IMPACT Silver Corp.
Form 51-102F1
Management's Discussion and Analysis
For the Three and Nine Months Ended September 30, 2014

INTRODUCTION

This Management's Discussion and Analysis ("MD&A") is for the nine months ended September 30, 2014 of IMPACT Silver Corp. ("IMPACT" or the "Company") prepared as at November 24, 2014 and should be read in conjunction with the Company's annual audited consolidated financial statements for the year ended December 31, 2013 and the related notes contained therein. All amounts referred to herein are in Canadian dollars unless otherwise specified. Additional information relating to the Company including material change notices, certifications of annual and interim filings and press releases are available on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com.

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

CORPORATE OVERVIEW

IMPACT has control of the majority of two large mineral districts in central Mexico—the **Royal Mines of Zacualpan Silver District** and the **Capire-Mamatla Mineral District** adjacent to and southwest of Zacualpan. The Company currently produces silver and gold in lead and zinc concentrates at its 500 tonne per day ("tpd") Guadalupe processing plant in the Royal Mines of Zacualpan District.

The Company is carrying out a three-part program of exploration, development and mine production at both the Royal Mines of Zacualpan Silver District and Capire-Mamatla Mineral District. In light of the extraordinary fall in the price of silver IMPACT continues to revise its development programs with the results starting to become apparent in the latter part of this year.

1. Upgrade silver production by transitioning some production to new higher grade mines in the Zacualpan District: the Cuchara-Oscar Mine, the San Ramon Deeps Zone and the Mirasol Mine. The effect of this has been to provide the highest average mill grades achieved in over 2 years.

2. Continue to focus a substantially reduced exploration program solely on definition and development of additional high grade mineral resources near the producing mines.

3. Improve cash flows through improved grade control, cost cutting and optimized operating controls.

While the Company remains focused on efficient operations, if the price of silver remains at current levels the Company will be looking at opportunities to improve its balance sheet and to fund future development through possible financing and/or acquisition or merger.

Refocusing in Times of Lower Metal Prices

On January 2, 2013, the first day of trading last year, the London Fix silver price was US$30.87. At quarter end September 30, 2014 the silver price was US$17.11, representing a 45% decrease. In response to this significant drop in silver price, the Company has been refocusing its mining and exploration work toward the mining of higher grade minerals and reducing costs. In early 2013, IMPACT brought the Cuchara-Oscar Mine into production (*see IMPACT news release dated February 20, 2013*). Recent drilling from the bottom of the San Ramon Mine discovered new high grade silver zones at depth (*see IMPACT news release dated May 21, 2014*) which began to contribute production tonnes during the quarter. Construction of the new higher grade Mirasol Silver Mine began in June with initial production during the quarter (*see IMPACT news releases dated November 26, 2012 and January 28, 2013 for drill results*). The result has been to increase average mill throughput at 179 g/t of silver, the highest level in over 2 years. IMPACT is fortunate to have these higher grade zones to partially offset the decrease in metal prices and declining grades at older mines. In addition, exploration work has been substantially curtailed in 2014 to reduce expenditures and will largely focus on near term production targets in the vicinity of the current producing mines.

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 MONTHS ENDED SEPTEMBER 30, 2014

Financial Overview

- Revenues for the third quarter were $3.4 million, an approximately 32% increase from $2.6 million in the second quarter, resulting primarily from an increase in production and grade

- Net loss of $0.6 million for the quarter, of which non-cash items included $0.6 million in depreciation and amortization and $0.02 million in share based payments (stock option grants).

- Mine operating earnings before amortization and depreciation of $0.5 million compared to $0.4 million in earnings in Q3 2013.

- Capital expenditures during the quarter included mineral property expenditures of $0.5 million which reduced cash to $1.0 million and net working capital to $4.1 million. The Company continues to be free of long term debt.

Production Overview

- Silver production increased to 210,513 ounces for the third quarter of 2014, up 19% from 177,366 ounces in the same period of 2013, and up 38% from the second quarter of 2014.

- Average mill feed grade for silver in the third quarter of 2014 increased to 179 grams per tonne (g/t) compared to 171 g/t in the third quarter of 2013, and from 142 g/t in the second quarter of 2014.

- Total tonnes milled during the third quarter of 2014 increased 8% to 41,673 from 38,520 in the third quarter of 2013.

