

IMPACT Silver Corp.
Form 51-102F1
Management's Discussion and Analysis
For the Three Months Ended March 31, 2020

INTRODUCTION

This Management's Discussion and Analysis ("MD&A") is for the three months ended March 31, 2020 of IMPACT Silver Corp. ("IMPACT" or the "Company") prepared as at May 21, 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 in Mexico. IMPACT's primary production metal is silver with approximately 90%+ of its revenues currently generated by silver. Since 2006, the Company has carried out programs of exploration, development and mine production in both districts, bringing eight sites from exploration drilling to development and mining. IMPACT has produced over 10 million ounces of silver since 2006 and generated over \$194 million in revenues. As a result, a significant portion of over \$40 million in capital expenditures and \$20 million in exploration on the properties was funded by operations and the company still has no long-term debt.

In mid-2018 with a depressed silver price the Company reduced output by focusing production on the mines with higher operating margins and leaving the mines with a more modest grade or higher costs on stand-by. By the second half of 2019, the Company generated positive mine operating earnings due to a combination of cost reductions, higher metal prices and higher mining grades. Recently IMPACT had been revising production plans to take advantage of long term forecasted silver prices and pursuing key silver and gold exploration targets with near term mining potential.

The first quarter in 2020 compared to the prior year demonstrated the cumulative effect of the company's strategic decisions. 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. With additional throughput and higher grades of both silver and gold, despite the downturn in the price of silver, total revenues increased by 15% over 2019's first quarter. The weaker Mexican peso and lower operating costs from these two mines helped to reduce direct costs per tonne by 9%.

The loss for the quarter was only \$0.1 million compared to a loss of \$0.9 million in the first quarter of 2019. Importantly, Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA)¹ rose to over \$0.4 million compared to a negative EBITDA in the comparative quarter of \$0.5 million. An improvement on the bottom line of over \$0.8 million and a \$0.9 million improvement in EBITDA.

In the first quarter, the global impact of the COVID-19 Virus as well as recent declines in spot prices for certain commodities and oil and gas resulted in significant declines in global stock markets and has fostered a great deal of uncertainty as to the health of the global economy over the next 12 to 18 months.

In April, the Mexican government declared a national health emergency due to the COVID-19 pandemic. Numerous health precautions have been decreed, including the suspension of non-essential businesses, with only essential services to remain open. Mining does not qualify as an essential service so for the protection of the company's staff, employees, contractors and communities, the Company commenced the process of suspending its mining operations until April 30 as mandated by the government. This suspension was subsequently extended by the government until June 1st.

The current environment and regulators decisions has had an impact on both foreign exchange and commodity prices and cash flows and the Company is unable to ascertain the ultimate net effect on the Company's operations. As a result, subsequent to the end of the quarter, the Company announced a non-brokered private placement that closed April 14, 2020 for \$2.0 million, consisting of 6,666,667 units at \$0.30 each unit comprised of one share and one share purchase warrant exercisable at \$0.385 for a three-year period.

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. Expand production from the recently opened Veta Negra open pit 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 term mining.
4. Accelerate exploration by also looking to possible joint ventures with third parties on more remote tracts.
5. Continue exploration with plans for eventual development of gold and copper from the Valle de Oro area of the property.

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

Financial Overview

- Income before taxes was \$0.06 million in Q1 2020, a significant improvement from a loss of \$0.9 million in Q1 2019.
- Net loss for the quarter was \$0.09 million compared to a net loss of \$0.9 million in 2019.
- EBITDA for Q1 2020 improved \$0.9 million from the comparative period 2019.
- Revenue for Q1 2020 was \$3.4 million compared to \$3.0 million in 2019.
- Mine operating earnings² for 2020 improved \$0.3 million from Q1 2019.
- At March 31, 2020 the Company's cash and working capital remained strong at \$3.9 million and \$3.4 million respectively.

¹ Earnings before interest, taxes, depreciation and amortization (EBITDA) is a non-IFRS measure which the Company believes provides meaningful information about the Company's financial performance.

² 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.

- Cash flows generated from operations were \$0.7 million in Q1 2020, compared to \$1.0 million used in operations in Q1 2019.

