IMPACT Silver Corp.
Form 51-102F1
Management's Discussion and Analysis
For the Three Months Ended March 31, 2019

INTRODUCTION

This Management's Discussion and Analysis ("MD&A") is for the three months ended March 31, 2019 of IMPACT Silver Corp. ("IMPACT" or the "Company") prepared as at May 23, 2019 and should be read in conjunction with the Company's annual audited consolidated financial statements for the year ended December 31, 2018 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. IMPACT has produced over 9.4 million ounces of silver since 2006 and generated over $175 million in revenues without any long-term debt. During the quarter, the Company completed a small drilling program focused on potential near term production targets. This drilling program resulted in positive results for gold at the El Canelo vein in Santa Teresa as detailed in 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. Due to the recent rapid decline of the silver price in 2018, the Company strategically revised its mine plan reducing production by approximately 25% effective September 2018 with a focus on higher grade areas in an effort to mine economically viable tonnes. As a result, the Company generated revenues in Q1 2019 of $3.0 million despite the production decrease and silver price decline. Further, the Company achieved breakeven operating cost levels before amortization and depletion. The Company continues to closely monitor variable costs and make reductions where possible. The Company believes that its approach to strategically mine higher grade areas and control costs will allow it to weather this period of low silver prices.

IMPACT is focused on maintaining production, strategically accessing economically viable tonnes to control costs and pursuing key exploration targets with near term mining potential.

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

1. Accelerate development at the Guadalupe mine as we continue to optimize production with a focus on higher grade zones to optimize cash flows.
2. Exploration including drilling key targets across the large land package, focusing on discovery and definition of additional high-grade mineral for near term 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 and San Juan.

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

- Mine operating earnings before amortization and depletion[1] were breakeven for the first time since Q1 2018 (Q1 2018 - $0.3 million) as cost reductions and grade improvements took shape and positively impacted results.
- Revenue for Q1 2019 was $3.0 million compared to $3.9 million in 2018. Improved grades in the quarter were offset by lower production and silver prices.
- Operating expenses decreased to $3.0 million in Q1 2019 from $3.6 million in Q1 2018 as a result of a decrease in production.
- Net loss for the quarter was $0.9 million which included $0.1 million of foreign exchange loss and non-cash expenses of $0.4 million. This compares to a $0.5 million net loss for the same period in 2018 including $0.2 million of foreign exchange loss and non-cash expenses of $0.3 million.
- The Company's cash position at March 31, 2019 was $0.4 million.

Production Overview

- Production at the Guadalupe mill during the first quarter of 2019 came primarily from the San Ramon Deeps Mine (43% of total mill feed), the Cuchara Mine (30% of mill feed), and the Guadalupe Mine (27% of mill feed).
- Average mill feed grade for silver was 167 grams per tonne (g/t) in Q1 2019, an increase of 4% from 160 g/t in Q1 2018.
- Silver production decreased to 163,575 ounces in Q1 2019 from 203,199 ounces in Q1 2018 due to fewer tonnes produced.
- Throughput at the mill decreased to 35,788 tonnes milled in Q1 2019 from 46,602 in Q1 2018 as a result of the production decrease effective September 2018.

[1] Mine operating earnings before amortization and depletion is a non-IFRS measure which the Company believes provides meaningful information about the Company's financial performance.

PRODUCTION AND SALES: GUADALUPE MILL

	For the Three Months Ended March 31		
	2019	2018	% Change
Total tonnes (t) milled	**35,788**	46,602	-23%
Tonnes milled per day	**398**	518	-23%
Silver production (oz)	**163,575**	203,199	-20%
Lead production (t)	**63**	94	-33%
Gold production (oz)	**85**	123	-31%
Silver sales (oz)	**157,408**	201,075	-22%
Lead sales (t)	**67**	96	-30%
Gold sales (oz)	**77**	141	-45%
Average mill head grade –silver g/t	**167**	160	+4%
Revenue per tonne sold[2]	**$84.98**	$86.73	-2%
Direct costs per production tonne[2]	**$82.47**	$78.80	5%

Production and Sales Highlights for the Three Months Ended March 31

In light of lower silver prices, the Company shifted its strategy during Q3 2018 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, 35,788 tons were milled in Q1 2019 compared to 46,602 in Q1 2018. The decrease in production tonnes allowed the Company to focus mining on higher grade areas with the average mill head silver grade increasing to 167 g/t in Q1 2019 compared to 160 g/t processed in Q1 2018. The Company is carefully monitoring operations toward mining of economically viable tonnes so a focus on exploration for new higher grade zones can continue.

Revenue per tonne sold was $84.98 in Q1 2019, a decrease of 2% from Q1 2018 at $86.73 as a result of lower silver prices offsetting higher grades. Silver sales decreased 22% to 157,408 ounces sold in Q1 2019 from 201,075 ounces sold in Q1 2018 due to fewer tonnes produced. Direct costs per production tonne were $82.47 in Q1 2019, a 5% increase from Q1 2018 at $78.80, but a significant decrease from Q4 2018 at $91.50. Costs reductions are being reviewed in accordance with the production decrease including variable costs.