- The Cuchara-Oscar Mine was put into production in February 2013. During 2013, the mine contributed 23% of the total mill feed; by Q3 of 2014 it provided 53%.

- The higher grade Mirasol Mine was put into production in July 2014.

PRODUCTION AND SALES: GUADALUPE MILL

	For the Three Months Ended September 30			For the Nine Months Ended September 30		
	2014	2013	% Change	**2014**	2013	% Change
Total tonnes (t) milled	**41,673**	38,520	+8%	**120,463**	122,615	-2%
Tonnes produced per day	**453**	419	+8%	**441**	449	-2%
Silver production (oz)	**210,513**	177,366	+19%	**511,804**	529,015	-3%
Lead production (t)	**161**	126	+28%	**469**	361	+30%
Zinc production (t)	**103**	85	+21%	**433**	376	+15%
Gold production (oz)	**225**	348	-35%	**802**	932	-14%
Silver sales (oz)	**210,699**	189,550	+11%	**480,194**	552,195	-13%
Lead sales (t)	**174**	135	+29%	**458**	391	+17%
Zinc sales (t)	**129**	65	+98%	**383**	320	+20%
Gold sales (oz)	**233**	348	-33%	**802**	918	-13%
Average mill head grade –silver	**179**	171	+5%	**152**	160	-5%
Revenue per tonne sold[1]	**$84.90**	$78.00	+9%	**76.07**	$87.37	-13%
Direct costs per production	**$67.30**	$66.91	+1%	**69.82**	$67.10	+4%

*Table excludes Capire Mine production

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

The Company increased tonnes produced in the third quarter of 2014 to 42,013, compared to 38,754 in the same quarter last year. This increase has been a result of additional feed from the Company's principal producer, the Cuchara-Oscar Mine, as well as strong contributions from the La Gallega and San Ramon Mines. During the quarter the Mirasol Mine was also brought into production. With production materials being drawn from several mines with different feed grades, mine production can vary from quarter to quarter. However, with the San Ramon and Mirasol Mines developing into higher grade mineral, silver grades were higher in the third quarter at 179 g/t compared to 171 g/t for the same period in 2013.

In light of lower silver prices, recent Mexican mining tax changes, increased hauling costs and low overall silver grade being mined at Capire, the Company recognized that the open pit test mining operation was not economic at its present small scale. Thus open pit operations were suspended in February 2014. The Capire plant was being reconfigured to process the gold-copper mineralization at Carlos Pacheco. However, the plant will not be reactivated at current metal prices and further work has been deferred. Prior to the shutdown, there was a small contribution from this mill with 840 tonnes milled and silver sales of approximately 3,000 ounces in the first quarter.

Silver sales were 210,699 in the third quarter of 2014, an increase from the 189,550 ounces sold in the same period in 2013, and a significant increase from the first and second quarters of 2014. The

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

Company's higher revenue in the third quarter of 2014 of $84.90 per tonne, an increase from $78.00 per tonne from the same period in 2013, is primarily the result of higher production and silver grade.

MINE PRODUCTION

Mine Operations

The Company has been operating the 500-tpd Guadalupe Production Center in the Royal Mines of Zacualpan Silver District since 2006 and operated the 200-tpd Capire Pilot Plant, located 16 kilometers to the southwest, as a test processing plant between mid-2013 and early 2014.

Royal Mines of Zacualpan District

The Royal Mines of Zacualpan silver district was acquired by the Company in January 2006. Since acquisition, an extensive program of upgrading operations and expanding production is continuing. Expansion of tailings capacity is also continuing and is written off as an operating cost and not capitalized. The Company also purchased additional surface lands near the Guadalupe mill to address the need for additional tailings capacity in the future which is in the process of design and permitting.

While mill and facilities limit processing capacity to 500-tpd at Guadalupe, sourcing superior grade feed from the Company's mines remains the critical factor for economic production. This is especially true in the current environment of lower silver prices. To address this issue, the Company is shifting the focus of mining operations to the higher grade silver zones in the San Ramon, Cuchara-Oscar and Mirasol Mines.

