IMPACT Silver Corp.
Form 51-102F1
Management's Discussion and Analysis
For the Three and Nine Months Ended September 30, 2018

INTRODUCTION

This Management's Discussion and Analysis ("MD&A") is for the three and nine months ended September 30, 2018 of IMPACT Silver Corp. ("IMPACT" or the "Company") prepared as at November 20, 2018 and should be read in conjunction with the Company's annual audited consolidated financial statements for the year ended December 31, 2017 and the related notes contained therein. All amounts referred to herein are in Canadian dollars unless otherwise specified. Additional information relating to the Company including material change notices, certifications of annual and interim filings and press releases are available on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com.

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

CORPORATE OVERVIEW

IMPACT controls the majority of two large mineral districts totalling 357 km^2 in central Mexico: the **Royal Mines of Zacualpan Silver District** and the **Capire Mineral District** adjacent to and southwest of Zacualpan. IMPACT has been in continuous production at the Royal Mines of Zacualpan Silver District for over twelve years.

Since 2006, the Company has carried out programs of exploration, development and mine production in both districts, bringing eight sites from exploration drilling to development and mining, including all mines currently in production. In 2017, the Company accelerated exploration and re-started drilling on higher priority targets. The initial results have led to the San Felipe silver discovery, the discovery of a new extension at the San Ramon silver mine, the discovery of a new silver zone at the Guadalupe mine, and positive rock sampling results for gold and copper at Santa Teresa, as detailed in respective news releases and elsewhere in this MD&A.

IMPACT is considered one of the purest silver producers in Mexico. IMPACT's primary metal is silver with approximately 95% of its revenues generated by silver. During the quarter, silver prices dropped to a low of US$14.13 per ounce resulting in an average silver price decline of approximately 10% from Q2 2018 and a decline of 30% from US$20.71 per ounce in August 2016. Due to the rapid decline of the silver price, the Company has strategically revised its mine plan. Production has been reduced by approximately 25% effective September 2018 with a focus on higher grade areas in an effort to ensure viable tonnes are being mined. The Company expects to see a higher cost per tonne as a result of the reduced production. However, costs are being closely examined with the intention of reducing variable costs over the latter half of the year. The Company anticipates some one-time costs will be incurred in order to achieve this. Further, costs continue to be impacted by foreign exchange fluctuations and inflation specifically in regard to labour, subcontractors, diesel and electricity. The Company believes that its approach to strategically mine tonnes and control costs will allow it to weather this period of low silver prices.

IMPACT is focused on maintaining production; strategically accessing mineable tonnes to control costs, reopening the zinc concentrate circuit; and pursuing key exploration targets.

IMPACT's key objectives for development of the Company are as follows:

1. Continue to upgrade and optimize production with a focus on higher grade zones, including a number of zinc bearing zones, to optimize cash flows.
2. Exploration including drilling key targets across the large 357 km^2 land package, focusing on discovery and definition of additional high-grade mineral for future mining.
3. Accelerate exploration by also looking to possible joint ventures with third parties on more remote tracts.
4. Continue exploration with plans for eventual development of gold and copper from Carlos Pacheco South and San Juan, and re-evaluate the Capire open pit silver mine when silver prices improve sufficiently.
5. In the longer term, the objective is to become a multi-million ounce per year producer of silver either through development of current properties or by acquisition or merger.

IMPACT has no long-term debt. The Company may consider additional opportunities to improve its balance sheet and fund future developments and subject to the price of the silver, may consider all contingencies.

IMPACT is proud to have been named to the 2017 TSX Venture 50, a ranking of the top performers on the TSX Venture exchange. IMPACT is a reporting issuer in British Columbia and Alberta. The Company's shares trade on the TSX Venture Exchange as a Tier 1 Issuer under the symbol **IPT** and on the Frankfurt Stock Exchange under the symbol **IKL**.

Financial Overview

- Revenue for Q3 2018 was $3.1 million, a negligible change from Q2 2018 revenue despite a decline in silver price of 10%, but a decrease from Q3 2017 revenue of $4.0 million.
- Operating expenses for Q3 2018 were $4.0 million, an increase from Q3 2017 at $3.5 million.
- Mine operating loss for Q3 2018 was $1.3 million compared to $0.2 million in Q3 2017.
- Net loss for the quarter was $1.4 million which included non-cash expenses of $0.4 million for amortization and depletion and a recovery on deferred income taxes of $0.4 million. This compares to a $1.0 million net loss for the same period in 2017, which included non-cash expenses of $1.1 million for amortization, depletion, share-based compensation and a recovery on deferred income taxes of $0.1 million.
- The Company's cash position and net working capital is $0.7 million at September 30, 2018 (December 2017 - $4.7 million and $5.6 million respectively).

