MMP holds the Baritina exploration concession located in the Cordillera Oriental in the Dominican Republic.

The concessions are subject to a 1% NSR to a maximum of US$1,000,000.

7. DUE TO RELATED PARTY

As at December 31, 2008, an amount of $760,054 (December 31, 2007 – $582,081) was due to a significant shareholder of the Company. Monies owed to the related party are unsecured, non-interest bearing and without specific repayment terms. Management anticipates that the amount will be repaid within one year and accordingly it has been classified as current.

8. SHARE CAPITAL

a) Details are as follows:

	Number	Amount
Authorized:		
Unlimited common shares without par value		
Issued and outstanding:		
Balance – December 31, 2006	39,480,188	$ 15,382,377
Shares issued for resource properties	100,000	190,000
Stock options exercised	74,250	23,935
Share purchase warrants exercised	7,604,272	7,351,154
Value assigned to options exercised	–	19,077
Value assigned to warrants exercised	–	4,167,844
Balance – December 31, 2007	47,258,710	$ 27,134,387
Shares issued for resource properties	125,000	120,000
Stock options exercised	616,500	99,080
Value assigned to options exercised	–	83,186
Balance – December 31, 2008	**48,000,210**	**$ 27,436,653**

b) Warrants

	Number	Amount
Balance – December 31, 2006	7,766,000	4,222,385
Exercise of warrants	(7,604,272)	(4,167,844)
Expiry of warrants	(161,728)	(54,541)
Balance – December 31, 2007 and December 31, 2008	**–**	**$ –**

c) Contributed Surplus

Balance – December 31, 2006	$	314,845
Fair value of stock options granted		218,161
Value assigned to options exercised		(19,077)
Value assigned to expired warrants		54,541
Balance – December 31, 2007		568,470
Fair value of stock options granted		309,708
Value assigned to options exercised		(83,186)
Balance – December 31, 2008	**$**	**794,992**

d) Accumulated Other Comprehensive Income

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

e) Stock Options

The Company has established a stock option plan whereby the board of directors may, from time to time, grant options to directors, officers, employees or consultants. Under the stock option plan 9,467,042 options have been authorized for issuance, of which 1,891,000 have been allocated as at December 31, 2008. Options granted must be exercised no later than five years from date of grant or such lesser period as determined by the Company's board of directors. The exercise price of an option is not less than the closing price on the Exchange on the last trading day preceding the grant. Options vest 25% on the date granted and 12.5% every quarter thereafter.

A summary of the Company's stock options as at December 31, 2008 and the changes for the periods ended on these dates is as follows:

	Number	Weighted Average Exercise Price
At December 31, 2006	1,453,750	0.30
Granted	1,130,000	1.42
Exercised	(76,250)	0.32
At December 31, 2007	2,507,500	0.80
Granted	35,000	1.44
Exercised	(616,500)	0.16
Forfeited	(35,000)	1.45
At December 31, 2008	**1,891,000**	**1.01**

The following table summarizes information about the stock options outstanding at December 31, 2008:

Exercise Price Per Share	Expiry Date	Options Outstanding	Options Exercisable
$0.15	May 12, 2009	175,000	175,000
$0.42	April 13, 2010	551,000	551,000
$1.40	September 5, 2012	1,055,000	923,125
$1.44	February 6, 2010	35,000	21,875
$1.67	October 22, 2012	75,000	56,250
		1,891,000	**1,727,250**

In February 2008, the Company granted stock options under its Stock Option Plan to a consultant exercisable for up to 35,000 shares of the Company, with an estimated value of $17,774 on the grant date. The options are exercisable on or before February 6, 2010 at a price of $1.44 per share.

