

IMPACT Silver Corp.
Form 51-102F1
Management's Discussion and Analysis
For the Nine Months Ended September 30, 2020

INTRODUCTION

This Management's Discussion and Analysis ("MD&A") is for the nine months ended September 30, 2020 of IMPACT Silver Corp. ("IMPACT" or the "Company") prepared as at November 19, 2020 and should be read in conjunction with the Company's annual audited consolidated financial statements for the year ended December 31, 2019 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 211 km² 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 14 years.

IMPACT is considered one of the purest silver producers. IMPACT's primary production metal is silver with approximately 90% of its revenues currently generated by silver and it is highly leveraged to that commodity's price. 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 approximately 10 million ounces of silver since 2006 and generated over \$202 million in revenues. As a result, a significant portion of over \$80 million in capital expenditures and exploration on the properties were funded by operations, and the company still has no long-term debt.

The Company's performance in Q3 2020 improved significantly from the same period in 2019. Revenue for the quarter was \$4.8 million compared to \$3.5 million in Q3 2019 with mine operating earnings before amortization and depletion¹ of \$2.1 million (2019 - \$0.7 million). Total revenues year to date ("YTD") 2020 were over \$11.0 million compared to \$9.3 million for the comparable period in 2019, with mine operating earnings before amortization and depletion of \$3.3 million compared to \$0.5 million in 2019.

Net income for the third quarter was \$0.9 million (Q3 2019 - loss of \$0.2 million) and YTD net income was \$0.6 million (2019 - loss of \$3.9 million). EBITDA for the quarter was \$1.4 million (Q3 2019 - \$0.3 million) and for the nine months 2020 was \$2.0 million (2019 - loss of \$2.6 million)

The silver market has been very volatile in 2020 with prices in March reaching a low of US\$12/ounce (oz) and rebounding to a high of US\$29/oz in August 2020. In response to this extreme volatility, and the corresponding leverage it has as a primary silver producer, the Company entered into and completed two private placements in 2020.

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.

In April 2020, the Company completed a \$2.0 million non-brokered private placement, issuing 6,666,634 units at \$0.30 per unit, comprised of one share and one share purchase warrant. Each warrant entitles the holder to purchase one common share at a price of \$0.385 for a three-year period.

In August 2020, Impact completed a brokered private placement for aggregate gross proceeds of \$9.5 million from the issuance of 10,049,096 units of the Company at \$0.95 per unit. Each unit consists of one common share and one half-share purchase warrant, each whole purchase warrant exercisable into one common share at a price of \$1.30 for a period of 24 months from the closing.

The Company believes with the completion of these two financings during the year, its improved financial performance and working capital, as well as increased operating efficiencies, it is in a good position to carry out its objectives for the balance of 2020 and well into 2021.

The cash balance at September 30, 2020 was \$17.4 million, up from \$3.8 million at December 31, 2019. In Q3 2020, the Company received net proceeds of \$8.8 million from a private placement, \$1.4 million from the exercise of options and share purchase warrants, and generated cashflow from operations of \$1.6 million. Working capital at September 30, 2020 was \$16.8 million compared to \$3.6 million at December 31, 2019.

In the first nine months of 2020, the global impact of the COVID-19 virus, as well as volatility in spot prices for certain commodities and oil and gas, resulted in significant movement in global stock markets and fostered a great deal of uncertainty as to the health of the global economy over the next 12 to 18 months. In April 2020, the Mexican government declared a national health emergency due to the COVID-19 pandemic. Numerous health precautions were decreed, including the suspension of non-essential businesses, with only essential services to remain open. Mining did not initially qualify as an essential service, so for the protection of the staff, employees, contractors and communities, the Company commenced the process of suspending its mining operations April 30 as mandated by the government. The government extended this suspension until June 1, at which time the Company resumed operations. Since that date, the Company has not experienced any significant disruption to operation or to shipments of concentrates.

The pandemic has had a worldwide impact on the global economies, including both foreign exchange and commodity prices, with the ultimate effect on the Company's cash flows and operations difficult to predict.