Production Overview

- Production at the Guadalupe mill during the third quarter of 2018 came primarily from the San Ramon Deeps Mine (49% of total mill feed), the Cuchara Mine (21% of mill feed), and the Guadalupe mine (19% of mill feed). The San Patricio (Chivo) Mine contributed the remaining 11% of mill feed.
- Average mill feed grade for silver in the quarter was 165 grams per tonne (g/t) in 2018, an increase from 146 g/t in Q2 2018, although down 6% from 175 g/t in Q3 2017.
- Silver production decreased to 179,479 ounces in Q3 2018 from 229,898 ounces in Q3 2017 due to lower grades and fewer tonnes produced.
- Throughput at the mill decreased to 42,230 tonnes milled in Q3 2018 from 48,323 in Q3 2017 due to the production decrease effective September 2018.

PRODUCTION AND SALES: GUADALUPE MILL

	For the Three Months Ended September 30			For the Nine Months Ended September 30		
	2018	2017	% Change	**2018**	2017	% Change
Total tonnes (t) milled	**42,230**	48,323	-13%	**136,922**	145,750	-6%
Tonnes produced per day	**459**	525	-13%	**502**	534	-6%
Silver production (oz)	**179,479**	229,898	-22%	**576,901**	687,700	-16%
Lead production (t)	**82**	132	-38%	**264**	349	-24%
Gold production (oz)	**123**	141	-13%	**370**	412	-10%
Silver sales (oz)	**180,222**	224,649	-20%	**553,999**	664,916	-17%
Lead sales (t)	**86**	122	-30%	**271**	339	-20%
Gold sales (oz)	**122**	125	-2%	**384**	404	-5%
Average mill head grade –silver g/t	**165**	175	-6%	**157**	175	-10%
Revenue per tonne sold[1]	**$68.02**	$86.39	-21%	**$73.59**	$85.73	-14%
Direct costs per production tonne[1]	**$88.71**	$73.66	20%	**$81.54**	$75.79	8%

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

In light of lower silver prices, the Company shifted its strategy during the quarter from utilising capacity at its Guadalupe processing plant to a focus on lower cost, higher grade production. In September 2018, production was reduced by approximately 25% in order to concentrate mining on higher grade areas and/or lower cost mines (i.e. with shorter hauling requirements). As a result, 42,230 tons were milled in Q3 2018 compared to 48,323 in Q3 2017. The average mill head silver grade increased to 165 g/t in Q3 2018 compared to 146 g/t in Q2 2018, albeit a decrease from 175 g/t processed in Q3 2017. The Company is carefully monitoring operations to ensure economic tonnes are mined and a focus on exploration for new higher grade zones can continue.

Revenue per tonne sold decreased 21% to $68.02 in Q3 2018 from $86.39 in Q3 2017 due to lower silver prices and lower silver grades. However, this was an increase of 2% over Q2 2018 at $66.46. The declining silver price has been partially offset by a strengthening US dollar and higher grades. Silver sales decreased 20% to 180,222 ounces sold in Q3 2018 from 224,649 ounces sold in Q3 2017 due to lower grades and lower tonnes produced. Direct costs per production tonne increased in Q3 2018 to $88.71 from $73.66 in Q3 2017. Costs reductions are being reviewed in accordance with the production decrease including variable costs. However with lower volumes, cost per tonne will remain higher than 2017 levels.

In Q2 2018 the Company began testing its zinc circuit. The silver produced from this will be sold as part of the lead concentrate in future. The Company is prepared to re-start this circuit once higher-grade zinc zones can be accessed.

[1] Revenue per tonne sold and direct costs per production tonne are non-IFRS measures which the Company believes provides useful information on revenue and direct costs. See “NON-IFRS MEASURES”.

MINE PRODUCTION
Royal Mines of Zacualpan District

Since acquiring the Royal Mines of Zacualpan, there has been extensive work done to upgrade operations and expand production. Expanding the tailings capacity is an ongoing process. Additional surface lands near the Guadalupe mill were also purchased to address the need for additional tailings capacity in the future which is in the process of construction.