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

Date Granted	September 5, 2007	October 22, 2007	February 2, 2008
Number of options granted	35,000	1,055,000	75,000
Risk-free interest rate	4.28%	4.17%	3.05%
Expected dividend yield	NIL	NIL	NIL
Expected stock price volatility	63.19%	62.67%	60.71%
Expected option life in years	2	2	2

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

9. RELATED PARTY TRANSACTIONS

Except as disclosed elsewhere in these financial statements, related party transactions are recorded at the exchange amount which is the amount of consideration paid or received as agreed by the parties. Related party transactions are as follows:

a) During the year ended December 31, 2008 fees in the amount of $184,314 (2007 – $269,900) were paid or accrued to directors and officers of the Company, of which $139,764 is recorded in various administrative expenditures on the income statement, and $44,550 is recorded in mineral properties.

b) During the year ended December 31, 2008 an administrative fee of $4,876 (2007 – $4,143) was paid to a shareholder for management of the Company's administrative and exploration programs.

c) During the year ended December 31, 2008 fees in the amount of $2,333,847 (2007 – $1,368,903) were paid to a significant shareholder of the Company for contract drilling services performed in Mexico at the Zacualpan concessions.

d) The Company entered into a management agreement with one director from January 1, 2008 to November 30, 2008 for fees of $5,000 per month. On December 1, 2008 the agreement was changed to fees of $6,000 per month and was extended for a further 36 months.

10. INCOME TAXES

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

	2008	2007
Earnings before income taxes	**$ 958,929**	$ 634,809
Canadian federal and provincial income tax rates	**31.00%**	34.12%
Income tax expenses based on the above rates	**297,268**	216,597
Increase (decrease) due to:		
Non-deductible expenses	**296,710**	125,017
Losses and temporary differences for which an income tax asset has not been recognized	**–**	121,325
Benefit of future income tax asset not previously recognized	**(49,801)**	–
Difference between foreign and Canadian tax rates	**(32,488)**	(157,547)
Foreign exchange and other	**(214,860)**	42,690
Income tax expense	**$ 296,829**	$ 348,082

The components of future income taxes are as follows:

	2008	2007
Future income tax assets		
Non-capital losses	**$ 926,576**	$ 670,788
Property, Plant and Equipment	**8,289**	7,429
Mineral Properties	**701,658**	726,489
Other	**111,845**	465,222
Total future tax assets	**1,748,368**	1,869,928
Valuation allowance	**(1,342,664)**	(1,454,671)
Net future income tax assets	**405,704**	415,257
Future income tax liabilities		
Property, Plant and Equipment	**184,313**	184,200
Mineral properties	**3,358,574**	2,531,937
Other	**49,168**	–
Future income tax liabilities	**3,592,055**	2,716,137
Future income tax liability, net	**$ 3,186,351**	$ 2,300,880

This is represented on the balance sheet as:

	2008	2007
Current future income tax assets	**$ 356,537**	$ 415,257
Long-term future income tax liabilities	**(3,542,888)**	(2,716,137)
	$ (3,186,351)	$ (2,300,880)

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

Expiry Year	Canada	Mexico	Total
2009	$ 103,443	$ –	**$ 103,443**
2010	62,801	–	**62,801**
2013	–	7,032	**7,032**
2014	169,820	26,109	**195,929**
2015	235,727	30,440	**266,167**
2016	–	353,108	**353,108**
2017	–	12,397	**12,397**
2018	–	930,853	**930,853**
2026	828,544	–	**828,544**
2027	541,044	–	**541,044**
2028	157,826	–	**157,826**
	$ 2,099,205	$ 1,359,939	**$ 3,459,144**

A full valuation allowance has been recorded against the net potential future income tax assets associated with the Canadian loss carry-forwards of $2,099,000 and certain other deductible temporary differences as their utilization is not considered more likely than not at this time.

11. CAPITAL MANAGEMENT

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

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

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

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

12. FINANCIAL INSTRUMENTS

Financial Assets and Liabilities

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, investments, accounts payable and accrued liabilities, and due to related parties. For cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, and due to related parties, carrying value is considered to be fair value due to the short-term nature of these instruments. The fair value of investments represents the market value of quoted investments.

Financial Instrument Risk Exposure

The Company's financial instruments are exposed to a number of financial and market risks including credit, liquidity, currency, interest rate and price risks. The Company may, or may not, establish from time to time active policies to manage these risks. The Company does not currently have in place any active hedging or derivative trading policies to manage these risks since the Company's management does not believe that the current size, scale and pattern of cash flow of its operations would warrant such hedging activities.