Cuchara-Oscar Silver Mine

During the third quarter of 2014, the Cuchara-Oscar Mine provided 53% (Q3 2013 – 27%) of feed to the Guadalupe mill. The mine is located 2.5 kilometers east of the Guadalupe mill and commenced production in the first quarter of 2013. During the first quarter of 2014, a decision was made to expand production and make Cuchara-Oscar the principal producing mine by increasing the number of working faces; this expansion was achieved in the second quarter. The mine is contributing a silver-lead-zinc feed to the Guadalupe mill from a corridor of veins. Current production is from the Marqueza, Santa Lucia Footwall and Oscar veins with plans to mine other nearby veins as the mine develops.

San Ramon Silver Mine

During the third quarter of 2014, the San Ramon Mine provided 19% (Q3 2013 – 41%) of feed to the Guadalupe mill, located 5 kilometers to the northwest. San Ramon has been a significant contributor to production since 2008, but in 2014 grades were dropping with depth and production was decreasing. During the second quarter, underground drilling from the bottom levels of the mine discovered new high grade silver zones (see EXPLORATION below for details). Mining of these high grade zones began in the third quarter and contributed to the increase in average overall mined silver grade.

New Mirasol Silver Mine

Construction of the new Mirasol Silver Mine began in June and during the third quarter initial production from development muck at Mirasol contributed 4% (Q3 2013 – 0%) of feed to the Guadalupe mill located 5.5 kilometers to the northwest.

The Mirasol Zone was drilled in 2012-2013 (*for details see IMPACT news releases dated November 26, 2012 and January 28, 2013*). Highlights from that drilling included 216 g/t silver over 7.1 meters, 985 g/t silver over 1.8 meters and 288 g/t silver over 3.2 meters. It is expected that Mirasol will begin to significantly contribute to overall production before year end.

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 third quarter of 2014, the Gallega mine provided 17% (Q3 2013 – 0%) of mill feed to the Guadalupe mill.

Noche Buena-Carlos Pacheco Mine

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. Before going on standby, Noche Buena provided 7% (Q3 2013 – 32%) of feed to the Guadalupe mill for the quarter. The mine workings are being maintained and dewatered so production can be readily restarted when needed. 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, gold (+copper) veins in the Carlos Pacheco portion of the mine 170 meters to the east and lead-zinc-silver veins from the Upper San Juan Zone to the north.

A crosscut was excavated from the Noche Buena workings to the nearby Carlos Pacheco South gold (+copper) vein, where mining began in August 2013. Production from the Carlos Pacheco South zone added more gold to IMPACT's production profile during the first half of this year.

Capire Processing Plant

Capire is located 16 kilometers southwest of the Guadalupe production center. Since the fourth quarter of 2013, the Capire processing plant and mine have seen significant changes.

On March 14, 2013, IMPACT announced that commissioning of the new Capire open pit mine and 200-tpd pilot plant had begun. 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 potential larger operation in the future. Most of this test work has been completed. However, in light of lower silver prices, recent 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 economic at its present small scale. Thus open pit operations were suspended in February 2014 after processing a total of approximately 33,000 tonnes of material from the open pit test mining. During the test mining and processing, processing methods were optimized, and production costs and cut-off grades at 200-tpd in the open pit were determined. Additional studies with respect to open pit optimal strip ratios, grade control and projections toward scaling up the operation have yet to be completed. Together, these measures will provide the foundation for planning of a potentially larger, lower grade open pit operation in the future. Production from the Capire open pit may be restarted in the future with higher metal prices and/or lower unit production costs associated with a potential larger operation.

After open pit operations were shut down, the Capire plant was reconfigured as a test processing facility for gold and copper mineralization from the Carlos Pacheco South Zone in the Noche Buena Mine. During the second quarter, test operations at the Capire plant ended. 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 resulting in higher gold production at Guadalupe during the first half of 2014. The Capire plant is currently on standby and not expected to further contribute to sales for the balance of 2014.

Capire Mineral Resources

Unlike the Zacualpan area vein deposits, Capire 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) is in commercial production on the G-9 VMS deposit

(5.57 million tonnes grading 7.3% zinc, 1.0% lead, 1.3% copper, 186 g/t silver and 2.8g/t gold). The G-9 VMS deposit is located along trend, 45 kilometers southwest of Capire.