San Ramon Silver Mine

The San Ramon Mine is located 5 kilometres south of the Guadalupe mill. San Ramon has been a significant contributor to production since 2008. During 2014, the Company discovered new high-grade silver zones in the nearby San Ramon Deeps area and mining of this area began in Q3 2014. During the third quarter of 2018, the San Ramon Deeps Mine provided 49% (Q3 2017 – 46%) of feed to the Guadalupe mill. To date this vein has been exposed in mine workings on Levels 16.5, 18, 19, 20, 21, 22, 23, 24 and 25 over a length of 180 metres and widths of 2 to 17 metres. Diluted mining grades at San Ramon during the quarter ranged from 174 to 186 g/t silver. Underground drilling outlined the vein over a vertical distance of 10 to 60 metres below the current mine workings where the size and grade are decreasing. Drilling of the southeast extension has begun with completion of a new underground drill station. IMPACT has also expanded the main mine ramp to accommodate surface truck access down to Level 22 to increase efficiencies of extracting mineral from the mine. In Q3 2017, IMPACT signed an agreement to mine on a neighbouring claim in return for royalty payments of MXN$75 per dry tonne of mineral extracted. During the quarter, IMPACT carried out additional mining and exploration work in this area including some drilling from surface to outline zones for mining (see also Exploration below).

Cuchara Silver Mine

The Cuchara mine is located 2.5 kilometres east of the Guadalupe mill and commenced production in the second quarter of 2013. During the third quarter of 2018, the Cuchara Mine provided 21% (Q3 2017 – 38%) of feed to the Guadalupe mill. The mine contributes a silver-lead-zinc feed to the Guadalupe mill from a corridor of veins. Current production is from the Millmaravillas vein. Diluted mining grades at Cuchara during the quarter ranged from 160 to 172 g/t silver.

San Patricio (Chivo) Silver Mine

The San Patricio (Chivo) Mine is located three kilometres southeast of the Guadalupe mill and is accessed through the former Chivo Mine entrance. The mine produces from the San Patricio vein and the Los Reyes vein. During the third quarter of 2018, the San Patricio (Chivo) Mine provided 11% (Q3 2017 –16%) of feed to the Guadalupe mill. Diluted mining grades at San Patricio during the quarter ranged from 147 to 167 g/t silver.

Guadalupe Silver Mine

The Guadalupe Mine is located adjacent to the Guadalupe mill. This mine has been on standby since 2013. However, the very low hauling costs associated with mining here as well as recent positive drill results (see Exploration below) have led to a decision to reopen part of this mine. The mine requires some refurbishments and development work, which is being done concurrent to production restarting. During the third quarter of 2018, the Guadalupe Mine provided 19% (Q3 2017 – nil) of feed to the Guadalupe mill. Diluted mining grades at Guadalupe during the quarter ranged from 149 to 179 g/t silver.

Mirasol Silver Mine

The Mirasol Mine is located 5.5 kilometres southeast of the Guadalupe mill and mining began in Q3 2014. In Q3 2017, production from Mirasol was put on standby as the remaining tonnes are at depth and require some development in order to access them. During the quarter, there were no tonnes mined at Mirasol (Q3 2017 – >1%).

Capire Processing Plant and Mine

Capire is located 16 kilometres southwest of the Guadalupe Production Center. It is a volcanogenic massive sulphide ("VMS") base and precious metal deposit. VMS mineralization in the Capire district is predominantly silver-rich with zinc and lead credits.

In Q2 2013, IMPACT announced the commissioning of the Capire open pit mine and completion of construction of the 200-tpd pilot plant. The purpose of the open pit silver test mining and processing operations at Capire was to determine production costs and optimize mining and processing methods in planning for a potentially larger operation in the future. The work performed increased the Company's knowledge about the metallurgy of minerals in both districts and has helped define operating costs at Capire. Most of this test work was completed; however, in light of lower silver prices, Mexican mining tax changes, hauling costs and low overall silver grade being mined at Capire, the Company recognized that the open pit test mining operation was not presently economical. In February 2014, after processing approximately 33,000 tonnes of material, the open pit operations were suspended. The Capire plant is currently on care and maintenance. Production from the Capire open pit may restart in the future with higher metal prices and/or lower unit production costs associated with a potential larger operation.

After the shut-down, the Capire plant was reconfigured as a bulk test processing facility for gold and copper mineralization from the Carlos Pacheco South Zone in the Noche Buena Mine. The results of this test work at Capire and later at the Guadalupe mill, demonstrated good gold recoveries from Carlos Pacheco South mineral when mixed with Zacualpan silver mineral.

Capire Mineral Resource

On January 18, 2016, IMPACT announced new NI43-101 compliant mineral resources for the Capire Zone as follows and then filed a supporting technical report on www.sedar.com on March 3, 2016.