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk include cash and cash equivalents, accounts receivable and investments. The Company deposits its cash and cash equivalents with high credit quality financial institutions as determined by ratings agencies, with the majority deposited with a Canadian Tier 1 Bank. As is typical within the mining industry the Company deals with one refiner for the processing of all of its mineral concentrates. The Company has a significant concentration of credit risk exposure to its Mexican refining and smelting company Met-Mex Peñoles, S.A. de C.V. at any one time but is satisfied that this company has an adequate credit rating as determined by Standard and Poor's. The Company's maximum exposure to credit risk at the reporting date is the carrying value of its cash and cash equivalents ($5.4 million), accounts receivable ($2.2 million) and investments ($0.02 million).

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due. The Company manages liquidity by maintaining cash and cash equivalent balances available to meet its anticipated operational needs. The Company has not been required to establish committed credit facilities but will do so as necessary. Liquidity requirements are managed based on expected cash flow to ensure that there is adequate capital to meet short-term and long-term obligations. The Company has in place a planning and budgeting process to help determine the funds required to support the Company's normal operating requirements on an ongoing basis and its growth plans. As at December 31, 2008 the Company did not have any significant future debt obligations.

Interest Rate Risk

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

Currency risk

Foreign exchange rate fluctuations may affect the costs that the Company incurs in its operations. Silver, lead, zinc and gold are sold in US dollars and the Company's costs are principally in Mexican pesos and Canadian dollars. The Company is exposed to currency risk through the following financial assets and liabilities denominated in currencies other than Canadian dollars:

December 31, 2008	Cash and cash equivalents (000's)	Accounts receivable (000's)	Accounts payable and due to related party (000's)	Net foreign currency exposure (000's)
US dollars	60	1,274	(637)	697
Mexican pesos	164	794	(527)	431

Based on the above net foreign currency exposures at December 31, 2008, a 10% depreciation or appreciation of all the above currencies against the Canadian dollar would result in an approximate $74,000 decrease or increase in the Company's net income.

Commodity Price Risk

The Company is subject to commodity price risk for all the principal metals that are recovered from the concentrates that it produces. These include silver, lead, zinc, and gold. These metal prices are subject to numerous factors beyond the control of the Company including central bank sales, producer hedging activities, interest rates, exchange rates, inflation and deflation, global and regional supply and demand, and political and economic conditions in major producing countries throughout the world. The Company has elected not to actively manage our exposure to metal prices at this time.

Assuming the same rate of production, a 10% change in commodity prices from actual realized prices would have increased or decreased the Company's net income in the year ended December 31, 2008 as follows:

Silver price	$	555,000
Lead price	$	83,000
Zinc price	$	71,000
Gold price	$	27,000

13. SEGMENTED INFORMATION

Details at December 31 are as follows:

	2008	2007
Revenue by geographic area		
Mexico	**$ 8,907,958**	$ 7,250,077
Net income (loss) by geographic area		
Mexico	**$ 545,500**	$ 2,207,895
Canada	**116,600**	(1,918,377)
Caribbean	**–**	(2,791)
	$ 662,100	$ 286,727
Assets by geographic area		
Mexico	**$ 22,814,089**	$ 17,647,674
Canada	**5,354,414**	9,023,976
Caribbean	**1,105,781**	1,006,330
	$ 29,274,284	$ 27,677,980
Property, plant and equipment by geographic area		
Mexico	**$ 3,150,843**	$ 1,932,844
Canada	**13,630**	15,232
	$ 3,164,473	$ 1,948,076

14. ECONOMIC DEPENDENCY

As is customary in the mining industry, the Company has entered into a single contract with a Mexican refining and smelting company, for the refining and sale of its silver, gold, zinc and lead contained in its lead and zinc concentrates. This contract with Met-Mex Peñoles, S.A. de C.V. accounts for 100% of the sales of the Company. The net smelter returns to the Company are determined under the refining and smelting contract which sets out the agreed settlement terms and concentrate treatment charges.