NI 43-101 compliant measured and indicated mineral resource estimates for the Capire deposit, based on information available through early 2011, total 7.2 million ounces silver, 95.6 million lbs zinc and 37.2 million lbs lead based on a U.S. $20/tonne in ground metal value envelope contained in 4.9 million tonnes grading 45.7 g/t silver, 0.88% zinc and 0.34% lead with higher grade internal zones (see IMPACT news release dated February 1, 2011 for details). After 2011, additional exploration drilling was carried out at Capire and other nearby zones of mineralization with the aim of expanding mineral inventories for future production.

EXPLORATION

IMPACT's team has explored and placed six mines (Cuchara-Oscar, Mirasol, Noche Buena, Carlos Pacheco, Chivo and Capire) into production over the past seven years. Recent exploration drill results are as follows:

San Ramon Deep Drilling Results

During the second quarter, underground drilling from the bottom levels of the San Ramon Mine discovered two new high grade veins. The discovery of these new veins below the deepest mine workings has extended mine life and indicates potential for discovery of additional mineral resources at depth. Drill results from these new zones include 1,163 g/t silver over 1.81 meters within 393 g/t silver over 6.67 meters, 545 g/t silver over 1.65 meters and 457 g/t silver over 2.39 meters (*IMPACT news release dated May 21, 2014*). These new high grade veins begin to appear below the deepest current mine workings and are located less than 20m from the principal vein in the mine. The new veins are open for expansion to depth and along strike. Additional drilling is in progress.

Carlos Pacheco / San Juan Drill Results

During the fourth quarter of 2013 and first quarter of 2014, drilling mainly focussed on the San Juan portion of the Carlos Pacheco project which covers the northern extensions of the veins currently being mined in the Noche Buena and Carlos Pacheco South zones. Highlights from the San Juan drilling include intersections of 1,409.8 g/t silver over 2.07 meters from the Noche Buena vein and 17.1 g/t gold over 1.89 meters from the Carlos Pacheco vein (*IMPACT news release dated October 30, 2013*), 1,587.8 g/t silver over 1.72 meters from the Noche Buena vein and 3.44 g/t gold over 7.17 meters from the Carlos Pacheco vein (*IMPACT news release dated January 7, 2014*), 1,218.1 g/t silver over 1.17 meters from the Noche Buena vein and 10.34 g/t gold over 3.19 meters from the Carlos Pacheco vein (*IMPACT news release dated February 18, 2014*) and 994.2 g/t silver over 5.67 meters from the Noche Buena vein and 5.0 g/t gold over 1.81 meters from the Carlos Pacheco vein (*IMPACT news release dated March 3, 2014*). Many other significant intersections on these and other veins in this system were also reported in the listed news releases. Additional drilling, in the future, is planned to target further expansion of the zones.

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 3,800+ 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 was mainly focussed on areas close to current mines and infrastructure at Cuchara-Oscar, Alacran North and Guadalupe South.

Veta Grande (Zacatecas) Silver Project, Mexico

The Zacatecas Project consists of a 200-tpd plant and 13 mineral concessions in the Zacatecas silver district located 500 kilometers northwest of Mexico City. Access is by paved highways which run through the district. Infrastructure is good throughout the district with road networks, electric power and a trained work force. Over the past seven years intermittent exploration was carried out on several of the 13 mineral concessions located within the district.

In 2011, the Company optioned most of its Zacatecas assets to Defiance Silver Corp. ("Defiance", DEF: TSX.V) in return for a major share position (paid) and a final payment of $1,955,200 (not paid). Defiance advanced the project to the final stages of re-permitting the plant. In January 2014 Defiance returned the Zacatecas project to IMPACT to focus on its exploration project.

After 2011, the Company participated in several small private placement financings in Defiance and then during the second quarter the Company sold 3,600,000 Defiance shares at $0.09 per share which resulted in proceeds of $324,000 and a gain of $213,550. At the end of the third quarter the Company still held 467,000 shares in Defiance.

Dominican Republic

For several years the Company has been trying to renew its mineral concessions in the Dominican Republic, a process it has successfully done several times in the past. However, as a result of an extensive review of all applications for concession renewals, the government has challenged the right of the Company to re-apply for its mineral concessions in the Dominican Republic. The status of these concessions remains questionable.

FUTURE PLANS

Near term plans for mining and exploration in the Zacualpan and Capire Districts are mainly focused on higher grade zones of silver and gold close to the active mining operations in response to the current lower metal price environment.