Production Overview

- Production at the Guadalupe mill during the first quarter of 2020 came from the Guadalupe Mine (38% of total mill feed), the San Ramon Mine (22% of mill feed), the Cuchara Mine (23% of mill feed), and the Veta Negra Mine (17% of mill feed).
- Average mill feed grade for silver was 170 grams per tonne (g/t) in Q1 2020, an increase from 167 g/t in Q1 2019.
- Silver production increased to 178,994 ounces in Q1 2020 compared to 163,575 ounces in Q1 2019 due to higher grades and increased tonnes milled.
- Throughput at the mill in Q1 2020 was 39,537 tonnes compared to 35,788 in Q1 2019.

PRODUCTION AND SALES: GUADALUPE MILL

	For the Three Months Ended March 31		
	2020	2019	% Change
Total tonnes (t) milled	39,537	35,788	+11%
Tonnes produced per day	434	398	+10%
Silver production (oz)	178,994	163,575	+9%
Lead production (t)	66	63	+5%
Gold production (oz)	93	85	+9%
Silver sales (oz)	184,572	157,408	+17%
Lead sales (t)	70	67	+4%
Gold sales (oz)	95	77	+23%
Average mill head grade –silver g/t	170	167	+2%
Revenue per tonne sold ³	\$84.92	\$84.98	+0%
Direct costs per production tonne ³	\$75.16	\$82.47	-9%

Production and Sales Highlights for the Three Months Ended March 31

In late 2018 the Company shifted its strategy from utilising capacity at its Guadalupe processing plant to a focusing on lower cost, higher grade production. As a result, for the twelve months ended December 31, 2019, 140,878 tonnes were milled compared to 173,217 tonnes for the comparative period in 2018. The decrease in production tonnes allowed the Company to focus on higher mining grade areas and lower cost situations with the average mill head grade increasing to 173 g/t in 2019 compared to 159 g/t processed in 2018. In the first quarter of 2020, the Company started to gradually expand production as the mill processed 39,537 tonnes which was approximately 11% more than in the comparative period in 2019.

³ 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”.

Revenue per tonne sold was \$84.92 in Q1 2020, a slight decrease from Q1 2019 at \$84.98 with silver sales increasing to 184,572 ounces in Q1 2020 from 157,408 ounces in 2019 due to higher grades and increased tonnes milled.

Direct costs per production tonne were \$75.16 in Q1 2020, an 9% decrease from Q1 2019 at \$82.47.

The largest contributor to mill feed in Q1 2020 was the Guadalupe mine located adjacent to the Guadalupe mill. A two-stage refurbishment of a mine shaft at the Guadalupe mine was initiated in the third quarter 2019 allowing for considerably higher capacity with lower associated hauling costs. The first phase has been completed and the second stage which commenced in the first quarter this year, has already improved access to Level 195, the main production level.

The Company started the initial test mining at the Veta Negra open pit in September 2019 and is currently actively mining this project while at the same time conducting exploration on its possible extension to the North West.

The Company is reassessing its production plans in light of the positive results from the Guadalupe Mine and Veta Negra open pit.

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 save on 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. Very low hauling costs associated with mining here as well as positive drill results led to a decision to reopen parts of this low cost mine. During the first quarter of 2020, the Guadalupe Mine provided 38% (Q1 2019 – 27%) of feed to the Guadalupe mill. Diluted mining grades at Guadalupe during the quarter averaged 173 g/t silver. Production during Q1 2020 continues to be from the Lipton, Liptonia San Lorenzo and Milton veins on Levels 30, 60, 70, 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 the 195 level and beyond.

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 first quarter of 2020, the San Ramon Deeps Mine provided 22% (Q1 2019 – 43%) of feed to the Guadalupe mill. Diluted mining grades at San Ramon during the quarter averaged 167 g/t silver.

