

IMPACT Silver Corp.
Form 51-102F1
Management's Discussion and Analysis
For the Three and Twelve Months Ended December 31, 2015

INTRODUCTION

This Management's Discussion and Analysis ("MD&A") is for the three and twelve months ended December 31, 2015 of IMPACT Silver Corp. ("IMPACT" or the "Company") prepared as at March 14, 2016 and should be read in conjunction with the Company's annual audited consolidated financial statements for the year ended December 31, 2015 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

In January 2016, IMPACT celebrated 10 years of continuous production at the Royal Mines of Zacualpan Silver District culminating in a record-breaking year of production in 2015. IMPACT controls the majority of two large mineral districts totalling 357 km² in central Mexico: the **Royal Mines of Zacualpan Silver District** and the **Capire-Mamatla Mineral District** adjacent to and southwest of Zacualpan. Over the last 10 years, the Company has provided new investment, talent and leadership to build up the operations and find efficiencies with upgraded equipment and expanded mill facilities. The Company has carried out programs of exploration, development and mine production at both districts. IMPACT has brought five sites from exploration drilling to development and profitable mining, including all mines currently in production. The Company now processes 467 tonnes per day ("tpd") of mill feed containing silver, gold, lead and zinc at its Guadalupe processing plant, up from 187 tonnes per day in 2006.

To address the changes in economics due to low silver prices, IMPACT upgraded its development and mining operations. The results became apparent over the last twelve months. The Company has been sourcing superior grade feed from its mines to ensure production remains economical. Today, operations at the Royal Mines of Zacualpan produce from markedly higher silver grades with lower costs, greater efficiency and higher tonnage throughput than just a year ago. This is a notable achievement by the entire IMPACT team, and it puts the Company on more solid footing. The Company also reduced lower priority work, laid off related personnel and substantially cut back exploration expenditures.

Between mid-2013 and early 2014, the Company also operated the 200-tpd Capire Pilot Plant, located 16 kilometers to the southwest of the Guadalupe Production Center, as a test processing plant. The work performed has increased the Company's knowledge about the metallurgy of mineral in both districts and has helped define the operating costs at Capire. In 2014, the Capire operations were put on care and maintenance to further reduce expenditures.

The Company has no long term debt and its operations are primarily funded by production revenues. If the price of silver remains at current low levels, the Company may consider opportunities to improve its balance sheet and fund future developments through financing and/or acquisition or merger.

The Company's primary plan in 2016 at Zacualpan is a continuation of its 2015 initiatives which were:

1. Continue to upgrade silver production by expanding production from higher grade zones in the San Ramon Deeps Mine and the Mirasol Mine and accessing medium grade mineral from lower cost stopes in the Cuchara-Oscar Mine. This has provided the highest average mill grades in the last four years.
2. Continue to focus a substantially reduced exploration program on identification and definition of additional high grade mineral near the producing mines and processing plant.
3. Increase cash flows through continued improvements in grade and cost controls and optimize operating controls.

To date the Company has been largely successful in advancing and achieving these initiatives.

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

OVERVIEW FOR THE THREE AND THE YEAR ENDED DECEMBER 31, 2015

Financial Overview

- Revenues for the fourth quarter were \$3.9 million (2014 - \$3.1 million), and year-to-date were \$14.6 million (2014 - \$12.0 million). The 22% increase was due to significantly higher grade mineral being processed as well as greater production tonnage.
- Earnings before interest, taxes, depreciation and amortization (EBITDA¹) were \$0.4 million for the current year compared to a \$2.0 million loss in 2014.
- The Company generated net earnings of \$0.2 million in the fourth quarter of 2015, in spite of a \$0.6 million write-down in exploration and evaluation assets, compared to a net loss of \$0.6 million in the same quarter last year with no corresponding write-down. Net loss was \$1.4 million for 2015, of which non-cash items included \$2.1 million in amortization and depletion, compared to a \$3.5 million net loss in the prior year, of which non-cash items included \$2.6 million in amortization and depletion.
- Mine operating earnings before amortization and depletion² were \$2.3 million for the Guadalupe mill for the current year compared to \$0.7 million last year due to mining more tonnes of higher grade, despite lower silver prices.
- Cash flows generated from operations were \$1.0 million for the fourth quarter of 2015 (2014 - \$(0.1) million) and were \$2.4 million for the year (2014 - \$(0.7) million). Cash flows generated from operations before changes in non-cash working capital³ were \$0.9 million during the fourth quarter of 2015 (2014 - \$(0.9) million) and were \$1.0 million for the year (2014 - \$(2.1) million).
- Capital expenditures during the year included exploration and evaluation asset expenditures of \$2.2 million, compared to \$2.9 million in 2014. At December 31, 2015, cash was \$0.7 million and net working capital was \$2.9 million.