Mining Plans

Recently IMPACT implemented some significant changes to its mining activities. Silver production is shifting to new mines to take advantage of their higher grades in response to lower metal prices. The Cuchara-Oscar Mine has been ramped up to become IMPACT's principal silver producer. The new Mirasol and San Ramon Deep silver zones are being developed to provide higher grade silver feed to the Guadalupe mill. Construction of the new higher grade Mirasol Silver Mine began in June with initial production during the quarter. In the longer term management believes these new higher grade operations will enhance the Company's operations in silver and potentially gold and copper production at Carlos Pacheco and San Juan.

Exploration Plans

Plans are to continue exploration with a goal of putting some of the other 3,800+ compiled old mine workings in the Zacualpan and Capire districts on a faster track to potential production and build mineral inventories for mining. Current exploration work is mainly focused on targets close to current production areas.

With a track record of successful exploration, rapid mine development and more than 3,800 old mine workings identified to date, the Company's long term vision sees potential for establishment of multiple mills throughout the two districts, each fed by multiple mines producing silver 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 Mineral District and the Veta Grande (Zacatecas) Silver Project. The Capire mineral resource estimates in this MD&A were taken from a technical report (posted on www.sedar.com) by Claus G. Wiese. P. Eng. of I-Cubed LLC, a Qualified Person under the meaning of Canadian National Instrument 43-101 and an independent *professional engineer. Other information on the Company's projects can be found on the Company website at www.IMPACTSilver.com .*

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.

Our employees and contract personnel are aware and continually reminded that environmental issues and safety cannot be compromised. We work as part of a community, whose members are kept informed of our activities and their concerns addressed. The Company retains a Community Relations Officer to ensure open communications. The use of personnel and other workers from the local communities foster understanding, direct involvement in the Company's operations and financial benefits to the local communities including the development of recreational areas and parks.

The Company has social, environmental and other policies related to its operations, as well as developing a culture for working safely. Work being conducted by or on behalf of the Company should be well planned, safe and with a concern for the environment and communities in the vicinity of our work. The Company has established a Mine Safety Committee and employs a Safety Officer to implement and supervise our safety program. A paramedic and onsite ambulance are on standby in case of emergencies.

INVESTOR RELATIONS

The Company builds investor awareness and shareholder value by conducting institutional presentations and attending investment and mining related conferences in Canada and internationally. Plans for 2014 include continued participation in investor and mining related conferences and conducting institutional presentations with the intent to increase the Company's visibility. Beyond this, the Company continues to strengthen its presence via social media, print magazine articles and online advertisements.

FINANCIAL DISCUSSION

Summary of Quarterly Results

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

In thousands except for earnings per share	Three months ended September 30		
	2014	2013	2012
Revenue	$ **3,363**	$ 3,119	$ 3,194
Net earnings (loss)	$ **(600)**	$ (1,223)	$ (436)
Earnings (loss) per share – basic	$ **(0.01)**	$ (0.02)	$ (0.01)
Earnings (loss) per share – diluted	$ **(0.01)**	$ (0.02)	$ (0.01)
Total assets	$ **61,758**	$ 65,860	$ 64,972

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

For the three months ended September 30, 2014, the Company's mine operating losses were $0.09 million compared to losses of $0.4 million in the same period of 2013, with revenues of $3.4 million in 2014 compared to $3.1 million in 2013. Revenue per tonne sold increased 9% from $78.00 in the third quarter of 2013 to $84.90 in 2014. The increase in revenue and revenue per tonne is a result of the 11% increase in silver ounces sold, and a 5% increase in silver grade, offset by 7% decrease in silver prices in the third quarter of 2014 compared to the third quarter of 2013. Direct costs per tonne at the Guadalupe mill for the three months ended September 30, 2014 were $67.30, compared to $66.91 in 2013. Operating expenses increased slightly to $2.8 million in the third quarter of 2014 compared to $2.7 million in the third quarter of 2013. Amortization and depletion expenses decreased to $0.6 million during the quarter ended September 30, 2014 due to decreased depletion based on the make-up of mine feed.