To date this vein has been mined on Levels 16.5 through 28 over a length of up to 180 metres and widths of 2 to 17 metres. Production during Q1 2020 was from Levels 23 and 28. Size and grade of San Ramon Deeps were decreasing with depth but new drilling below current mining levels during the third quarter intersected

additional high grade. Further drilling along strike indicates another possible zone of mineralization approximately 100 meters to the south

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 first quarter of 2020, the Veta Negra Mine provided 17% (Q1 2019 – 0%) of feed to the Guadalupe mill. Diluted mining grades at Veta Negra during Q1 2020 averaged 191 g/t silver. Work in progress is focused on determining the full production potential of this zone. The Veta Negra vein system was mined in the 1970’s and 1980’s by a previous operator from open pit and underground. North-northwest trending parallel, near surface veins over a width averaging 14 metres justified open pit mining methods and are presently being tested to determine the potential of expanding the open pit. Historic and recent sampling has shown vein system continuity over a strike length of 650 meters. During the quarter, IMPACT personnel carried out three series of continuous chip samples across the El Socorro vein and the Veta Negra vein along a 50m strike length in the Veta Negra open pit which returned the following results:

Vein Name	Sampled Width (m)	Sampled Vein Length (m)	Silver gm/t	Gold gm/t	Lead %	Zinc %
Veta El Socorro	22.70	50.84	205.7	0.02	0.14	0.31
Veta Negra	16.02	52.28	208.5	0.13	0.41	0.56

Cuchara Silver Mine

The Cuchara mine is located 2.5 kilometres east of the Guadalupe mill and commenced production in the second quarter of 2013. During the first quarter of 2020, the Cuchara Mine provided 23% (Q1 2019 – 30%) 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. Diluted mining grades at Cuchara during the quarter averaged 162 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”) base and precious metal deposit. VMS mineralization in the Capire district is predominantly silver-rich with zinc and lead credits.

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

After the shut-down, the Capire plant was reconfigured as a bulk test processing facility for gold and copper mineralization from the Carlos Pacheco South Zone in the Noche Buena Mine. The results of this test work

at Capire and later at the Guadalupe mill, demonstrated good gold recoveries from Carlos Pacheco South mineral when mixed with Zacualpan silver mineral.

The Capire plant is currently on care and maintenance. Production from the Capire open pit may restart in the future with higher metal prices and/or lower unit production costs associated with a potential larger operation. The Company is currently testing the potential of an ore sorting system to upgrade the mineral feed at low cost to the near by Capire mill. Work is expected to continue on the metallurgical studies during 2020.

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 (on care and maintenance). Exploration is continuing with the goal of finding and developing new mines for the Company. Recent exploration highlights were as follows:

Sampling Results

During the quarter, 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

IMPACT crews have been sampling some of the 5,000+ old mine workings and prospects in the districts as well as exploring new areas. During the quarter, fieldwork was mainly focused on the Chapanal area north of Noche Buena where new gold and silver prospects have been identified and on the north extensions of the Veta Negra open pit mine. In addition, compilation of historical maps and other technical data from the districts into a large computer database continued and is being used to plan future exploration programs.

FUTURE PLANS

Mining Plans

In April, mining and exploration was suspended until June 1st with only security personnel on site as required under the Mexican government COVID-19 decree. In the longer term, management intends to continue exploration and development of gold and copper from Carlos Pacheco, and to re-evaluate the Capire open pit silver mine when silver prices improve sufficiently.

Exploration Plans

While current exploration was suspended under the Mexican government COVID-19 decree the Company intends to recommence active exploration when restrictions are lifted with the goal of putting some of the 5,000+ compiled old mine workings in the Zacualpan and Capire districts on a faster track to drilling and potential production, and building mineral inventories for mining. Exploration will focus on the Manto America gold targets, the Chapanal area gold and silver prospects, and extensions north of the Veta Negra open pit.

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

George Gorzynski, P. Eng., Vice President and Director of IMPACT Silver Corp., and a Qualified Person as defined under Canadian National Instrument 43-101, 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, approved 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 community to address concerns. The employment of most workers from the local communities' fosters understanding, direct involvement in the Company's operations, and financial and recreational benefits to the local communities.