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

1. Continue development of the Guadalupe mine while optimizing production with a focus on maximizing cash flows.
2. Extend production from the recently opened Veta Negra open pit mine and expansion of the Guadalupe mine.
3. Drill key targets across the large land package, focusing on discovery and definition of additional high-grade silver and gold zones for near and longer-term mining.
4. Subject to market conditions, look to recommence production at the Capire open pit mine.
5. Accelerate exploration by also looking to possible joint ventures and option agreements with third parties on more remote tracts.
6. Continue a staged review of other opportunities for precious metals.

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 **IMP** and on the Frankfurt Stock Exchange under the symbol **IKL**.

Financial Overview

The results for Q3 2020 improved significantly from Q3 2019:

- Net income for the quarter was \$0.9 million compared to a net loss of \$0.2 million in 2019.

- Mine operating earnings before amortization and depletion for Q3 2020 were \$2.1 million, an improvement of \$1.3 million over Q3 2019.
- Cash generated from operations was \$1.6 million compared to cash used in operations of \$0.3 million in Q3 2019.
- EBITDA for Q3 2020 improved to \$1.4 million from \$0.3 million in Q3 2019.
- In August 2020, the Company closed a private placement for gross proceeds of \$9.5 million. Warrants and options totaling \$1.4 million were exercised during the quarter.
- At September 30, 2020, the cash position was \$17.4 million and working capital was \$16.8 million, compared to cash of \$3.8 million and working capital of \$3.6 million at December 31, 2019.

Production Overview

The production highlights for Q3 2020 are:

- Production at the Guadalupe mill came from the Guadalupe Mine (45% of mill feed), the San Ramon Mine (21% of mill feed), the Cuchara Mine (23% of mill feed), and the Veta Negra Mine (11% of mill feed).
- Average mill feed grade for silver was 166 grams per tonne (g/t) in Q3 2020, down from 182 g/t in Q3 2019.
- Throughput at the mill in Q3 2020 was 34,115 tonnes compared to 34,946 in Q3 2019.
- Silver production decreased to 153,667 oz in Q3 2020 compared to 174,577 oz in Q3 2019.
- Revenue per tonne sold increased to \$136.63 in Q3 2020 from \$105.12 in Q3 2019, while direct cost per tonne decreased to \$76.79 from \$82.33 in the comparative period in 2019.

PRODUCTION AND SALES: GUADALUPE MILL

	For the Three Months Ended September 30			For the Nine Months Ended September 30		
	2020	2019	% Change	2020	2019	% Change
Total tonnes (t) milled	34,115	34,946	-2%	99,254	104,350	-5%
Tonnes produced per day	371	380	-2%	362	382	-5%
Silver production (oz)	153,667	174,577	-12%	462,231	483,810	-4%
Lead production (t)	60	73	-18%	173	197	-12%
Gold production (oz)	75	108	-31%	229	263	-13%
Silver sales (oz)	158,992	171,308	-7%	476,473	484,958	-2%
Lead sales (t)	58	75	-23%	173	211	-18%
Gold sales (oz)	72	100	-28%	225	255	-12%
Average mill head grade –silver g/t	166	182	-9%	174	170	+3%
Revenue per tonne sold ²	\$136.63	\$105.12	+30%	\$111.12	\$88.24	+26%
Direct costs per production tonne ²	\$76.79	\$82.33	-7%	\$76.13	\$82.53	-8%

² 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".

Production and Sales Highlights for the Nine Months Ended September 30

In 2020, operations were temporarily shut down in Q2 due to the government COVID-19 decree, and in September, there were seasonal rains that slowed down development and hauling at the Veta Negra open pit mine. Despite these issues, year to date production at the mill in 2020 only decreased by 5% over the same period in 2019, and by 2% for Q3 2020 compared to Q3 2019.

The first nine months in 2020 compared to the same period in 2019 demonstrated the cumulative effect of the company's strategic decisions to target higher-grade lower cost mining areas. In the first quarter, tonnes milled started to rise as the Company sourced additional mill feed from two mines, the Veta Negra open pit and the Guadalupe underground mine. The Company started gradually to expand production, as the mill processed 39,537 tonnes, which was approximately 11% more than in the comparative period in 2019. With additional throughput, and higher grades, total revenues in the first quarter increased by 15% over 2019's first quarter, even with the downturn in the price of silver during the period.