Total Resource at US Dollar per Tonne Cutoffs - Inferred and Unoxidized								
Cutoff	Inferred Mineral Resources							
US$/t	Tonnes	US$/t	g Ag/t	%Zn	%Pb	Oz Ag	lbs Zn	lbs Pb
10	4,465,000	36.20	44.21	0.72	0.31	6,346,000	71,183,000	30,212,000
15	3,450,000	43.24	53.03	0.85	0.37	5,881,000	64,914,000	28,072,000
20	2,707,000	50.37	62.22	0.98	0.43	5,414,000	58,444,000	25,755,000
25	2,177,000	57.19	71.06	1.10	0.49	4,974,000	52,766,000	23,522,000
30	1,786,000	63.74	79.49	1.22	0.54	4,563,000	47,975,000	21,423,000
35	1,490,000	69.96	87.65	1.33	0.59	4,199,000	43,692,000	19,504,000
40	1,242,000	76.47	96.20	1.45	0.65	3,842,000	39,596,000	17,666,000
45	1,035,000	83.30	105.37	1.56	0.70	3,507,000	35,693,000	15,905,000
50	859,000	90.69	115.49	1.69	0.75	3,189,000	31,983,000	14,203,000
60	636,000	103.31	133.60	1.88	0.84	2,732,000	26,339,000	11,793,000
70	489,000	114.89	150.72	2.04	0.92	2,370,000	22,034,000	9,909,000
80	381,000	126.33	167.97	2.20	0.99	2,057,000	18,455,000	8,338,000
90	294,000	138.53	187.15	2.34	1.07	1,772,000	15,194,000	6,966,000

The reported resource ("Base Case") cutoff grade is US$30/tonne in the table. The mineral resources in this disclosure were estimated by Mine Development Associates ("MDA") of Reno, Nevada. The resources were estimated using Canadian Institute of Mining, Metallurgy and Petroleum ("CIM") standards, definitions and guidelines. The resources were estimated by inverse distance cubed ("ID^3") and checked the estimate with inverse distance to the 4th power, kriging, and nearest neighbour.

The table presents the inferred diluted resources at Capire using total-metal (silver, zinc and lead) dollar-value cutoffs. The model block size is 3m by 3m by 3m. The diluted resources are displayed at multiple cutoffs, but the resource is reported at a cutoff of US$30/t lying within a pit optimized using $31/oz Ag, $1.51/lb Zn, and $1.69/lb Pb. MDA considered a US$30/t cutoff to be appropriate for production using IMPACT's 200t/d mill and recoveries around 80%, 50%, and 65% for silver, zinc and lead, respectively. The resources were generated within an optimized pit shell on the Capire zone that best conveyed "reasonable prospects for eventual economic extraction" which is a requirement of the 2014 CIM Definition Standards, incorporated into Canadian National Instrument 43-101. There is additional mineralization too deep to fulfill the criteria of "reasonable prospects for eventual economic extraction" within an open pit, but that may be available for potential underground development. For further details on the Capire mineral resource see IMPACT's news release dated January 18, 2016.

EXPLORATION

Mines on epithermal veins that were discovered and built by the IMPACT team include the Cuchara Silver Mine (currently in operation), San Ramon Deeps Silver Mine (currently in operation), San Patricio (Chivo) Silver Mine (currently in operation), Guadalupe new zones (initial production), Carlos Pacheco Gold-Copper Mine (on care and maintenance), Chivo Silver Mine (operated 2007-2012), the Noche Buena Silver Mine (operated 2010-2014) and the Mirasol Silver Mine (operated 2014-2017), as well as the Capire VMS open pit mine (on care and maintenance). Exploration is continuing with the goal of finding and developing new mines for the Company. Recent exploration highlights were as follows:

Drilling Results

During the first quarter, IMPACT announced results from surface drilling above the San Ramon Deeps area which included 627 g/t silver over 3.26 metres. Drilling resumed from a new underground drill station which discovered the new San Ramon Deeps 2 zone to the south with initial drill results that included 661 g/t silver over 2.04 metres and 354 g/t silver over 4.97 metres (see IMPACT news release dated July 17, 2018 for details). Underground drilling was carried out at Guadalupe and initial results included 1,263 g/t silver over 2.61 metres and 306 g/t silver over 8.82 metres (see IMPACT news release dated September 6, 2018 for details). Surface drilling was also carried out at El Angel and results included 3.21% copper over 5.85 metres and 1.41% copper over 9.72 metres.