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

Recently, in regard to the COVID-19 epidemic, the Company is working with the local regulators, and its own employees to establish protocols to help ensure a safe work place. In conjunction with the Mexican government decree, work was stopped in April, restarting June 1, 2020 in an effort to limit the possible transmission of the virus. To date there does not appear to be any COVID-19 related cases in the local community.

INVESTOR RELATIONS

The Company builds investor awareness and shareholder value by conducting institutional presentations and attends investment and mining related conferences in Canada and internationally. Beyond this, the Company continues to strengthen its presence via social media and online advertisements. Currently investor relations work is limited to on line marketing until COVID -19 restrictions are lifted.

FINANCIAL DISCUSSION

Summary of Quarterly Results

In thousands except for earnings per share	Three months ended March 31			
	2020		2019	
Revenue	\$	3,414	\$	2,981
Net loss	\$	(90)	\$	(906)
Loss per share – basic and diluted	\$	(0.00)	\$	(0.01)

Net loss for the first quarter of 2020 was impacted by the following factors:

- Revenue for Q1 2020 was \$3.4 million, a 15% increase from \$ 3.0 million in Q1 2019. Revenue per tonne sold was \$84.92 in Q1 2020 similar to Q1 2019 at \$84.98. Marginally higher silver grades and increased tonnes milled in 2020 over 2019 were offset by a marginal reduction in the price of silver realized on sales.
- Operating expenses for Q1 2020 were \$3.1 million compared to \$3.0 million in Q1 2019. Direct costs per tonne decreased to \$75.16 in Q1 2020 from \$82.47 in Q1 2019 as more ore was sourced from the lower cost Guadalupe and Veta Negra open pit mines.
- Mine operating loss was \$0.1 million in Q1 2020 compared to a loss of \$0.4 million in the first quarter of 2019. Amortization and depletion expenses were \$0.4 million.
- General and administrative costs were \$0.4 million in Q1 2020 and 2019.
- In Q 1 2020 there was a foreign exchange gain of \$0.6 million (Q1 2019 loss of \$0.1 million) due to the strengthening US dollar impacting cash and accounts receivable denominated in that currency.
- The Company had deferred and current income taxes of \$0.2 million in the Q1 2020 compared to \$0.01 million in 2019.

OTHER FINANCIAL INFORMATION

Summary of Quarterly Results

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

	For the Three Months Ended							
	(\$ in thousands except for earnings per share)							
	Mar 31 2020	Dec 31 2019	Sep 30 2019	Jun 30 2019	Mar 31 2019	Dec 31 2018	Sep 30 2018	Jun 30 2018
Revenue	3,413	4,026	3,537	2,767	2,981	3,019	3,095	3,109
Net loss	(90)	(1,005)	(203)	(2,826)	(905)	(2,088)	(1,449)	(1,016)
Loss per share – Basic and Diluted*	(0.00)	(0.01)	(0.00)	(0.03)	(0.01)	(0.02)	(0.02)	(0.01)
Total assets	44,715	49,955	50,255	49,969	49,396	49,365	49,367	50,116
Total liabilities	6,528	7,476	7,976	8,296	8,043	8,030	6,568	7,166

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

Liquidity, Financial Position and Capital Resources

Working Capital and Cash Flow

At March 31, 2020 the Company had cash of \$3.9 million, an increase of \$0.1 million from December 31, 2019. Working capital was \$3.4 million compared to \$3.6 million at December 31, 2019.

For the three months ended March 31, 2020:

- The Company generated cash flows from operating activities of \$0.7 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.
- The Company invested \$0.2 million in property, plant and equipment (2019 - \$0.7 million), and \$0.4 million (2019 - \$1.2 million) in exploration and evaluation assets. Exploration programs scheduled to commence late Q1 2020 have been postponed due to COVID-19.
- In Q1 2020 the Company received proceeds of \$0.02 million on the exercise of warrants. In Q1 2019, the Company completed the second tranche of a private placement with net proceeds of \$1.1 million of which \$0.5 million of the proceeds were received in Q4 2018.