In the second quarter of 2020, the Company temporarily shutdown its operations due to the government's response to COVID-19 and as a result there was 24% less total mill throughput. With silver grades up 17% and higher silver prices, total revenues for the quarter were marginally higher than the comparative quarter of 2019. Revenues per tonne in Q2 2020 were \$117.81 compared to \$76.74 per tonne in Q2 2019 and costs per tonne were \$75.80 per tonne compared to \$82.82 per tonne in Q2 2019. As a result, mine operating earnings were over \$0.5 million in the first half of 2020 compared to a mine operating loss in 2019 of approximately \$1.0 million.

In the third quarter with improving silver prices, revenues per tonne reached \$136.63 compared to \$105.12 in Q3 2019, up 30% while operating costs fell to \$76.79 per tonne compared to \$82.33 in Q3 2019. Stronger silver prices co-incident with operating efficiencies generated net income of \$0.9 million. Net income YTD was \$0.6 million.

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

MINE PRODUCTION

Royal Mines of Zacualpan District

At the Royal Mines of Zacualpan Silver-Gold District, several mines on epithermal silver-zinc-lead veins feed the central Guadalupe processing plant rated at 535 tonnes per day ("tpd"). Since acquiring the project, there has been extensive work done to upgrade operations and enhance 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.

In 2019, the Company reduced the size of its mineral concession holdings in the districts from 357 km² to 211 km² to reduce concession taxes. All active mines and facilities, and most of the 5,000 known historic mines and mineral prospects have been retained within the revised property boundaries and mainly peripheral areas with lower mineral potential were dropped.

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 and is now the largest producing mine on the property. During the third quarter of 2020, the Guadalupe Mine provided 45% (Q3 2019 – 44%) of feed to the Guadalupe mill. Mining grades at Guadalupe during the quarter averaged 168 g/t silver. Production during Q3 2020 was from the Lipton, Liptonia, Caballo, Trinidad, San Pedro, San Lorenzo and San Diego Veins on Levels 25, 60, 100 and 140. With a lower cost structure and improving grades, the Company is expanding production from Guadalupe, and has upgraded the shaft and is upgrading other infrastructure in the mine to access additional veins for mining on multiple levels.

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. In 2014, the Company discovered new high-grade silver zones in the San Ramon Deeps area and mining of this area began in Q4 2014. During the third quarter of 2020, the San Ramon Deeps Mine provided 21% (Q3 2019 – 27%) of feed to the Guadalupe mill. Mining grades at San Ramon during the quarter averaged 162 g/t silver. Production during Q3 2020 continued to be from the Inmaculada Vein on Levels 12, 22, 23 and 28.

Veta Negra Silver Mine

The Veta Negra mine is a new small open pit operation which commenced production in September 2019. It is located four kilometres northwest of the Guadalupe mill. The mine contributes a silver-rich feed to the Guadalupe mill from a near surface bulk tonnage zone. During the third quarter of 2020, the Veta Negra Mine provided 11% (Q3 2019 – 4%) of feed to the Guadalupe mill. Mining grades at Veta Negra during Q3 2020 averaged 165 g/t silver. Work in progress is focused on determining the full production potential of this zone. North-northwest trending near surface veins, stockworks and disseminations over a width of 14 to 22 metres justified open pit mining methods and drilling now in progress will determine the potential of expanding the open pit.

Cuchara Silver Mine

The Cuchara mine is located 2.5 kilometres east of the Guadalupe mill and commenced production in the second quarter of 2013. During the third quarter of 2020, the Cuchara Mine provided 23% (Q3 2019 – 25%) of feed to the Guadalupe mill. The mine contributes a silver-lead-zinc feed to the Guadalupe mill from a corridor of veins. Recent production is from the Marqueza, Millmaravillas and Jazmin Veins. Mining grades at Cuchara during the quarter averaged 172 g/t silver.

