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

## INTRODUCTION

*This Management's Discussion and Analysis ("MD&A") is for the three months ended March 31, 2015 of IMPACT Silver Corp. ("IMPACT" or the "Company") prepared as at May 26, 2015 and should be read in conjunction with the Company's annual audited consolidated financial statements for the year ended December 31, 2014 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 355 km² in central Mexico: the **Royal Mines of Zacualpan Silver District** and the **Capire-Mamatla Mineral District** adjacent to and southwest of Zacualpan. In October 2014, the Company registered an application to reduce the size of its mineral concession holdings at Zacualpan-Mamatla from 623 km² to 355 km² to reduce tax payments which have been increasing year-on-year. The areas abandoned were peripheral areas where exploration work determined low economic mineral potential, and were therefore not considered material to Company operations. The Company currently produces silver and gold in lead and zinc concentrates at its 500 tonne per day ("tpd") Guadalupe processing plant in the Royal Mines of Zacualpan District.

The IMPACT story is that of discovery. From nominal production in 2006, the Company now produces 456 tonnes per day at the Guadalupe plant. During that period, IMPACT has discovered and developed a number of new veins with high grade mineralization that continue to sustain the operations. Over the last eight years, the Company has carried out a program of exploration, development and mine production at both the Royal Mines of Zacualpan Silver District and Capire-Mamatla Mineral District. This work has resulted in a huge increase in knowledge about the nature of both mineral districts.

In light of the extraordinary fall in the price of silver over the last two years, IMPACT revised its development programs to address the change in economics with the results becoming apparent in the latter part of 2014 and the first quarter of 2015. The following are the Company's primary initiatives in 2015 at Zacualpan:

1. Continue upgrading silver production by transitioning production to new higher grade zones in the Cuchara-Oscar Mine, the San Ramon Deeps Mine and the Mirasol Mine. This transition has provided the highest average mill grades in the last three years.

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

3. Improve cash flows through continued improvements in grade control, cost controls and optimized operating controls.

IMPACT remains focused on efficient operations. The Company has no long term debt and has been funded principally by shareholders' equity. However, if the price of silver remains at current levels the Company will consider opportunities to improve its balance sheet and fund future development through possible financing and/or acquisition or merger.

### Refocusing in Times of Lower Metal Prices

IMPACT spent much of its efforts during the past two years on a concerted program of cost reductions, increasing operational efficiencies and transitioning to mining of higher grades. Today, operations at the Royal Mines of Zacualpan produce from markedly higher silver grades with lower costs, greater efficiency and higher tonnage throughput than just a year ago. This is a notable achievement by the entire IMPACT team. These transitions continue to put the Company on a more solid footing.

IMPACT began its transition in 2013 by bringing the Cuchara-Oscar Mine into production. In 2014, mining and drilling from the bottom of the San Ramon Mine discovered new high grade silver zones at San Ramon Deeps. This discovery began to contribute to production during the third quarter of 2014, and in the first quarter of 2015, it represented 39% of total production tonnes. The new higher grade Mirasol Silver Mine began to contribute to production tonnes during the third quarter of 2014 as well. The overall result has been to increase the average mill throughput for silver to some of the highest mill grades in the last three years. IMPACT is fortunate to have these higher grade zones to partially offset the decrease in metal prices and declining grades at older mines. Over the last year, non-essential work was curtailed and related personnel laid off. In addition, expenditures on exploration work were substantially reduced. Continued exploration work in 2015 will focus primarily on larger and higher grade targets in the vicinity of the current producing mines. The Capire operations were put on care and maintenance in 2014 to further reduce expenditures. In 2015, mining will continue to transition to increase high grade production to improve revenue.

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

## OVERVIEW FOR THE THREE MONTHS ENDED MARCH 31, 2015

### Financial Overview

- Revenue for the first quarter was $3.9 million compared to $3.0 million in 2014, a 30% increase due mainly to the higher grade mineral being processed.
- Net loss was $0.3 million for the quarter, of which non-cash items included $0.5 million in amortization and depletion, compared to a $1.3 million net loss in the same quarter last year, of which non-cash items included $0.7 million in amortization and depletion.
- Mine operating earnings before amortization and depletion[1] were $0.8 million for the Guadalupe mill for the current quarter compared to $0.2 million in the same quarter last year.
- Capital expenditures during the quarter included mineral property expenditures of $0.7 million. At March 31, 2015, cash was $0.5 million and net working capital was $3.9 million. The Company continues to be free of long term debt.