15. SUBSEQUENT EVENTS

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

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THIS PAGE – SUNSET OVER THE MAMATLA DISTRICT
FRONT COVER – FLOTATIONAL CELLS AT THE ROYAL MINES OF ZACUALPAN
INSIDE FRONT COVER – LOOKING NORTHEAST FROM CHIVO MINE

PHOTOGRAPHY – THE IMPACT SILVER TEAM DESIGN AND LAYOUT – SPEAK DESIGN INC

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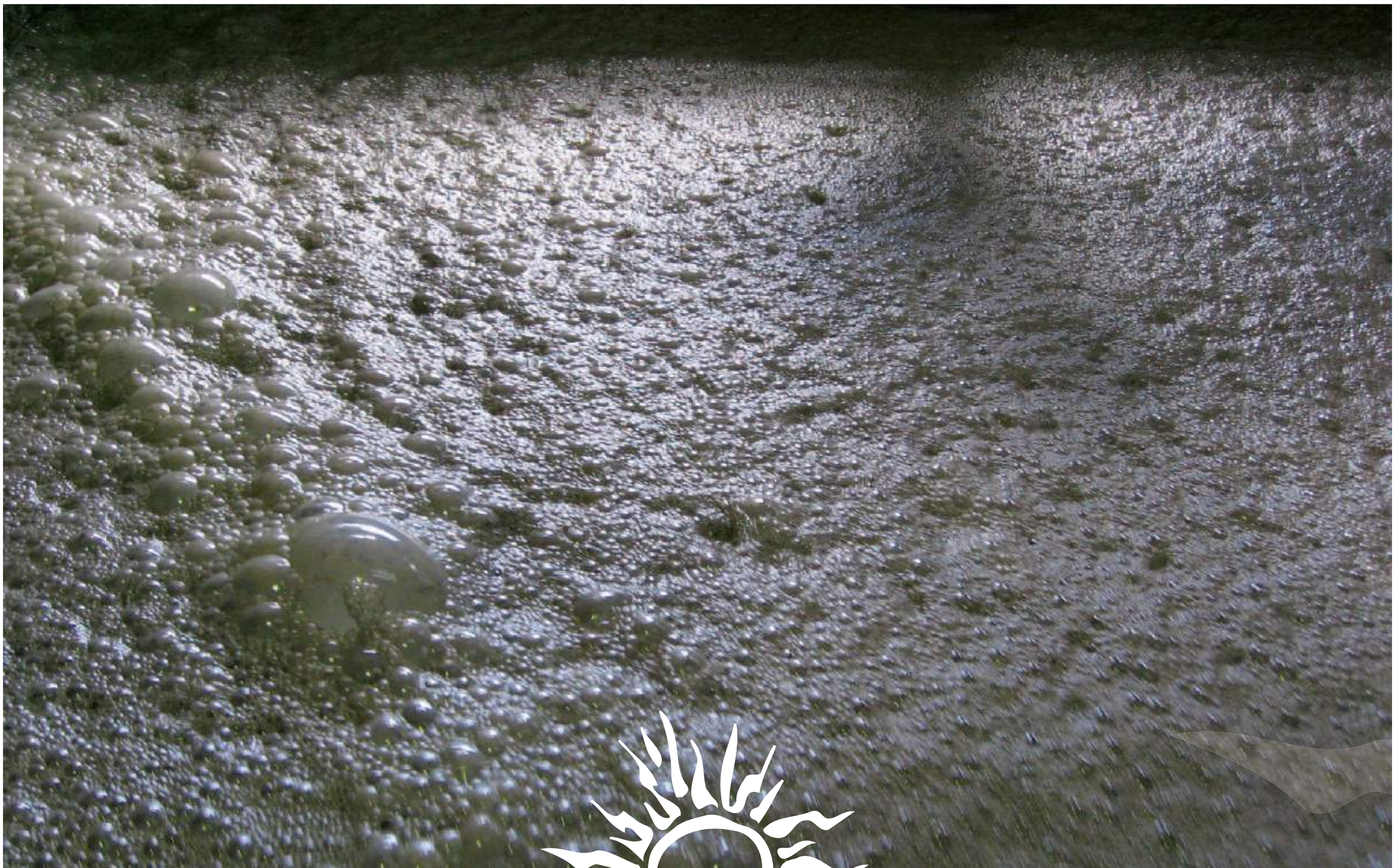

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