Capire Processing Plant and Mine

The Capire Production Centre is located 16 kilometres southwest of the Guadalupe Production Center. It is a volcanogenic (“VMS”) feeder zone of small massive sulphide lenses in a larger zone of disseminated mineralization. VMS mineralization in the Capire district is 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 economical at that time. In February 2014, after processing approximately 33,000 tonnes of material, the open pit operations were suspended.

After the shutdown, 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.

The Capire plant is currently on care and maintenance. With rising silver prices, plans are being made to re-start production from the Capire open pit.

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 (“ID³”) and checked the estimate with inverse distance to the 4th power, kriging, and nearest neighbour.

The table presents the inferred diluted resources at Capire using total-metal (silver, zinc and lead) dollar-value cutoffs. The model block size is 3m by 3m by 3m. The diluted resources are displayed at multiple cutoffs, but the resource is reported at a cutoff of US\$30/t lying within a pit optimized using \$31/oz silver, \$1.51/lb zinc, and \$1.69/lb lead. Consultancy Mine Development Associates considered a US\$30/t cutoff to be appropriate at the time 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” at the time 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 at Zacualpan 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 (restart being considered). Exploration is continuing with the goal of finding and developing new mines for the Company. Recent exploration highlights were as follows:

Sampling Results

During the first quarter of 2020, IMPACT announced results from rock sampling in the Chapanal area which included 97.5g/t gold and 97.9g/t silver over a true width of 0.80 meters and 18.25g/t gold and 75.4g/t silver over a true width of 0.20 meters. Work is continuing.

Exploration Field Work

In early June 2020, the Mexican government lifted the COVID-19 decree suspending work and the Company restarted exploration work. Work first restarted and is continuing with sampling and trenching on the north extensions of the Veta Negra Mine and the Guadalupe Mine as well as the Chapanal area.

FUTURE PLANS

Mining Plans

In April, mining and exploration was suspended by Mexican government COVID-19 decree with only security personnel on site. In early June, the decree was lifted and mining re-started at the Guadalupe, Veta Negra, San Ramon and Cuchara Mines, and processing re-started at the Guadalupe production centre. With rising silver prices, plans are to ramp up the Guadalupe plant to its design capacity of 535 tpd and then determine steps to increase production further. With improved silver prices, the Company is also working toward restarting the Capire open pit and 200tpd plant, and studying steps to ramp up production. In the longer term, management also plans to continue exploration and development of gold and copper prospects.

Exploration Plans

Plans are to continue to expand exploration including drilling at Veta Negra, Guadalupe, San Ramon, Manto America and Alacran. The goal of this exploration is to put 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. 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, Exploration and Director of IMPACT Silver Corp., and a Qualified Person as defined under Canadian National Instrument 43-101, approved 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 2019, IMPACT received recognition for its compliance to health and safety standards 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 communities 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 maintains a trained mine rescue team and keeps a paramedic and onsite ambulance on standby.

COVID-19

Recently, in regard to the COVID-19 epidemic, the Company has been working with the local regulators, and its own employees and established protocols to help ensure a safe workplace. In conjunction with the Mexican government decree, work was stopped in April, and restarted June 1, 2020 in an effort to limit the possible transmission of the virus. To date there have been no COVID-19 cases among personnel at the mine.

INVESTOR RELATIONS

The Company builds investor awareness and shareholder value by conducting institutional presentations and participating in investment and mining related conferences in Canada and internationally. Beyond this, the Company continues to strengthen its presence via social media and online advertisements. Currently investor relations and participation in conferences is on line marketing until COVID-19 restrictions are lifted. Recently the Company made virtual presentations with the TSX, the investors group conducting the private placement, as well as at the Minerals Investor Forum in early August and the 121 Mining Investment Conference in October subsequent to quarter end.