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 quarter ended March 31, 2020, the Company incurred a net loss of \$0.09 million and cash flows from operating activities of \$0.7 million. At March 31, 2020, the Company had unrestricted cash of \$3.9 million, current assets of \$5.6 million and working capital of \$3.4 million. As IMPACT is a producing silver mining company, its performance is heavily impacted by the price of silver; therefore, it is possible that internally generated cash flows may not be sufficient in 2020 and may affect the Company's ability to cover its working capital and capital investments.

The Company's management continues 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 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 in the future, as there is still volatility in debt and equity capital markets and other factors which may adversely affect the Company's ability to implement a financing plan.

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

Outstanding Share Data

The following common shares and convertible securities were outstanding at May 21, 2020:

	# of Shares	Exercise Price	Expiry Date
Issued and outstanding common shares	116,992,012		
Stock options	1,625,000	\$0.98	July 27, 2021
Stock options	1,560,000	\$0.35	September 20, 2022
Stock options	2,000,000	\$0.36	October 24, 2024
Warrants	1,972,500	\$0.35	November 30, 2020
Warrants	4,070,328	\$0.35	January 18, 2021
Warrants	4,702,770	\$0.30	July 5, 2022
Warrants	2,747,230	\$0.30	July 24, 2022
Warrants	8,433,759	\$0.385	August 2, 2022
Warrants	1,911,068	\$0.385	August 12, 2022
Warrants	6,666,667	\$0.385	April 16, 2023
Fully diluted	<u>152,681,334</u>		

All of the 5,185,000 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 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 Samsung C&T Corp. or 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 (\$3.9 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 March 31, 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 March 31, 2020, a 10% depreciation or appreciation of all the above currencies against the Canadian dollar would result in an approximate \$150,000 decrease or increase in the Company's net loss for the twelve months ended March 31, 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. To date, the Company has been addressing these issues with the objective of lowering production costs and mining higher grade mineralization.

The only financial instrument affected by commodity price risk for the Company is trade accounts receivable. Assuming the same rate of production, a 10% change in commodity prices from actual realized prices would have increased or decreased the Company's trade accounts receivable balance at March 31, 2020 by \$0.2 million (2019 - \$0.1 million).

OPERATIONAL RISK

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

POLITICAL, REGULATORY AND SECURITY ISSUES

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

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

APPROVAL

The Board of Directors oversees management's responsibility for financial reporting and internal control systems through an Audit Committee. This Committee meets periodically with management and annually with the independent auditors to review the scope and results of the annual audit and to review the financial statements before the financial statements are approved by the Board of Directors and submitted to the shareholders of the Company. The Board of Directors of IMPACT have approved the financial statements and the disclosure contained in this MD&A. A copy of this MD&A will be provided to anyone who requests it.

SUPPLEMENTARY INFORMATION

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

	For the Three Months Ended March 31	
	2020	2019
Operating expenses	\$ 3,115,147	\$ 2,978,858
(Deduct): operating expenses for Capire	(38,742)	(38,349)
Add (deduct): inventory	(104,685)	10,836
Direct costs	\$ 2,971,720	\$ 2,951,345
Tonnes milled	39,537	35,788
Direct costs per tonne	\$ 75.16	\$ 82.47
Revenue	\$ 3,413,708	\$ 2,981,355
Tonnes sold	40,197	35,084
Revenue per tonne sold	\$ 84.92	\$ 84.98

NON-IFRS MEASURES

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

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

	For the Three Months Ended March 31	
	2020	2019
Revenue	\$ 3,413,708	\$ 2,981,355
Operating expenses	3,115,147	2,978,858
Mine operating earnings before amortization and depletion	\$ 298,561	\$ 2,497

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 March 31	
	2020	2019
Net loss	\$ (90,174)	\$ (905,523)
Add:		
Finance cost	10,372	8,463
Current income tax expense	122,594	3,339
Deferred income tax expense	27,039	48,641
Depreciation and amortization	419,162	386,142
Less:		
Finance income	(13,919)	(4,531)
Earnings (loss) before interest, taxes, depreciation and amortization	\$ 475,074	\$ (463,469)

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

NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

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

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

On behalf of the Board of Directors,

“Frederick W. Davidson”

President and Chief Executive Officer

May 21, 2020