¹ EBITDA is a non-IFRS measure which the Company believes provides meaningful information about the Company's financial performance.

² Mine operating earnings / loss before amortization and depletion is a non-IFRS measure which the Company believes provides a useful indicator of how the Company's operations are performing.

³ Cash flows from operations before changes in non-cash working capital is a non-IFRS measure which the Company believes provides a useful indicator of the Company's ability to generate cash flows from its mining operations.

See "NON-IFRS MEASURES" for additional information

Production Overview

- Silver production was 233,740 ounces for the fourth quarter of 2015, up 9% from 213,928 ounces in the same period of 2014. Annual production was the highest in the Company's history at 950,059 ounces in 2015, a 31% increase from 725,733 ounces in 2014.
- Average mill feed grade for silver in 2015 was 193 grams per tonne (g/t), an increase of 21% compared to 159 g/t in 2014. This is the highest average grade achieved in the last four years.
- Total tonnes milled for the year increased 5% to 170,509 from 162,266 in 2014, raising production to 467 tonnes per day in 2015 from 445 tonnes per day in 2014.

PRODUCTION AND SALES: GUADALUPE MILL

	For the Three Months Ended December 31			For the Twelve Months Ended December 31		
	2015	2014	% Change	2015	2014	% Change
Total tonnes (t) milled	42,328	41,803	+1%	170,509	162,266	+5%
Tonnes produced per day	460	454	+1%	467	445	+5%
Silver production (oz)	233,740	213,928	+9%	950,059	725,733	+31%
Lead production (t)	116	137	-15%	450	606	-26%
Zinc production (t)	78	76	+3%	266	509	-48%
Gold production (oz)	111	187	-41%	495	989	-50%
Silver sales (oz)	241,386	221,684	+9%	964,516	701,878	+37%
Lead sales (t)	116	139	-17%	457	596	-23%
Zinc sales (t)	104	71	+46%	277	454	-39%
Gold sales (oz)	109	168	-35%	522	971	-46%
Average mill head grade –silver g/t	190	180	+6%	193	159	+21%
Revenue per tonne sold ⁴	\$91.68	\$68.75	+33%	\$84.96	\$74.17	+15%
Direct costs per production tonne ⁴	\$75.25	\$67.64	+11%	\$71.84	\$69.26	+4%

*Table excludes Capire mine production

Production and Sales Highlights for the Three and Twelve Months Ended December 31

In 2015, the Company increased tonnes milled to 170,509 compared to 162,266 last year. Production tonnes are being drawn from several mines with different feed grades; therefore mine production can vary from quarter to quarter. The average mill head silver grade increased to 190 g/t in the fourth quarter from 180 g/t in the same quarter last year. The continued higher grade mineralization from San Ramon Deeps and Mirasol resulted in a 21% increase in average grade in 2015 at 193 g/t, compared to 159 g/t in 2014.

Silver sales were 241,386 ounces in the fourth quarter of 2015, a 9% increase from the 221,684 ounces sold in the same period in 2014. Silver sales for the year increased 37% to 964,516 ounces in 2015 from

⁴ Revenue per tonne sold and direct costs per production tonne are non-IFRS measures which the Company believes provides useful information on revenues and direct costs. See "NON-IFRS MEASURES". The comparative 2014 figures have been adjusted to reflect the policy adopted in the second quarter of 2014 to report inventory adjustments as part of Operating Expenses.

701,878 ounces in 2014. Silver prices continue to be low, with the average for the year down 18% from the previous year. Despite the lower prices, increases in both the grade and sales resulted in raising the Company's revenues to \$84.96 per tonne in 2015 from \$74.17 per tonne in 2014.

MINE PRODUCTION

Royal Mines of Zacualpan District

Since acquisition of the Royal Mines of Zacualpan, there has been extensive work done to upgrade operations and expand production. Expansion of the tailings capacity is an ongoing process, and the costs are expensed as incurred and not capitalized. 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 design and permitting.