FINANCIAL DISCUSSION

Summary of Quarterly Results

In thousands except for earnings per share	Three months ended September 30	
	2020	2019
Revenue	\$ 4,773,965	\$ 3,536,801
Net income (loss)	\$ 927,842	\$ (202,533)
Income (loss) per share – basic and diluted	\$ 0.01	\$ 0.00

Net income for the third quarter of 2020 was impacted by the following factors:

- Revenue for Q3 2020 was \$4.8 million up from \$3.5 million in Q3 2019. Although silver grades were lower in Q3 2020 at 166 g/t compared to 182 g/t in Q3 2019, revenue per tonne sold was \$136.63 in Q3 2020 compared to \$105.12 in Q3 2019 due to higher silver prices.
- Mine operating earnings in Q3 2020 were \$1.7 million compared to \$0.4 million in Q3 2019. This was primarily due to an increase in the price of silver sold. In addition, direct costs decreased to \$76.79 per tonne from \$82.33 per tonne in the same period 2019 as more mineral was sourced from the lower cost Guadalupe and Veta Negra open pit mines.

- General and administrative costs were up slightly to \$0.6 million in Q3 2020 compared to \$0.5 million in Q3 2019.
- In Q3 2020, there was a foreign exchange loss of \$0.1 million due to fluctuations in the US dollar affecting cash and accounts receivable denominated in that currency.

Summary of Year to Date Results

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

In thousands except for earnings per share	Nine months ended September 30	
	2020	2019
Revenue	\$ 11,030,028	\$ 9,285,159
Net income (loss)	\$ 642,649	\$ (3,934,295)
Income (loss) per share		
Basic	\$ 0.01	\$ (0.04)
Diluted	\$ 0.00	\$ (0.04)

Net income for the first nine months of 2020 was impacted by the following factors:

- The Company earned revenue of \$11.0 million during the nine months ended September 30, 2020 compared to \$9.3 million in the same period 2019.
- Revenue per tonne sold increased to \$111.12 in 2020 compared to \$88.24 in the same period in 2019. Improved silver prices helped to offset decreased production due to the temporary cessation of operations during the Q2 2020 because of COVID-19.
- Mine operating income was \$2.2 million in 2020 compared to a loss of \$0.7 million in the same period of 2019. This was due to the increase in the price of silver realized and the decrease in direct costs per tonne to \$76.13 from \$82.53 in 2019, as more mineral was sourced from the lower cost Guadalupe and Veta Negra open pit mines.
- General and administrative costs were up marginally to \$1.5 million for the nine months 2020 compared to \$1.3 million in the comparative period 2019.
- The Company had a \$0.1 million foreign exchange gain in the nine months ended September 30, 2020 compared to a loss of \$0.1 million loss in the same period of the prior year.
- The Company had deferred and current income taxes expense in the nine months ended September 30, 2020 of \$0.2 million compared to \$0.1 million in the comparable period of 2019.
- The Company wrote down exploration and evaluation assets for \$1.7 million in 2019 due to the reduction of its concessions for tax purposes, with no comparable write-down in 2020.

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)							
	Sept 30	June 30	Mar 31	Dec 31	Sept 30	June 30	Mar 31	Dec 31
	2020	2020	2020	2019	2019	2019	2019	2018
Revenue	4,774	2,842	3,413	4,026	3,537	2,767	2,981	3,019
Net income (loss)	928	(195)	(90)	(1,005)	(203)	(2,826)	(905)	(2,088)
Income (loss) per share – Basic and Diluted*	0.01	(0.00)	(0.00)	(0.01)	(0.00)	(0.03)	(0.01)	(0.02)
Total assets	58,592	46,319	44,715	49,955	50,255	49,969	49,396	49,365
Total liabilities	6,905	6,306	6,528	7,476	7,976	8,296	8,043	8,030

* Income (loss) per share numbers have been rounded to two decimal places

Liquidity, Financial Position and Capital Resources

Working Capital and Cash Flow

At September 30, 2020, the Company had cash of \$17.4 million, an increase of \$13.7 million from December 31, 2019. Working capital was \$16.8 million compared to \$3.6 million at December 31, 2019.