[2] Revenue per tonne sold and direct costs per production tonne are measures which the Company believes provide useful information on the revenues and direct costs. See "SUPPLEMENTARY INFORMATION".

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 and permitted to address the need for additional tailings capacity in the future.

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 first quarter of 2019, the San Ramon Deeps Mine provided 43% (Q1 2018 – 54%) 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, 25 and 26 over a length of up to 180 metres and widths of 2 to 17 metres. Size and grade of San Ramon Deeps are decreasing with depth. Diluted mining grades at San Ramon during the quarter ranged from 169 to 180 g/t silver. 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 first quarter, IMPACT carried out additional mining and exploration work throughout the mine area.

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 first quarter of 2019, the Cuchara Mine provided 30% (Q1 2018 – 30%) 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 Marqueza, Santa Lucia, and Millmaravillas veins. Diluted mining grades at Cuchara during the quarter ranged from 146 to 159 g/t silver.

Guadalupe Silver Mine

The Guadalupe Mine is located adjacent to the Guadalupe mill. This mine restarted commercial production in September 2018 after a hiatus of five years. Very low hauling costs associated with mining here as well as positive drill results led to a decision to reopen part of this low cost mine. During the first quarter of 2019, the Guadalupe Mine provided 27% (Q1 2018 – nil) of feed to the Guadalupe mill. Diluted mining grades at Guadalupe during the quarter ranged from 164 to 171 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 (Q1 2018 – nil).

San Patricio (Chivo) Silver Mine

The San Patricio (Chivo) Mine is located three kilometres southeast of the Guadalupe mill and was accessed through the former Chivo Mine entrance. In Q3 2018, production from San Patricio was put on standby. During the quarter, there were no tonnes mined at San Patricio (Q1 2018 –16%).

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 the 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 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 4^{th} 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 (operated 2017-2018), 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 at El Canelo in the Santa Teresa area which included 5.27 g/t gold over 2.69 metres. Additional exploration at Santa Teresa is ongoing.

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 Manto America target areas where new possible bulk tonnage gold targets have been identified. In addition, exploration of silver targets elsewhere on the property is ongoing, and 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 longer term, management intends to continue exploration and development of gold and copper from Carlos Pacheco and 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 the Santa Teresa and Manto America gold targets as well as silver targets near the Guadalupe mill.

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 most 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.

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. 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 March 31	
	2019	2018
Revenue	**$ 2,981**	$ 3,876
Net loss	**$ (906)**	$ (510)
Loss per share – basic and diluted	**$ (0.01)**	$ (0.01)

Net loss for the first quarter of 2019 was impacted by the following factors:

- Revenue for Q1 2019 was $3.0 million, a 23% decrease from $3.9 million in Q1 2018. Revenue per tonne sold decreased slightly to $84.98 in Q1 2019 compared to $86.73 in Q1 2018. Improved grades helped to offset weaker silver prices and decreased production.

- Mine operating loss was $0.4 million in Q1 2019 compared to $0.1 million in the first quarter of 2018. Amortization and depletion expenses were comparable at $0.4 million.

- Operating costs for Q1 2019 were $3.0 million compared to $3.6 million in Q1 2018. Direct costs per tonne at the Guadalupe mill increased 5% to $82.47 in Q1 2019 from $78.80 in Q1 2018. However, this was an improvement of 10% over Q4 2018 direct costs per tonne of $91.50. The Company anticipates higher costs per tonne while production levels are reduced and continues to focus on cost reductions.

- General and administrative costs were $0.4 million in Q1 2019 compared to $0.3 million in Q1 2018.

- The Company had a $0.1 million foreign exchange loss in the first quarter of 2019 compared to $0.2 million in the first quarter of 2018.

- The Company had deferred and current income tax expense of $0.1 million in the first quarter of 2019 compared to a recovery of $0.04 million in the first quarter of 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)							
	Mar 31 2019	Dec 31 2018	Sep 30 2018	Jun 30 2018	Mar 31 2018	Dec 31 2017	Sep 30 2017	Jun 30 2017
Revenue	2,981	3,019	3,095	3,109	3,876	3,150	4,024	3,592
Net loss	(905)	(2,088)	(1,449)	(1,016)	(510)	(2,267)	(990)	(1,027)
Loss per share – Basic and Diluted*	(0.01)	(0.02)	(0.02)	(0.01)	(0.01)	(0.03)	(0.01)	(0.01)
Total assets	49,396	49,365	49,367	50,116	53,216	50,195	54,835	57,320
Total liabilities	8,043	8,030	6,568	7,166	7,198	7,212	7,107	7,308

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

Liquidity, Financial Position and Capital Resources

Working Capital and Cash Flow

During the first quarter of 2019, the Company used cash flows from operating activities of $1.0 million compared to $0.5 million in the first quarter of 2018. Part of this decrease was due to the Company entering into a new refining contract in the quarter with Samsung C&T Corp., which allowed longer payment terms and impacted the timing of collecting receivables.