San Ramon Deeps Silver Mine

The San Ramon Mine is located 5 kilometers south of the Guadalupe mill. San Ramon has been a significant contributor to production since 2008, but in early 2014 grades dropped with depth and production decreased. During 2014, underground drilling from the bottom levels of the mine discovered new high grade silver zones in the nearby San Ramon Deeps area, and mining of this area began in Q3-2014. It has been the main source of the increase in average overall mined silver grade since then. During the fourth quarter of 2015, the San Ramon Deeps Mine provided 39% (Q4 2014 – 29%) of feed to the Guadalupe mill. To date this vein has been exposed in mine workings on Levels 16.5, 18, 19, 20 and 21 over a length of 180 meters and widths of 2 to 17 meters. Diluted mining grades at San Ramon during the quarter ranged from 198 to 247 g/t silver. Underground drilling to date has outlined the vein over a vertical distance of 10 to 55 meters below the current mine workings, mainly near the northern portion of the vein. During 2015 and subsequent to year end, additional high grade drill intersections were announced (see EXPLORATION below for details). IMPACT has expanded the main mine ramp to better access the zone and to increase monthly tonnages of high grade silver mineral extracted from the mine. The aim is to continue increasing overall silver grades and silver production ounces at the Guadalupe mill.

Cuchara-Oscar Silver Mine

The Cuchara-Oscar Mine is located 2.5 kilometers east of the Guadalupe mill and commenced production in the first quarter of 2013. During the fourth quarter of 2015, the Cuchara-Oscar Mine provided 45% (Q4 2014 – 53%) of feed to the Guadalupe mill. The mine contributes a silver-lead-zinc feed from a corridor of veins. Current production is from the Marqueza, Santa Lucia and Oscar veins. There are plans to mine other nearby veins as the mine develops. Diluted mining grades at Cuchara-Oscar during the quarter ranged from 137 to 171 g/t silver.

Mirasol Silver Mine

The Mirasol Mine is located 5.5 kilometers southeast of the Guadalupe mill, and mining began in Q3-2014. During the fourth quarter of 2015, Mirasol contributed 15% (Q4 2014 – 4%) of silver-rich feed to the Guadalupe mill. Diluted mining grades at Mirasol during the quarter ranged from 176 to 179 g/t silver.

Gallega Mine

The Gallega Mine is located less than one kilometer from the Guadalupe mill and is mined intermittently to provide modest tonnages of supplementary silver feed to the plant. During the fourth quarter of 2015, the Gallega mine provided no mill feed (Q4 2014 – 14%) to the Guadalupe mill.

Noche Buena-Carlos Pacheco Mine

Noche Buena is located four kilometers southwest of the Guadalupe mill and commenced production in the first quarter of 2010. The mine produced from three different sets of veins – silver veins in the Noche

Buena portion of the mine to the west (now mined out), gold-silver-copper veins in the Carlos Pacheco portion of the mine 170 meters to the east (available for future mining), and lead-zinc-silver veins from the Upper San Juan Zone to the north (now mined out). In August 2014, the Noche Buena-Carlos Pacheco Mine was put on standby as equipment and labour were transferred to expand mining of higher grade zones at the San Ramon, Mirasol and Cuchara-Oscar Mines. The mine workings are being maintained and dewatered so production can readily restart when needed.

Capire Processing Plant and Mine

Capire is located 16 kilometers southwest of the Guadalupe Production Center. It is a volcanogenic massive sulphide (“VMS”) base and precious metal deposit. VMS mineralization in the Capire-Mamatla district is predominantly silver-rich with zinc and lead credits. The district covers the same stratigraphy as the Campo Morado VMS belt where Nyrstar NV (formerly Farallon Resources) mined the G-9 VMS deposit (5.57 million tonnes grading 7.3% zinc, 1.0% lead, 1.3% copper, 186 g/t silver and 2.8g/t gold). The G-9 VMS deposit is located along trend, 45 kilometers southwest of Capire. The Capire plant is currently on care and maintenance.

In Q1-2013, IMPACT announced the commissioning of the new Capire open pit mine and completion 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. 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. 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. Test operations ended during Q2-2014. 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. As a result, there was higher gold production at Guadalupe during the first half of 2014.