The net loss was $0.6 million for the third quarter in 2014 compared to a net loss of $1.2 million in 2013. The reduced loss was a result of increased revenues and decreased general and administrative costs, as well as other expenses. General and administrative expenses decreased by $0.6 million in the quarter compared to the same period in the previous year. This was mainly due to share based payments decreasing from $0.5 million in the three months ended September 30, 2013 to $0.02 million in 2014, as well as overall lower administration costs as the company implements cost saving measures. In other income and expenses, the Company had a $0.1 million foreign exchange loss in the third quarter of 2014 compared to a $0.1 million gain in the same period of 2013. In the third quarter of 2013 there was $0.1 million in interest income pertaining to a settlement with the Mexican tax authority, with no corresponding income in the third quarter of the current year. Income taxes in the quarter ended September 30, 2014 were a recovery of $0.05 million compared to a recovery of $0.03 million in the comparable quarter of 2013.

Silver production was 210,513 ounces during the three months ended September 30, 2014, representing a 19% increase compared with 177,366 ounces produced within the same period of 2013. Lead production increased in the third quarter of 2014 over the same time period in 2013, from 126 tonnes to 161 tonnes. Zinc production increased in the third quarter of 2014 to 103 tonnes from 85 tonnes in the same period in 2013. Gold production decreased from 348 ounces to 225 ounces during the third quarter of 2013 and 2014 respectively.

Average silver prices declined 7% from the third quarter of 2013 to the third quarter of 2014. During this same period, lead prices increased by 4% and zinc prices increased by 24%. As silver sales account for the majority of the Company's revenues, the increase in lead and zinc prices did not significantly affect mine operating earnings.

Summary of Year to Date Results

In thousands except for earnings per share		Nine months ended September 30				
		2014		2013		2012
Revenue	$	**8,877**	$	11,071	$	11,279
Net earnings (loss)	$	**(2,888)**	$	(3,820)	$	(306)
Earnings (loss) per share – basic	$	**(0.04)**	$	(0.06)	$	0.00
Earnings (loss) per share – diluted	$	**(0.04)**	$	(0.06)	$	0.00

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

For the nine months ended September 30, 2014, the Company's mine operating losses were $2.0 million compared to earnings of $0.8 million in 2013 on net smelter return revenues of $8.9 million in 2014 compared to $11.1 million in 2013. Operating expenses, excluding amortization and depletion, were $8.9 million compared to $8.5 million in 2013. Amortization and depletion expenses increased to $2.0 million in 2014 from $1.7 million in 2013.

Net loss was $2.9 million in 2014 compared to $3.8 million in 2013. General and administrative expenses decreased by $2.2 million from $3.7 million in 2013 to $1.5 million in 2014. $1.8 million of this decrease was from share-based payments. New stock options issued in the first quarter of 2013 and the expense associated with the revaluation of stock options as a result of extending the exercise period by five years during the second quarter of 2013 resulted in higher costs in that year. There was also an overall reduction in other general and administrative costs in 2014 as the Company made efforts to control expenses.

During the second quarter of 2014, a large portion of the shares of Defiance Silver Corp. held by the Company were sold, resulting in a $0.2 million gain. In the corresponding period of 2013 the Company recorded a non-cash partial write-down of $0.6 million on shares available for sale to provide for a significant and prolonged decline in the value of the shares.

The Company's net smelter revenues declined in total year to date 2014 in comparison with the same period of 2013 as a result of lower silver prices and decreased silver ounces sold. The Company sold 480,194 ounces of silver to September 30, 2014 compared to 552,195 ounces during the same period in 2013. Over the nine months ended September 30, 2014, silver prices decreased by 20%.

There was a 3% decrease in silver production during the first nine months of 2014 from 2013 as a result of mining lower grade feed materials from the Company's mines in 2014. During this time period silver production decreased from 529,015 ounces in 2013 to 511,804 ounces in 2014. Gold production decreased from the first nine months of 2013 to the first nine months of 2014 from 932 ounces to 802 ounces respectively.