Exploration Field Work

IMPACT crews have been sampling some of the 5,000+ old mine workings and prospects in the districts. They have also trenched areas of mineralization and carried out extensive soil sampling on 100-metre x 25-metre grids. During the quarter, fieldwork was mainly focused on the Santa Teresa and San Ramon extensions areas. New surface sampling at Santa Teresa returned encouraging results (see IMPACT news release dated September 25, 2018 for details) including 6.5g/t gold across 1.66 metres along a 50 metre strike length; additional work is being carried out. In addition, compilation of historical maps and other mining data from the districts into a large computer database continues and is being used to plan future exploration programs.

FUTURE PLANS

Mining Plans

In the near term, the Company is mining lower volumes of higher grade mineral in response to depressed silver prices. In the longer term, management intends to continue exploration and development including exploration for gold and copper from Carlos Pacheco South, San Juan, and to re-evaluate the Capire open pit silver mine when silver prices improve sufficiently.

Exploration Plans

The Company is continuing exploration with the goal of putting some of the 5,000+ compiled old mine workings in the Zacualpan and Capire districts on a faster track to drilling and potential production, and building mineral inventories for mining. The Company is continuing surface and underground drilling programs to build tonnes for mining. Currently, exploration work is focused on larger and higher grade targets including Santa Teresa.

IMPACT has a track record of successful exploration and rapid mine development. The Company's long term vision sees potential for establishing multiple mills throughout the two districts, each fed by multiple mines producing silver-lead-zinc as well as gold and copper.

George Gorzynski, P. Eng., Vice President and Director of IMPACT Silver Corp., and a Qualified Person as defined under Canadian National Instrument 43-101, is responsible for the technical information in this MD&A for the Royal Mines of Zacualpan Silver Project and the Capire Mineral District (except the mineral resources). Steven Ristorcelli, C.P.G. (U.S.A.), Principal Geologist for Mine Development Associates and a Qualified Person under the meaning of Canadian National Instrument 43-101, is responsible for the Capire mineral resource estimate and directly related information in this MD&A. Details of the technical information in this MD&A are available in Company news releases posted on the Company website at www.IMPACTSilver.com and on www.sedar.com.

Cautionary Statement: The Company's decision to place a mine into production, expand a mine, make other production related decisions or otherwise carry out mining and processing operations, is largely based on internal non-public Company data and reports based on exploration, development and mining work by the Company's geologists and engineers. The results of this work are evident in the discovery and building of multiple mines for the Company, and in the track record of mineral production and financial returns of the Company since 2006. Under NI43-101 the Company is required to disclose that it has not based its production decisions on NI43-101-compliant mineral resource or reserve estimates, preliminary economic assessments or feasibility studies, and historically such projects have increased uncertainty and risk of failure.

SAFETY, SOCIAL AND ENVIRONMENTAL POLICY

Exploration and mining create a physical change within the area of work. The Company believes in its responsibility to ensure that it minimizes the environmental impact of its efforts and effects reclamation on sites disturbed by its activities.

The Company has educated its employees and contract personnel to maintain high standards related to environmental and safety issues and they are continually reminded to uphold this standard. In 2016, IMPACT received recognition for its compliance to health and safety standards at the San Ramon Mine, the La Cuchara Mine and the Guadalupe mill by the Secretary of Labour and Social Welfare in Mexico. This recognition acknowledges that the Company:

- Ensured a working environment that allows effectiveness and competence.
- Emphasized a strong relationship between employees and employer.
- Reduced workplace accidents and illnesses.
- Reduced absenteeism.
- Had no fines or work stoppages.

The Company keeps community members informed of its activities and works with the community to address concerns. The employment of workers from the local communities fosters understanding, direct involvement in the Company's operations, and financial and recreational benefits to the local communities.

The Company has social, environmental and other policies related to its operations and promotes a culture for working safely. Work conducted by or on behalf of the Company is planned with a focus on safety and concern for the environment and communities. The Company has established a mine safety committee and employs a safety officer to implement and supervise the safety program. In the event of an emergency, the Company keeps a paramedic and onsite ambulance on standby. In 2017, the Company's mine rescue team competed in a safety and rescue competition for the first time and placed fifth overall.

INVESTOR RELATIONS

The Company builds investor awareness and shareholder value by conducting institutional presentations and attends investment and mining related conferences in Canada and internationally. To date this year, the Company participated in investor and mining related conferences and conducted institutional presentations. Beyond this, the Company continues to strengthen its presence via social media and online advertisements.