New 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 current Canadian Institute of Mining, Metallurgy and Petroleum (“CIM”) standards, definitions and guidelines. The resources were estimated by inverse distance cubed (“ID³”) and checked the estimate with inverse distance to the 4th power, kriging, and nearest neighbour. The Capire database was audited in its entirety and has 20,273 assays of silver, gold and lead and zinc collected from 376 exploration drill holes. There are also 889 samples with density measurements in the Capire database. MDA worked with the data on sections spaced 20 meters apart. During that work, MDA found the geology and analytical data to support each other and to present a qualitatively reasonable set of drill data. 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 considers 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. Quality Assurance/Quality Control (“QA/QC”) protocols were carried out to assess the quality of the drilling assay results and the confidence that can be placed in the assay data. The QA/QC data available at Capire demonstrate the analytical data are sufficient to be used in estimating Inferred resources. The drill spacing is tighter in the central area. Overall the average distance to the nearest composite sample is 20m (less in the central area), and the average distance to all composites used in the estimation is 40m (less in the central area). Three separate drill-hole database and composite files were built, one for each of silver, zinc and lead. Each drill-hole database was composited to three-meter lengths respecting each metal’s domain and the alluvium contacts. Samples from the open pit mining blast-holes and samples logged as alluvium were excluded from compositing. There was no minimum width for compositing because the composites are length-weighted during grade estimation. This new mineral resource is based on improved geological and structural modeling over the

previous 2011 mineral resource. MDA used this new geologic interpretation as the foundation for building mineral domains for silver, zinc and lead. Those domains followed the sedimentary/ volcanic package contacts and respected the structural deformation defined within the sedimentary package. The interpretations were made as polygons digitized on the same 20m-spaced sections. The polygons were extruded halfway to adjacent sections to obtain a volume for model coding and controlling the estimate. The extrusion of these polygons, rather than snapped-in-3D polygons and constructing solids or solid equivalents, was done at the request of IMPACT to reduce work and reduce the time to completion. That was a principal reason for the Inferred classification, which could otherwise have been higher with minor additional work. Statistics by each domain for each metal and by domain were evaluated and in part used to determine capping levels. Capping levels were determined for each metal in each domain, using quantile plots and considering coefficients of variation.

The differences between the previous 2011 publically reported tonnes and grade at Capire and those reported as the current resources here are substantial. The Base Case resources reported in this new estimate are much smaller than those previously reported, in part because the current resources were estimated with tighter constraints, both geostatistical and geological, and in part because they lie within an optimized pit shell and exclude additional mineralization lying at deeper levels. Much of this deeper mineralization was included in the 2011 estimate. That deep mineralization may be available for potential underground development, but that option remains to be studied and is not included in the current resource tabulation.

EXPLORATION

Mines on epithermal veins that were discovered and built by the IMPACT team include the Cuchara-Oscar Silver Mine (currently in operation), San Ramon Deeps Silver Mine (currently in operation), Mirasol Silver Mine (currently in operation), 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 Capire VMS open pit mine (on care and maintenance). Exploration is continuing with the goal of finding and developing new mines for the Company. During 2015 and subsequent to year end exploration highlights were as follows:

San Ramon Deeps Drilling Results

During the Q1-2015, IMPACT announced underground drill results from the San Ramon Deeps Zone which included 1,025 g/t silver over 2.84 meters within 552 g/t silver over 5.80 meters, and 647 g/t silver over 1.49 meters within 278 g/t silver over 6.50 meters. Subsequent to year end, IMPACT announced additional high grade results from San Ramon Deeps underground drilling including 425 g/t silver over 7.89 meters and 319 g/t silver over 4.08 meters. Drilling is continuing.

Exploration Field Work

IMPACT employs field crews dedicated to finding and bringing new mineral prospects to the drilling stage. These crews have been sampling some of the 4,500+ old mine workings and prospects in the districts. They have also trenched areas of mineralization and carried out extensive soil sampling on 100-meter x 25-meter grids. During the quarter, fieldwork in the form of detailed geological mapping and rock sampling in old mine workings was mainly focused on larger and higher grade target areas close to current mines and infrastructure at Alacran North. 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.

Veta Grande (Zacatecas) Silver Project, Mexico

The Zacatecas project consists of a 200-tpd mill and 13 mineral concessions in the Zacatecas Silver District located 500 kilometers northwest of Mexico City. There is good infrastructure throughout the district which consists of road networks, electric power and a trained work force. Since 2007 intermittent exploration was carried out on several of the 13 mineral concessions located within the district. The Zacatecas project is currently on care and maintenance.

FUTURE PLANS

Mining Plans

Plans are to continue to expand production at the San Ramon Deeps and Mirasol Mines to take advantage of higher grades in response to low metal prices. The Company plans to continue increasing production from these higher grade zones to increase overall silver production. In the longer term, management also intends to produce gold and copper from Carlos Pacheco South and San Juan, and to re-evaluate the Capire open pit silver mine when silver prices improve.