During the nine months ended September 30, 2020:

- The Company generated cash flows from operating activities of \$2.4 million compared to cash flows used in operating activities of \$1.0 million in 2019, due to improved financial performance and collection of accounts receivable.
- In 2020, the Company invested \$1.4 million (2019 - \$1.3 million) in long-lived assets. The exploration programs postponed in Q2 2020 due to COVID-19 recommenced late in Q3 2020.
- On April 16, 2020, the Company closed a non-brokered private placement for 6,666,634 units of the Company at a price of \$0.30 per unit for gross proceeds of \$2.0 million. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one common share at a price of \$0.385 until April 16, 2023.
- On August 20, 2020, the Company completed a brokered private placement for aggregate gross proceeds of \$9.5 million from the issuance of 10,049,096 units of the Company at \$0.95 per unit. Each unit consists of one common share and one-half share purchase warrant, each whole purchase warrant exercisable into one common share at a price of \$1.30 for a period of 24 months from the date of issuance. The shares and warrants are subject to a hold period of four months expiring on December 21, 2020. The Company paid cash commissions of 6% of the gross proceeds from certain subscribers in the private placement and the agents were granted, and subscribed for, an aggregate of 598,089 broker warrants entitling the holder to acquire one unit at a price of \$0.95 per unit.

- In 2020, the Company received proceeds of \$1.8 million from the exercise of warrants, \$0.2 million from the exercise of stock options, and net proceeds of \$10.8 million from private placements. In the comparative period 2019, the Company received net proceeds of \$5.3 million from private placements and \$0.1 million from the exercise of warrants.

For the three months ended September 30, 2020:

- During the third quarter of 2020, the Company generated cash flows from operating activities of \$1.6 million compared to using cash flows in operations of \$0.3 million in 2019.
- In Q3 2020, the Company invested \$0.6 million in long-lived assets (2019 - \$0.5 million). The exploration programs postponed in Q2 2020 due to COVID-19 recommenced late in Q3 2020.
- In Q3 2020, the Company received net proceeds of \$8.8 million from a private placement (2019 - \$4.2 million), \$1.3 million on the exercise of warrants (2019 - \$0.1 million), and \$0.2 million on the exercise of stock options.

Subsequent to the end of the quarter, the Company entered into an option agreement with Red Oak Mining Corp. ("Red Oak") on the Nuevo Taxco Project. Red Oak can earn a 100% interest in the property by making certain staged payments to the Company over three years, (total payments of \$300,000 and issuance of 3.5 million shares of Red Oak), and by incurring exploration expenditures of \$1.4 million over the period. The Company will retain a 1% net smelter return on the project that Red Oak may buy back for \$1.0 million. The transaction is subject to TSX Venture Exchange approval.

Going Concern

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

During the nine months ended September 30, 2020, the Company had net income of \$0.6 million and generated cash flows from operating activities of \$2.4 million. At September 30, 2020, the Company had unrestricted cash of \$17.4 million, current assets of \$19.2 million and working capital of \$16.8 million. The Company believes this will provide sufficient working capital for the next year. However, 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 and may affect the Company's ability to cover its working capital and capital investments.

The Company's management will continue to consider 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 Company's consolidated financial statements do not include the adjustments that would result if the Company were unable to continue as a going concern. These adjustments could be material.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. In compliance with the measures implemented by the Government of Mexico, the Company temporarily suspended mining operations April 30, 2020. Since resumption of mining activities in June 2020, the Company has not experienced any significant disruption to operations or to shipments of concentrates.

This contagious disease outbreak has continued to spread, and along with any related adverse public health developments, has had a negative impact on workforces, economies, and financial markets globally. It is not

possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or results of operations at this time.

Outstanding Share Data

The following common shares and convertible securities were outstanding at November 19, 2020:

	# of Shares	Exercise Price	Expiry Date
Issued and outstanding common shares	136,121,071		
Stock options	1,575,000	\$0.98	July 27, 2021
Stock options	1,175,000	\$0.35	September 20, 2022
Stock options	1,880,000	\$0.36	October 24, 2024
Warrants	3,292,828	\$0.35	January 18, 2021
Warrants	4,003,154	\$0.30	July 5, 2022
Warrants	2,747,230	\$0.30	July 24, 2022
Warrants	5,247,793	\$0.385	August 2, 2022
Warrants	1,179,954	\$0.385	August 12, 2022
Warrants	5,478,334	\$0.385	April 16, 2023
Warrants	5,024,525	\$1.30	August 20, 2022
Fully diluted	167,724,889		

All of the 4,650,000 options outstanding have vested.