OTHER FINANCIAL INFORMATION

Summary of Quarterly Results

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

	For the Three Months Ended ($ in thousands except for earnings per share)							
	Sep 30 2014	Jun 30 2014	Mar 31 2014	Dec 31 2013	Sept 30 2013	Jun 30 2013	Mar 31 2013	Dec 31 2012
Revenues	3,363	2,552	2,962	3,035	3,119	3,779	4,173	4,654
Net (loss) earnings	(600)	(1,024)	(1,264)	(4,699)	(1,223)	(1,942)	(655)	(839)
Loss per share - Basic*	(0.01)	(0.02)	(0.02)	(0.07)	(0.02)	(0.03)	(0.01)	(0.01)
Loss per share - Diluted*	(0.01)	(0.02)	(0.02)	(0.07)	(0.02)	(0.03)	(0.01)	(0.01)
Cash	969	1,680	2,538	3,485	6,741	9,973	13,340	16,013
Total assets	61,758	61,634	64,536	63,119	65,860	68,648	69,803	66,074
Total liabilities	8,998	9,045	9,200	8,997	8,191	8,481	8,167	7,131

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

Liquidity, Financial Position and Capital Resources

Working Capital and Cash Flow

The Company had $1.0 million in cash and net working capital of $4.1 million at September 30, 2014. The Company generated cash flows from operations before changes in non-cash working capital[2] of $0.03 million during the third quarter of 2014. For the same period of 2013, the company used cash flows from operations before changes in non-cash working capital of $0.05 million. For the nine months ended September 30, 2014, the company used cash flows from operations before changes in non-cash working

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

capital of $1.3 million. This compares to cash flows generated from operations before changes in non-cash working capital of $0.6 million in the same period of 2013.

The Company's working capital at September 30, 2014 of $4.1 million decreased from $6.9 million at December 31, 2013. The Company has significantly reduced its investing and exploration activities as it aims to be cash flow positive, with only $2.4 million invested year to date in development and exploration and capital additions compared to $10.0 million in the same period of 2013.

Outstanding Share Data

The following common shares and convertible securities were outstanding at November 24, 2014:

	# of Shares	Exercise Price	Expiry Date
Issued and outstanding common shares as of November 24, 2014	68,128,244		
Stock options	867,500	$1.10	June 6, 2015
Stock options	1,920,000	$1.85	September 26, 2016
Stock options	2,220,000	$1.20	January 22, 2018
Stock options	1,310,000	$0.55	January 6, 2019
Fully diluted at November 24, 2014	74,445,744		

All of the 6,317,500 options outstanding have vested at November 24, 2014.

Related Party Transactions

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

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

During the nine months ended September 30, 2o14, fees in the amount of $0.2 million (2013 – $3.6 million) were incurred by Energold Drilling Corp., a significant shareholder of the Company, for contract drilling services performed in Mexico at the Zacualpan and Capire concessions. At September 30, 2014, the balance owed to Energold was $1.4 million (December 31, 2013 - $0.9 million).

FINANCIAL INSTRUMENTS AND MANAGEMENT OF FINANCIAL RISK

Financial assets and liabilities

The Company's financial instruments consist of cash, trade and other receivables, investments, and trade payables. The Company has designated cash and trade receivables as loans and receivables, which are measured at amortized cost. Investments are designated as available for sale and measured at fair value as determined by reference to quoted market prices. Trade payables are designated as other liabilities which are measured at amortized cost. At September 30, 2014 investments were classified as Level 1 on the fair value hierarchy of IFRS 7 - Financial Instruments - Disclosures.

Financial instrument risk exposure

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

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk include cash, trade and other receivables and investments. The Company deposits its cash with high credit quality financial institutions as determined by ratings agencies, with the majority deposited with a Canadian Tier 1 bank. As is customary in the mining industry, the Company has entered into contracts with Mexican refining and smelting companies for the refining and sale of its silver, lead, zinc and gold contained in its lead and zinc concentrates. All contracts are with Met-Mex Penoles, S.A. de C.V. ("Penoles"), Trafigura Mexico, S.A. De C.V. ("Trafigura"), MRI Trading AG ("MRI") and Metagri, S.A. De C.V. ("Glencore"). 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 September 30, 2014 is the carrying value of its cash ($1.0 million), trade and other receivables ($4.3 million).

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due. The Company manages liquidity by maintaining cash and cash equivalent balances available to meet its anticipated operational needs. The Company has not been required to establish committed credit facilities but will do so as necessary. Liquidity requirements are managed based on expected cash flow to ensure that there is adequate capital to meet short-term and long-term obligations. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis and its growth plans. At September 30, 2014, the Company did not have any significant future debt obligations.