FINANCIAL DISCUSSION

Summary of Quarterly Results

In thousands except for earnings per share	Three months ended Sept 30					
		2018		2017		2016
Revenue	$	**3,095**	$	4,024	$	4,728
Net loss	$	**(1,449)**	$	(990)	$	(678)
Loss per share – basic and diluted	$	**(0.02)**	$	(0.01)	$	(0.01)

Net loss for the third quarter of 2018 was impacted by the following factors:

- Revenue for Q3 2018 was $3.1 million, a 23% decrease from $4.0 million in Q3 2017. Revenue per tonne sold correspondingly decreased 21% to $68.02 in Q3 2018 compared to $86.39 in Q3 2017. The decrease in revenue in the quarter was a result of lower silver grades and lower silver prices.

- Operating costs for Q3 2018 increased 14% to $4.0 million from $3.5 million in Q3 2017. With the decrease in silver prices and cost reductions still being implemented, the concentrate inventory was written down to net realizable value resulting in an additional expense of $0.2 million for the quarter. Inflation has also resulted in cost increases specifically in regard to wages, subcontractors, diesel and electricity.

- Direct costs per tonne at the Guadalupe mill for Q3 2018 were $88.71 compared to $73.66 in Q3 2017 in part due to the decrease in production. The Company continues to focus on further cost reductions.

- Mine operating loss was $1.3 million in Q3 2018 compared to $0.2 million in the third quarter of 2017. Amortization and depletion expenses decreased to $0.4 million during the third quarter of 2018 from $0.7 million in the comparable quarter of 2017.

- General and administrative costs decreased to $0.3 million in Q3 2018 from $0.7 million in Q3 2017, due to a decrease of $0.4 million in share-based compensation expense.

- Foreign exchange loss was $0.2 million in Q3 2018 compared $0.1 million in Q3 2017.

- The Company had deferred and current income tax recovery of $0.4 million in the third quarter of 2018 and compared to $0.1 million in Q3 2017.

Summary of Year to Date Results

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

In thousands except for earnings per share	Nine months ended September 30					
		2018		2017		2016
Revenue	$	**10,080**	$	12,216	$	12,884
Net loss	$	**(2,976)**	$	(2,369)	$	(1,136)
Loss per share – basic and diluted	$	**(0.03)**	$	(0.03)	$	(0.01)

Net loss for the nine months of 2018 was impacted by the following factors:

- The Company earned revenue of $10.1 million during the nine months ended September 30, 2018 compared to $12.2 million in the comparable period of 2017. This decrease was mainly due to weaker silver prices and lower silver grades.

- Revenue per tonne sold was $73.59 in the first nine months of 2018 from $85.73 in the comparable period of 2017.

- Operating expenses were $11.4 million in the nine months ended September 30, 2018 from 2017 operating expenses of $10.9 million. In Q3 2018, the concentrate inventory was written down to net realizable value resulting in an additional expense of $0.2 million. Inflation has also resulted in cost increases specifically in regard to wages, subcontractors, diesel and electricity. The Company will continue to focus on controlling costs, with a specific focus on variable costs, to help offset lower grades, production levels and silver prices. Direct costs per tonne at the Guadalupe mill for the nine months ended September 30, 2018 were $81.54, compared to $75.79 in 2017.

- Mine operating loss was $2.5 million for the nine months ended September 30, 2018 compared to $0.5 million in the same period of 2017. Amortization and depletion expenses decreased to $1.2 million for the first nine months of 2018 from $1.8 million in the comparable period of 2017.

- General and administrative costs decreased to $1.0 million for the nine months ended September 30, 2018 from $1.8 million in comparable period of 2017, due to a decrease of $0.7 million in share-based compensation expense and nominal decreases in various other administrative costs as a result of cost controls.

- The Company had a $0.3 million foreign exchange loss in the nine months ended September 30, 2018 compared to a $0.6 million loss in the same period of last year.

- The Company had deferred and current income taxes recovery in the nine months ended September 30, 2018 of $0.8 million compared to $0.2 million in the comparable period of 2017.

- In Q2 2017, the Company completed the sale of its non-active Zacatecas assets (200 tpd mill, 14 hectares surface rights and 10 mineral concessions) to Endeavour Silver Corp. The Company recorded a gain of $0.3 million on the transaction. There is no corresponding gain or loss in 2018.

OTHER FINANCIAL INFORMATION

Summary of Quarterly Results

The following table presents our unaudited quarterly results of operations for each of the last eight quarters.