### Production Overview

- Silver production increased to 220,961 ounces for the first quarter of 2015, up 49% from 148,696 ounces in the same period of 2014 and up 3% from 213,928 ounces in the fourth quarter of 2014.

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[1] Mine operating earnings before amortization and depletion is a non-IFRS measure which the Company believes provides a useful indicator of how the Company's operations are performing. See "NON-IFRS MEASURES".

- Average mill feed grade for silver in the first quarter of 2015 increased 38% to 189 grams per tonne (g/t) compared to 137 g/t in the first quarter of 2014, and up 5% from 180 g/t in the fourth quarter of 2014.
- Total tonnes milled during the first quarter of 2015 increased 3% to 41,046 from 39,775 in the comparable quarter of 2014.
- Higher grade production at the Guadalupe mill during the first quarter of 2015 resulted from higher grade feed from the San Ramon Deeps Mine and the Mirasol Mine. The San Ramon Deeps Mine, discovered and opened in 2014, contributed 39% of the mill feed in the first quarter of 2015 The Mirasol Mine, put into production in July 2014, contributed 8% of the total mill feed in the same period.

**PRODUCTION AND SALES: GUADALUPE MILL**

| | For the Three Months Ended March 31 | | |
|---|---|---|---|
| | **2015** | 2014 | % Change |
| Total tonnes (t) milled | **41,046** | 39,775 | +3% |
| Tonnes milled per day | **456** | 442 | +3% |
| Silver production (oz) | **220,961** | 148,696 | +49% |
| Lead production (t) | **112** | 148 | -24% |
| Zinc production (t) | **83** | 141 | -41% |
| Gold production (oz) | **153** | 234 | -35% |
| Silver sales (oz) | **240,538** | 138,394 | +74% |
| Lead sales (t) | **121** | 140 | -14% |
| Zinc sales (t) | **81** | 128 | -37% |
| Gold sales (oz) | **175** | 213 | -18% |
| Average mill head grade –silver g/t | **189** | 137 | +38% |
| Revenue per tonne sold[2] | **$88.53** | $73.16 | +21% |
| Direct costs per production tonne[2] | **$70.95** | $67.21 | +6% |

*Table excludes Capire Mine production

**Production and Sales Highlights for the Three Months Ended March 31**

The Company increased tonnes mined in the first quarter of 2015 to 41,386, compared to 39,884 in the same quarter last year. Production tonnes are being drawn from several mines with different feed grades, therefore mine production can vary from quarter to quarter. Starting in the last half of 2014, mill head silver grades increased due to higher grade mineralization from San Ramon Deeps and Mirasol, averaging 189 g/t in the first quarter of 2015 compared to 137 g/t in the same period in 2014.

Silver sales were 240,538 ounces in the first quarter of 2015, a 74% increase from the 138,394 ounces sold in the same period in 2014, and a 9% increase from the previous quarter. As a result of the higher grade

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

production and increased sales, the Company's revenue increased to $88.53 per tonne in the first quarter of 2015, from $73.16 in the first quarter of 2014, despite silver prices continuing to be low.

## MINE PRODUCTION

### Mine Operations

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

### Royal Mines of Zacualpan District

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

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

### Cuchara-Oscar Silver Mine

During the first quarter of 2015, the Cuchara-Oscar Mine provided 51% (Q1 2014 – 48%) of feed to the Guadalupe mill. The mine is located 2.5 kilometers east of the Guadalupe mill and commenced production in the first quarter of 2013. During the first quarter of 2014, a decision was made to expand production and make Cuchara-Oscar the principal producing mine by increasing the number of working faces; this expansion was achieved in the second quarter of 2014. The mine is contributing a silver-lead-zinc feed to the Guadalupe mill from a corridor of veins. Current production is from the Marqueza, Santa Lucia and Oscar veins with plans to mine other nearby veins as the mine develops. Recovered mining grades at Cuchara-Oscar during the quarter ranged from 157 to 168 g/t silver.