Exploration Plans

The Company will continue exploration with the goal of putting some of the 4,500+ compiled old mine workings in the Zacualpan and Capire districts on a faster track to potential production and build mineral inventories for mining. Currently, exploration work is focused on larger and higher grade targets close to current production areas at Alacran North.

IMPACT has a track record of successful exploration and rapid mine development. The Company's long term vision sees potential for establishing 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 under the meaning of Canadian National Instrument 43-101, is responsible for the technical information in this MD&A for the Royal Mines of Zacualpan Silver Project, the Capire-Mamatla Mineral District (except the mineral resources) and the Veta Grande (Zacatecas) Silver Project. 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 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 these standards. 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 benefits to the local communities including the development of recreational areas and parks. The Company retains a Community Relations Officer to ensure open communications.

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 emergencies, the Company keeps a paramedic and onsite ambulance on standby.

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. In 2015 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 loss per share	Three months ended December 31		
	2015	2014	2013
Revenues	\$ 3,883	\$ 3,132	\$ 3,035
EBITDA ⁵	\$ 384	\$ (745)	\$ (2,930)
Net income (loss)	\$ 168	\$ (598)	\$ (4,699)
Loss per share – basic and diluted	\$ 0.00	\$ (0.01)	\$ (0.07)

Net earnings for the fourth quarter 2015 were impacted by the following factors:

- For the three months ended December 31, 2015, the Company's mine operating earnings were \$0.2 million compared to a loss of \$0.6 million in the same period of 2014, with revenues of \$3.9 million in 2015 compared to \$3.1 million in 2014.
- Silver production was 233,740 ounces during the fourth quarter of 2015, representing a 9% increase from 213,928 ounces produced within the same period in 2014.
- Revenue per tonne sold increased 33% from \$68.75 in the fourth quarter of 2014 to \$91.68 in the comparable period of 2015 as a result of the increase in average silver grade and silver sales, and even with the decrease in silver price between the two periods. As silver sales account for the majority of the Company's revenues, the changes in lead, zinc and gold prices and production did not significantly affect mine operating income.
- Direct costs per tonne at the Guadalupe mill for the three months ended December 31, 2015 were \$75.25 compared to \$67.64 in 2014. Operating expenses for the Guadalupe mill increased slightly to \$3.2 million in the fourth quarter of 2015 compared to \$3.1 million in the fourth quarter of 2014. Amortization and depletion expenses were steady at \$0.5 million during the quarter ended December 31, 2015 compared to the same quarter of the previous year.
- General and administrative costs decreased to \$0.3 million in the fourth quarter of 2015 from \$0.4 million in the fourth quarter of 2014, as the Company continues to closely manage its administrative costs.

⁵ EBITDA (earnings before interest, taxes, depreciation and amortization) is a non-IFRS measure which the Company believes provides meaningful information about the Company's financial performance. See "NON-IFRS MEASURES".

- The Company had a \$0.6 million foreign exchange gain in the fourth quarter of 2015 compared to a \$0.3 million loss in the same period of last year.
- The Company wrote down its exploration and evaluation assets by \$0.6 million in the fourth quarter of 2015 mainly relating to concessions that were abandoned. There was no corresponding write down in 2014.

Summary of Year to Date Results

\$ in thousands except for loss per share	Twelve months ended December 31		
	2015	2014	2013
Revenues	\$ 14,638	\$ 12,009	\$ 14,106
EBITDA ⁶	\$ 403	\$ (2,018)	\$ (4,753)
Net loss	\$ (1,428)	\$ (3,487)	\$ (8,519)
Loss per share – basic and diluted	\$ (0.02)	\$ (0.05)	\$ (0.13)

Net loss for the year ended December 31, 2015 was impacted by the following factors:

- The Company's mine operating loss improved significantly to \$0.1 million from a loss of \$2.6 million in the same period of 2014, with an improvement in revenues of \$14.6 million in 2015 compared to \$12.0 million in 2014.
- Silver production was a record high 950,059 ounces during 2015, representing a 31% increase from 725,733 ounces produced in 2014.
- Revenue per tonne sold increased 15% from \$74.17 in 2014 to \$84.96 in 2015, as a result of significantly higher mine grades and increased sales.
- Direct costs per tonne at the Guadalupe mill for 2015 were \$71.84, compared to \$69.26 in 2014. Operating expenses for the Guadalupe mill increased 11% to \$12.3 million in the year ended December 31, 2015 compared to \$11.1 million in the same period of 2014 due to increased production tonnage, wage increases paid under a new union contract and higher contractor trucking costs. Amortization and depletion expenses decreased to \$2.1 million during the year from \$2.5 million in the previous year.
- General and administrative costs decreased to \$1.6 million in 2015 from \$1.8 million in 2014, as a result of having no share based payment expenses in the current year, as well as having reduced accounting and audit, investor relations and office costs in 2015.
- The Company had a \$0.1 million foreign exchange gain in the year ended December 31, 2015 compared to a \$0.4 million loss last year.
- The Company received \$0.1 million in interest income in the first quarter of 2015 as a result of an outstanding settlement with the Mexican government.
- As part of Mexican tax regulations, the government applies an inflation adjustment when calculating the present value of value added tax to be refunded or applied. As a result, the Company recognized other income of \$0.4 million in 2015 relating to the collection and application of value added taxes in Mexico. There were no corresponding transactions in 2014.

⁶ EBITDA (earnings before interest, taxes, depreciation and amortization) is a non-IFRS measure which the Company believes provides meaningful information about the Company's financial performance. See "NON-IFRS MEASURES".

- The Company wrote down its exploration and evaluation assets by \$0.6 million in 2015 mainly relating to concessions that were abandoned. There was no corresponding write down in 2014.
- Deferred and current income tax recoveries in 2015 were \$0.2 million compared to recoveries of \$1.1 million in the comparable period of 2014.

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)							
	Dec 31 2015	Sep 30 2015	Jun 30 2015	Mar 31 2015	Dec 31 2014	Sep 30 2014	Jun 30 2014	Mar 31 2014
Revenues	3,882	4,108	2,735	3,912	3,132	3,363	2,552	2,962
Net earnings (loss)	168	(270)	(1,046)	(281)	(598)	(600)	(1,024)	(1,264)
Loss per share – Basic and Diluted*	0.00	0.00	(0.02)	0.00	(0.01)	(0.01)	(0.02)	(0.02)
Total assets	58,038	57,834	57,571	61,365	58,061	61,758	61,634	64,536
Total liabilities	8,792	8,837	8,441	9,226	8,316	8,998	9,045	9,200

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

Liquidity, Financial Position and Capital Resources

Working Capital and Cash Flow

The Company had \$0.7 million in cash and net working capital of \$2.9 million at December 31, 2015.

The Company generated cash flows from operations before changes in non-cash working capital⁷ of \$0.9 million during the fourth quarter of 2015. For the same period of 2014, the Company used cash flows from operations before changes in non-cash working capital of \$0.9 million. For the year ended December 31, 2015, the Company generated cash flows from operations before changes in non-cash working capital of \$1.0 million compared to cash flows used in operations before changes in non-cash working capital of \$2.1 million in 2014. During the year, the Company collected \$1.0 million in value added taxes receivable from the Mexican government, and is continuing to recover additional amounts receivable.

The Company also continues to be strategic with its investing and exploration activities as it aims to stay cash flow positive. In the fourth quarter of 2015 cash flows used in investing activities were \$0.5 million, compared to \$0.6 million in the fourth quarter of 2014. The Company invested \$2.2 million in development and exploration and capital additions (net of proceeds on sale of assets) throughout 2015 compared to \$3.1 million in the same period of 2014.

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

⁷ Cash flows from operations before changes in non-cash working capital is a non-IFRS measure which the Company believes provides a useful indicator of the Company's ability to generate cash flows from its mining operations. See "NON-IFRS MEASURES".

as they come due into the foreseeable future.

During 2015, the Company improved its net loss position to \$1.4 million from a net loss of \$3.5 million incurred in 2014. The Company generated cash flows from operating activities of \$2.4 million in 2015 compared to cash outflows from operating activities of \$0.7 million in 2014. At December 31, 2015, the Company had unrestricted cash of \$0.7 million, current assets of \$5.8 million and working capital of \$2.9 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 2016 and may impact 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. There can be no assurance that management will be successful in its efforts to finance all the activities of the Company, as volatility in debt and equity capital markets and other factors may impact 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 significant 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. Such adjustments could be material.

Outstanding Share Data

The following common shares and convertible securities were outstanding at March 14, 2016:

	# of Shares	Exercise Price	Expiry Date
Issued and outstanding common shares	68,128,244		
Stock options	1,660,000	\$1.85	September 26, 2016
Stock options	1,995,000	\$1.20	January 22, 2018
Stock options	1,210,000	\$0.55	January 6, 2019
Fully diluted	<u>72,993,244</u>		

All of the 4,865,000 options outstanding have vested at March 14, 2016.