The Company invested $0.2 million in the first quarter of 2019 (2018 - $0.5 million) in exploration and evaluation assets and $0.3 million (2018 - $0.3 million) in property, plant and equipment. In Q1 2018, the Company generated proceeds of $0.3 million on the sale of investments with no comparable sale in 2019.

In Q1 2019, the Company completed the second tranche of a private placement with net proceeds of $1.1 million (2018 - $nil) of which $0.5 million of the proceeds were received in Q4 2018. These proceeds will be used to explore for additional high potential precious metals, to improve efficiencies at the Guadalupe production mill, and for general working capital.

The Company had cash of $0.4 million and net working capital of $0.01 million at March 31, 2019.

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 three months ended March 31, 2019, the Company incurred a net loss of $0.9 million and cash outflows from operating activities of $1.0 million. At March 31, 2019, the Company had unrestricted cash of $0.4 million, current assets of $2.8 million and working capital of $0.01 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 in 2019 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 closing recent private placements, 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 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. These adjustments could be material.

Outstanding Share Data

The following common shares and convertible securities were outstanding at May 23, 2019:

	# of Shares	Exercise Price	Expiry Date
Issued and outstanding common shares	92,020,093		
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	1,730,000	$0.98	July 27, 2021
Stock options	1,670,000	$0.35	September 20, 2022
Warrants	2,031,500	$0.35	November 29, 2020
Warrants	4,421,753	$0.35	January 17, 2021
Fully diluted	106,259,311		

All of the 3,400,000 options outstanding have vested.

CHANGES IN ACCOUNTING POLICIES

IFRS standards adopted

IFRS 16 - Leases

In January 2016, the IASB issued IFRS 16 which sets out the principles for the recognition, measurement, presentation and disclosure of leases. IFRS 16 replaces IAS 17 – Leases and its associated interpretative guidance. The new standard applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces a single, on-balance sheet accounting model with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice. IFRS 16 is effective for annual periods beginning on or after January 1, 2019 and must be applied retrospectively.

The Company has applied IFRS 16 using the modified retrospective approach with the cumulative impact of application recognized as at January 1, 2019. The Company has elected to measure right-of-use assets at an amount equal to their carrying amount from commencement date discounted by the incremental borrowing rate at the date of initial application. Certain practical expedients were applied allowing for the exclusion of leases with a term of less than one year remaining at the transition date and using a single discount rate for a portfolio of leases with similar characteristics.

Policy applicable from January 1, 2019

At inception of a contract, the Company assesses whether a contract is or contains a lease. A contract is or contains a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company recognizes a right-of-use asset and a lease liability at the commencement date of a lease. The right-of-use asset is measured at cost, which is comprised of:

- The initial measurement of the lease liability
- Lease payments made at or before the commencement date less lease incentives
- Initial direct costs incurred
- Decommissioning costs

The right-of-use asset is depreciated using the straight-line method over the earlier of the term of the lease or the useful life of the asset determined on the same basis as the Company's property, plant and equipment.

The lease liability is initially measured at the present value of lease payments remaining at the lease commencement date, discounted using either the implicit rate of the lease or the Company's incremental borrowing rate when the implicit rate cannot readily be determined. Lease payments included in the measurement of the lease liability are comprised of:

- Fixed payments
- Variable payments linked to an index or rate
- Expected payments for residual value guarantee
- Purchase option, extension option or termination option when the Company is reasonably certain to exercise

The lease liability is subsequently measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of twelve months or less and leases of low-value assets. The lease payments associated with these leases are expensed on a straight-line basis over the term of the lease.

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") or Samsung C&T Corp. ("Samsung"). 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 adequate credit ratings 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 ($0.4 million) and trade and other receivables ($2.4 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 March 31, 2019, 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 March 31, 2019, a 10% depreciation or appreciation of all the above currencies against the Canadian dollar would result in an approximate $61,000 decrease or increase in the Company's net loss for the three months ended March 31, 2019.

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 March 31, 2019 by $0.1 million (2018 - $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 revenues and costs than comparing gross amounts. These measures are calculated as follows:

	For the Three Months Ended March 31	
	2019	2018
Operating expenses	**$ 2,978,858**	$ 3,560,513
Deduct: operating expenses for Capire	**(38,349)**	(40,182)
Add: inventory change	**10,836**	151,699
Direct costs	**$ 2,951,345**	$ 3,672,030
Tonnes milled	**35,788**	46,602
Direct costs per tonne	**$ 82.47**	$ 78.80
Revenue for Guadalupe	**$ 2,981,355**	$ 3,876,116
Tonnes sold	**35,084**	44,694
Revenue per tonne sold	**$ 84.98**	$ 86.73

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 revenues less operating expenses, excluding amortization and depletion.

	For the Three Months Ended March 31	
	2018	2018
Revenue	**$ 2,981,355**	$ 3,876,116
Operating expenses	**(2,978,858)**	(3,560,513)
Mine operating earnings before amortization and depletion	**$ 2,497**	$ 315,603

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

May 23, 2019