	For the Three Months Ended ($ in thousands except for earnings per share)							
	Sep 30 2018	Jun 30 2018	Mar 31 2018	Dec 31 2017	Sep 30 2017	Jun 30 2017	Mar 31 2017	Dec 31 2016
Revenue	3,095	3,109	3,876	3,150	4,024	3,592	4,599	3,801
Net loss	(1,449)	(1,016)	(510)	(2,267)	(990)	(1,027)	(352)	(803)
Loss per share – Basic and Diluted*	(0.02)	(0.01)	(0.01)	(0.03)	(0.01)	(0.01)	0.00	(0.01)
Total assets	49,367	50,116	53,216	50,195	54,835	57,320	57,454	54,661
Total liabilities	6,568	7,166	7,198	7,212	7,107	7,308	7,064	7,029

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

Liquidity, Financial Position and Capital Resources

Working Capital and Cash Flow

The Company has cash and net working capital of $0.7 million at September 30, 2018. During the third quarter of 2018, the Company used cash flows from operating activities of $1.5 million compared to generating cash flows from operating activities of $0.2 million in the third quarter of 2017.

IMPACT continues to be strategic with its capital expenditures. During the third quarter of 2018, the Company invested $0.5 million (2017 - $0.5 million) in exploration and evaluation assets and $0.4 million (2017 - $0.5) in property, plant and equipment. The Company generated proceeds of $0.1 million on the sale of investments in the quarter (2017 - $nil).

Going Concern

The consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business as they come due into the foreseeable future.

During the nine months ended September 30, 2018, the Company incurred a net loss of $3.0 million and had cash outflows from operating activities of $2.1 million. At September 30, 2018, the Company had unrestricted cash and cash equivalents of $0.7 million, current assets of $2.9 million and working capital of $0.7 million. As IMPACT is a producing silver mining company, its performance is heavily impacted by the price of silver; therefore it is possible that internally generated cash flows may not be sufficient beyond 2018 and may affect the Company's ability to cover its working capital and capital investments.

The Company's management is currently considering and pursuing various alternatives for future financing requirements, within the context of existing market conditions. These alternatives could include, but are not limited to equity financing, debt financing or other means depending on market conditions and other relevant factors at the time. Although the Company has been successful in announcing a private placement subsequent to quarter end (see November 6, 2018 news release posted on the Company website at www.IMPACTSilver.com for details), there can be no assurance that management will continue to be successful in its efforts to finance all the activities of the Company, as there is still volatility in debt and equity capital markets and other factors which may adversely affect the Company's ability to implement a financing plan.

The risks surrounding the Company's ability to secure a source of funding together with the uncertainties over variability in commodity prices on operating cash flows cast doubt about the Company's ability to continue as a going concern. The Company's consolidated financial statements do not include the adjustments that would result if the Company is unable to continue as a going concern. These adjustments could be material.

Outstanding Share Data

The following common shares and convertible securities were outstanding at November 20, 2018:

	# of Shares	Exercise Price	Expiry Date
Issued and outstanding common shares	85,566,840		
Stock options	1,210,000	$0.55	January 6, 2019
Warrants	2,220,000	$0.90	May 26, 2019
Warrants	697,600	$0.90	June 2, 2019
Warrants	1,250,150	$0.90	June 9, 2019
Warrants	218,215	$0.90	June 16, 2019
Stock options	1,780,000	$0.98	July 27, 2021
Stock options	1,720,000	$0.35	September 20, 2022
Fully diluted	94,662,805		

All of the 4,710,000 options outstanding have vested.

FINANCIAL INSTRUMENTS AND MANAGEMENT OF FINANCIAL RISK

Financial assets and liabilities

The Company's financial instruments consist of cash, concentrate trade receivables, other receivables, investments, and trade payables. Cash and other receivables are measured at amortized cost. Concentrate trade receivables are measured at FVTPL. Investments are designated as FVTOCI and measured at fair value as determined by reference to quoted market prices. Trade payables are measured at amortized cost.

Financial instrument risk exposure

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

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk include cash, trade and other receivables and investments. The Company deposits its cash with high credit quality financial institutions as determined by ratings agencies, with the majority deposited with a Canadian Tier 1 bank. As is customary in the mining industry, the Company has entered into contracts with Mexican refining and smelting companies for the refining and sale of its silver, lead, zinc and gold contained in its lead and zinc concentrates. All contracts are with Trafigura Mexico S.A. de C.V. ("Trafigura"). As a result, the Company has a significant concentration of credit risk exposure to this company 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 ($0.7 million) and trade and other receivables ($1.8 million).