Related Party Transactions

Energold Drilling Corp. ("Energold") owns 6,980,001 shares of the Company. Energold is considered a related party due to management and directors in common.

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, 2015, no fees (2014 – \$0.2 million) were incurred to Energold for contract drilling services performed in Mexico at the Zacualpan and Capire concessions. Office services fees of \$265,500 were incurred to Energold Drilling Corp. during the year ended December 31, 2015 (2014 - \$300,000). At December 31, 2015, the balance owed to Energold was \$1.5 million (December 31, 2014 - \$1.4 million). Monies owed to Energold are unsecured, 4% interest bearing and repayable on demand.

FINANCIAL INSTRUMENTS AND MANAGEMENT OF FINANCIAL RISK

Financial assets and liabilities

The Company's financial instruments consist of cash, trade and other receivables, investments, and trade payables. The Company has designated cash and trade receivables as loans and receivables which are measured at amortized cost. Investments are designated as available for sale and measured at fair value as determined by reference to quoted market prices. Trade payables are designated as other liabilities which are measured at amortized cost. At December 31, 2015 investments were classified as Level 1 on the fair value hierarchy of IFRS 13 - Financial Instruments - Disclosures.

Financial instrument risk exposure

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

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk include cash, trade and other receivables and investments. The Company deposits its cash with high credit quality financial institutions as determined by ratings agencies, with the majority deposited with a Canadian Tier 1 bank. As is customary in the mining industry, the Company has entered into contracts with Mexican refining and smelting companies for the refining and sale of its silver, lead, zinc and gold contained in its lead and zinc concentrates. All contracts are with Met-Mex Penoles, S.A. de C.V. ("Penoles"), Trafigura Mexico, S.A. De C.V. ("Trafigura"), and MRI Trading AG ("MRI"). As a result, the Company has a significant concentration of credit risk exposure to these companies at any one time, but is satisfied that these companies have an adequate credit rating as determined by Standard and Poor's. The Company's maximum exposure to credit risk at the reporting date of December 31, 2015 is the carrying value of its cash (\$0.7 million), trade and other receivables (\$4.0 million), which includes value added and other taxes receivable in the amount of \$2.2 million and is subject to government review and regulatory changes.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due. Please refer to the going concern discussion above. The Company manages liquidity by maintaining cash balances available to meet its anticipated operational needs. The Company has not been required to establish committed credit facilities but will do so as necessary. Liquidity requirements are managed based on expected cash flow to ensure that there is adequate capital to meet short-term and long-term obligations. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis and its growth plans. At December 31, 2015, the Company did not have any significant debt obligations.

Interest rate risk

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

Currency risk

Foreign exchange rate fluctuations may affect the costs that the Company incurs in its operations. Silver, lead, zinc and gold are sold in U.S. dollars, and the Company's costs are principally in Mexican pesos and Canadian dollars. At December 31, 2015, the Company is exposed to currency risk through the cash, trade and other receivables, trade payables and due to related party held in U.S. dollars and Mexican pesos. Based on these foreign currency exposures at December 31, 2015, a 10% depreciation or appreciation of all the above currencies against the Canadian dollar would result in an approximate \$0.04 million decrease or increase in the Company's net loss for the year ended December 31, 2015.

Commodity price risk

The Company is continuing to assess whether the decline in silver prices is medium or long term in nature. Should the prices continue to decline, the Company's operating results will be adversely impacted and potentially the Company may have to recognize an impairment on the carrying value of its non-financial assets. 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 as at December 31, 2015 as follows:

		2015		2014
Silver price	\$	-	\$	69,000

OPERATIONAL RISK

The profitability and operating cash flow of the Company are affected by numerous factors, including but not limited to, the tonnes and grade of material mined and milled, the amount of metal concentrates produced, the level of operating costs, and general and administrative charges. Operating results are also influenced by factors over which the Company has less direct control, such as refining and smelting charges and 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 the area of 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 has approved the financial statements and the disclosure contained in this MD&A. A copy of this MD&A will be provided to anyone who requests it.

NON-IFRS MEASURES

The 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:

EBITDA is defined as net income before interest, taxes, depreciation, depletion and amortization. The Company considers this measure to be a meaningful supplement to net income as a performance measurement.