FINANCIAL INSTRUMENTS AND MANAGEMENT OF FINANCIAL RISK

Financial assets and liabilities

The Company's financial instruments consist of cash, concentrate trade receivables, other receivables, investments, trade payables and lease obligations. 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 and lease obligations 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 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 currently with Samsung C&T Corp., and previously with Trafigura Mexico S.A. de C.V. 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 (\$17.4 million) and trade and other receivables (\$1.2 million).

Interest rate risk

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

Currency risk

Foreign exchange rate fluctuations may affect the costs that the Company incurs in its operations. Silver, lead, zinc and gold are sold in US dollars and the Company's costs are principally in Mexican pesos and Canadian dollars. At September 30, 2020, the Company is exposed to currency risk through the cash, trade and other receivables, and trade payables held in US dollars and Mexican pesos. Based on these foreign currency exposures at September 30, 2020, a 10% depreciation or appreciation of all the above currencies against the Canadian dollar would result in an approximate \$0.2 million decrease or increase in the Company's net income for the nine months ended September 30, 2020.

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. The Company is addressing these issues with the objective of lowering production costs and mining higher-grade mineralization.

The only financial instrument affected by commodity price risk for the Company is trade accounts receivable. Assuming the same rate of production, a 10% change in commodity prices from actual realized prices would have increased or decreased the Company's trade accounts receivable balance at September 30, 2020 by \$0.2 million (2019 - \$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.

COVID-19

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or results of operations at this time.

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 September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Operating expenses	\$ 2,713,478	\$ 2,794,578	\$ 7,694,538	\$ 8,786,278
(Deduct): operating expenses for Capire	(30,515)	(31,708)	(85,808)	(102,638)
(Deduct) add : inventory	(63,418)	114,171	(52,081)	(71,341)
Direct costs	\$ 2,619,545	\$ 2,877,041	\$ 7,556,649	\$ 8,612,299
Tonnes milled	34,115	34,946	99,254	104,350
Direct costs per tonne	\$ 76.79	\$ 82.33	\$ 76.13	\$ 82.53
Revenue	\$ 4,773,965	\$ 3,536,801	\$ 11,030,028	\$ 9,285,159
Tonnes sold	34,942	33,646	99,265	105,232
Revenue per tonne sold	\$ 136.63	\$ 105.12	\$ 111.12	\$ 88.24

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 September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Revenue	\$ 4,773,965	\$ 3,536,801	\$ 11,030,028	\$ 9,285,159
Operating expenses	2,713,478	2,794,578	7,694,538	8,786,278
Mine operating earnings before amortization and depletion	\$ 2,060,487	\$ 742,223	\$ 3,335,490	\$ 498,881

EBITDA is defined as net income (loss) before interest, taxes, depreciation, depletion and amortization. The Company considers this measure to be a meaningful supplement to net income (loss) as a performance measurement. The Measure is calculated as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Net income (loss)	\$ 927,842	\$ (202,533)	\$ 642,649	\$ (3,934,295)
Add:				
Finance cost	8,919	8,402	28,246	25,175
Current income tax expense	(43,427)	27,670	107,415	27,670
Deferred income tax expense	103,543	45,031	117,525	93,465
Depreciation and amortization	375,702	395,945	1,129,548	1,205,686
Less:				
Finance income	(13,947)	(14,139)	(32,907)	(20,038)
Earnings (loss) before interest, taxes, depreciation and amortization	\$ 1,358,632	\$ 260,376	\$ 1,992,476	\$ (2,602,337)

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; pandemics; criminal activity; the ability to properly and efficiently staff the Company's operations; the sufficiency of current working capital and the estimated cost and availability of funding for the continued exploration and development of the Company's exploration properties. This list is not exhaustive and these and other factors should be considered carefully,

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

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

On behalf of the Board of Directors,

“Frederick W. Davidson”

President and Chief Executive Officer

November 19, 2020