Interest rate risk

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

Currency risk

Foreign exchange rate fluctuations may affect the costs that the Company incurs in its operations. Silver, lead, zinc and gold are sold in US dollars and the Company's costs are principally in Mexican pesos and Canadian dollars. At September 30, 2018, the Company is exposed to currency risk through the cash, trade and other receivables, and trade payables held in US dollars and Mexican pesos. Based on these foreign currency exposures at September 30, 2018, a 10% depreciation or appreciation of all the above currencies against the Canadian dollar would result in an approximate $39,000 decrease or increase in the Company's net loss for the nine months ended September 30, 2018.

Commodity price risk

Due to the recent volatility in silver prices, the Company is assessing the impact and direction in silver prices over the short and long term. Should the prices decline, the Company's operating results could be adversely impacted and potentially the Company may have to recognize an impairment on the carrying value of its non-financial assets. To date, the Company has been addressing these issues with the objective of lowering production costs and mining higher grade mineralization.

The only financial instrument affected by commodity price risk for the Company is trade accounts receivable. Assuming the same rate of production, a 10% change in commodity prices from actual realized prices would have increased or decreased the Company's trade accounts receivable balance at September 30, 2018 by $0.1 million (2017 - $0.2 million).

OPERATIONAL RISK

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

POLITICAL, REGULATORY AND SECURITY ISSUES

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

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

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 have 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.

SUPPLEMENTARY INFORMATION

Revenue per tonne sold and direct costs per tonne produced are measures which the Company believes are key indicators of performance and allow for more direct comparison of revenue and costs than comparing gross amounts. These measures are calculated as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	**2018**	2017
Operating expenses	**$ 4,020,191**	$ 3,526,349	**$ 11,367,220**	$ 10,919,939
(Deduct): operating expenses for Capire	**(47,601)**	(38,732)	**(125,375)**	(132,040)
Add (deduct): inventory	**(226,410)**	71,716	**(76,713)**	258,057
Direct costs	**$ 3,746,180**	$ 3,559,333	**$ 11,165,132**	$ 11,045,956
Tonnes milled	**42,230**	48,323	**136,922**	145,750
Direct costs per tonne	**$ 88.71**	$ 73.66	**$ 81.54**	$ 75.79
Revenue	**$ 3,094,750**	$ 4,024,384	**$ 10,079,590**	$ 12,215,658
Tonnes sold	**45,497**	46,583	**136,969**	142,498
Revenue per tonne sold	**$ 68.02**	$ 86.39	**$ 73.59**	$ 85.73

NON-IFRS MEASURES

The non-IFRS measures presented do not have any standardized meaning prescribed by IFRS and are therefore unlikely to be directly comparable to similar measures presented by other issuers. The data presented is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. The Company uses both IFRS and non-IFRS measures to assess performance and believes the non-IFRS measures provide useful information to investors to help in evaluating the Company's performance. Following are the non-IFRS measures the Company uses in assessing performance:

Mine operating earnings (loss) before amortization and depletion is a measure which the Company believes provides additional information regarding how the Company's operations are performing. This measure is calculated as revenue less operating expenses, excluding amortization and depletion.

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	**2018**	2017
Revenue	**$ 3,094,750**	$ 4,024,384	**$ 10,079,590**	$ 12,215,658
Operating expenses	**4,020,191**	3,526,349	**11,367,220**	10,919,939
Mine operating earnings before amortization and depletion	**$ (925,441)**	$ 498,035	**$ (1,287,630)**	$ 1,295,719

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

NOTE REGARDING FORWARD–LOOKING STATEMENTS

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

The factors that could cause actual results to differ materially include, but are not limited to, the following: general economic conditions; changes in financial markets; the impact of exchange rates; political conditions and developments in countries in which the Company operates; changes in the supply, demand and pricing of the metal commodities which the Company mines or hopes to find and successfully mine; changes in regulatory requirements impacting the Company's operations; the ability to properly and efficiently staff the Company's operations; the sufficiency of current working capital and the estimated cost and availability of funding for the continued exploration and development of the Company's exploration properties. This list is not exhaustive and these and other factors should be considered carefully, and readers should not place undue reliance on the Company's forward-looking statements. As a result of the foregoing and other factors, no assurance can be given as to any such future results, levels of activity or achievements and neither the Company nor any other person assumes responsibility for the accuracy and completeness of these forward-looking statements.

Additional information relating to IMPACT is on the Company website at www.IMPACTSilver.com and on SEDAR at www.sedar.com.

On behalf of the Board of Directors,

"Frederick W. Davidson"

President and Chief Executive Officer

November 20, 2018