	For the Three Months Ended December 31		For the Twelve Months Ended December 31	
	2015	2014	2015	2014
Net earnings (loss)	\$ 168,212	\$ (598,406)	\$ (1,427,838)	\$ (3,486,754)
Add: Finance cost	20,228	5,854	55,522	24,209
Current income tax expense	105,081	74,002	122,257	74,002
Deferred income tax recovery	(384,344)	(750,315)	(353,664)	(1,217,391)
Amortization	474,789	516,074	2,139,600	2,588,024
Less: Finance Income	(131)	8,196	(133,261)	-
Earnings (loss) before interest, taxes, depreciation and amortization	\$ 383,835	\$ (744,595)	\$ 402,616	\$ (2,017,910)

Mine operating earnings / loss before amortization and depletion is a measure which the Company believes provides a useful indicator of how the Company's operations are performing. This measure is calculated as Revenues less Operating expenses, excluding amortization and depletion.

In thousands	For the Three Months Ended December 31					
	2015			2014		
	Guadalupe	Capire	Total	Guadalupe	Capire	Total
Revenues	\$ 3,883	\$ -	\$ 3,883	\$ 3,132	\$ -	\$ 3,132
Operating expenses	(3,170)	(83)	(3,253)	(3,078)	(100)	(3,178)
Mine operating earnings (loss) before amortization and depletion	\$ 713	\$ (83)	\$ 630	\$ 54	\$ (100)	\$ (46)

In thousands	For the Twelve Months Ended December 31					
	2015			2014		
	Guadalupe	Capire	Total	Guadalupe	Capire	Total
Revenues	\$ 14,638	\$ -	\$ 14,638	\$ 11,813	\$ 196	\$ 12,009
Operating expenses	(12,339)	(292)	(12,631)	(11,074)	(960)	(12,034)
Mine operating earnings (loss) before amortization and depletion	\$ 2,299	\$ (292)	\$ 2,007	\$ 739	\$ (764)	\$ (25)

Cash flows from operations before changes in non-cash working capital is a measure which the Company believes provides a useful indicator of the Company's ability to generate cash flows from its mining operations. A reconciliation of cash flows from operating activities to cash flows from operations before changes in non-cash working capital is presented below:

	For the Three Months Ended December 31		For the Twelve Months Ended December 31	
	2015	2014	2015	2014
Cash flows from operating activities	\$ 1,030,488	\$ (77,429)	\$ 2,445,178	\$ (688,654)
Add (deduct) changes in non-cash working capital:				
Trade and other receivables	(222,582)	192,024	(1,310,008)	(404,986)
Income taxes receivable	(115,880)	(286,786)	(76,788)	(270,743)
Inventories	121,999	(267,464)	176,843	(119,139)
Trade payables	213,673	(355,900)	46,710	(175,276)
Income taxes payable	(195,001)	-	(230,618)	-
Due to related party	41,567	(55,159)	(67,471)	(451,271)
Cash flows from operations before changes in non-cash working capital	\$ 874,264	\$ (850,714)	\$ 983,846	\$ (2,110,069)

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 revenues and costs than comparing gross amounts. These measures are calculated as follows:

	For the Three Months Ended December 31		For the Twelve Months Ended December 31	
	2015	2014	2015	2014
Operating expenses	\$ 3,252,909	\$ 3,178,335	\$ 12,630,791	\$ 12,034,223
(Deduct): operating expenses for Capire	(83,295)	(100,406)	(291,580)	(960,208)
Add (deduct): inventory	15,388	(250,258)	(89,277)	164,598
Direct costs	\$ 3,185,002	\$ 2,827,671	\$ 12,249,934	\$ 11,238,613
Tonnes milled	42,328	41,803	170,509	162,266
Direct costs per tonne	\$ 75.25	\$ 67.64	\$ 71.84	\$ 69.26
Revenues	\$ 3,882,844	\$ 3,131,819	\$ 14,637,592	\$ 12,008,457
(Deduct): revenues for Capire	-	-	-	(195,606)
Revenues for Guadalupe	\$ 3,882,844	\$ 3,131,819	\$ 14,637,592	\$ 11,812,851
Tonnes sold	42,351	45,522	172,296	159,270
Revenue per tonne sold	\$ 91.68	\$ 68.75	\$ 84.96	\$ 74.17

*The comparative 2014 figures have been adjusted to reflect the policy adopted in 2014 to report inventory adjustments as part of Operating Expenses.

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. 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

March 14, 2016