Interest rate risk

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

Currency risk

Foreign exchange rate fluctuations may affect the costs that the Company incurs in its operations. Silver, lead, zinc and gold are sold in U.S. dollars and the Company's costs are principally in Mexican pesos and Canadian dollars. At September 30, 2014, the Company is exposed to currency risk through the cash, trade and other receivables, trade payables and due to related party held in U.S. dollars and Mexican pesos. Based on these foreign currency exposures at September 30, 2014, 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 period ended September 30, 2014.

Commodity price risk

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

The only financial instrument affected by commodity price risk for the Company is trade accounts receivable. Assuming the same rate of production, a 10% change in commodity prices from actual realized prices would have increased or decreased the Company's trade accounts receivable balance at September 30, 2014 as follows:

		2014		2013
Silver price	$	**91,000**	$	71,000

OPERATIONAL RISK

The profitability and operating cash flow of the Company are affected by numerous factors, including but not limited to, the tonnes and grade of material mined and milled, the amount of metal concentrates produced, the level of operating costs, and general and administrative charges. Operating results are also influenced by factors over which the Company has less direct control, such as refining and smelting charges and still other factors such as commodity prices and foreign exchange rates which are largely outside the Company's control. The nature of the Company's business is demanding of capital for property acquisition costs, exploration commitments and holding costs. The Company's liquidity is affected by the results of its own acquisition, exploration and development activities. The acquisition or discovery of an economic mineral deposit on one of its mineral properties may have a favourable effect on the Company's liquidity. 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, the Company in carrying out its mining and exploration activities may be exposed to a large array of conditions to satisfy on a daily basis in its activities. Risk exists that the Company might fail to be fully compliant in all respects in this political and regulatory environment or that permits might not be issued on a timely basis to facilitate the Company's planned development activities. Furthermore, social, 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 has approved the financial statements and the disclosure contained in this MD&A. A copy of this MD&A will be provided to anyone who requests it.

NON-IFRS MEASURES

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

Cash flows from operations before changes in non-cash working capital is a measure which the Company believes provides a better 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 September 30		For the Nine Months Ended September 30	
	2014	2013	**2014**	2013
Cash flows from operating activities	**$ (304,913)**	$ (704,175)	**$ (611,225)**	$ 668,503
Add (deduct) changes in non-cash working capital:				
Trade and other receivables	**272,201**	(122,609)	**(611,527)**	(270,623)
Income taxes receivable	**(93,117)**	75,060	**16,043**	(10,350)
Inventories	**38,308**	(106,878)	**148,325**	(320,744)
Value added taxes receivable	**(8,201)**	650,824	**14,517**	1,472,735
Trade payables	**177,844**	127,298	**180,624**	(210,533)
Due to related party	**(53,998)**	33,505	**(396,112)**	(747,507)
Cash flows from operations before changes in non-cash working capital	**$ 28,124**	$ (46,975)	**$ (1,259,355)**	$ 581,481

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2014	2013	**2014**	2013
Operating expenses	**$ 2,826,178**	$ 2,699,917	**$ 8,855,888**	$ 8,534,062
(Deduct): operating expenses for Capire	**(91,930)**	-	**(859,511)**	-
Add (deduct): inventory	**70,227**	(122,732)	**414,856**	(306,409)
Direct costs	**$ 2,804,475**	$ 2,577,185	**$ 8,411,233**	$ 8,227,653
Tonnes milled	**41,673**	38,520	**120,463**	122,615
Direct costs per tonne	**$ 67.30**	$ 66.91	**$ 69.82**	$ 67.10
Revenue	**$ 3,362,661**	$ 3,118,995	**$ 8,876,638**	$ 11,071,127
(Deduct): revenue for Capire	**-**	-	**(195,606)**	-
Revenue for Guadalupe	**$ 3,362,661**	$ 3,118,995	**$ 8,681,032**	$ 11,071,127
Tonnes sold	**39,605**	39,985	**114,126**	126,709
Revenue per tonne sold	**$ 84.90**	$ 78.00	**$ 76.07**	$ 87.37

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

NOTE REGARDING FORWARD–LOOKING STATEMENTS

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

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

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

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

On behalf of the Board of Directors,

"Frederick W. Davidson"

President and Chief Executive Officer

November 24, 2014