### San Ramon Silver Mine

During the first quarter of 2015, the San Ramon Mine provided 39% (Q1 2014 – 21%) of feed to the Guadalupe mill, located 5 kilometers to the north. San Ramon has been a significant contributor to production since 2008, but in early 2014 grades were dropping with depth, and production was decreasing. During the second quarter, underground drilling from the bottom levels of the mine discovered new high grade silver zones in the San Ramon Deeps area (see EXPLORATION below for details). Mining of the high grade San Ramon Deeps Zone began in the third quarter of 2014 and is the main contributor to the increase in average overall mined silver grade since then. To date this vein has been exposed in mine workings on Levels 18, 19 and 20 over a length of 180 meters and widths of three to seven meters. Recovered mining grades at San Ramon during the quarter ranged from 224 to 263 g/t silver. Underground drilling to date has outlined the vein over a vertical distance of 10 to 80 meters below the current mine workings, mainly near the northern portion of the vein. IMPACT has begun construction of an internal shaft and a second mine ramp to better access the zone and increase monthly tonnages of high grade silver extracted from the mine with the aim to continue increasing overall silver grades and silver production ounces at the Guadalupe mill. In the interim, development work will temporarily reduce the availability of higher grade material.

**Mirasol Silver Mine**

Mining at the Mirasol Silver Mine began in the third quarter of 2014. During the first quarter of 2015, Mirasol contributed 8% (Q1 2014 – 0%) of feed to the Guadalupe mill located 5.5 kilometers to the northwest.

The Mirasol Zone was drilled in 2012-2013. Highlights from that drilling included 216 g/t silver over 7.1 meters, 985 g/t silver over 1.8 meters and 288 g/t silver over 3.2 meters. Recovered mining grades at Mirasol during the quarter ranged from 180 to 185 g/t silver.

**Gallega Mine**

The Gallega Mine is located less than one kilometer from the Guadalupe mill and is mined intermittently to provide modest tonnages of supplementary silver feed to the plant. During the first quarter of 2015, the Gallega mine provided 2% (Q1 2014 – 9%) of mill feed to the Guadalupe mill.

**Noche Buena-Carlos Pacheco Mine**

In August 2014, the Noche Buena-Carlos Pacheco Mine was put on standby as equipment and labour were transferred to expand mining of higher grade zones at the San Ramon, Mirasol and Cuchara-Oscar Mines. It therefore contributed no mill feed to the Guadalupe mill in the first quarter of 2015 (Q1 2014 – 22%). The mine workings are being maintained and dewatered so production can be readily restarted when needed. Noche Buena is located four kilometers southwest of the Guadalupe mill and commenced production in the first quarter of 2010. The mine produced from three different sets of veins – silver veins in the Noche Buena portion of the mine to the west (now mined out), gold-silver-copper veins in the Carlos Pacheco portion of the mine 170 meters to the east (available for future mining), and lead-zinc-silver veins from the Upper San Juan Zone to the north (now mined out).

**Capire Processing Plant and Mine**

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

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

After open pit operations were shut down, the Capire plant was reconfigured as a bulk test processing facility for gold and copper mineralization from the Carlos Pacheco South Zone in the Noche Buena Mine. During the second quarter of 2014, test operations at the Capire plant ended. Results of this test work at Capire and later at the Guadalupe mill, demonstrated good gold recoveries from Carlos Pacheco South mineral when mixed with Zacualpan silver mineral resulting in higher gold production at Guadalupe during the first half of 2014. Metallurgical studies on stand-alone processing of Carlos Pacheco mineral continue. The Capire plant is currently on care and maintenance.

Unlike the Zacualpan area vein deposits, Capire is a volcanogenic massive sulphide ("VMS") base and precious metal deposit. VMS mineralization in the Capire-Mamatla district is predominantly silver-rich with zinc and lead credits. The district covers the same stratigraphy as the Campo Morado VMS belt where Nyrstar NV (formerly Farallon Resources) mined the G-9 VMS deposit (5.57 million tonnes grading 7.3% zinc, 1.0% lead, 1.3% copper, 186 g/t silver and 2.8g/t gold). The G-9 VMS deposit is located along trend, 45 kilometers southwest of Capire.

## EXPLORATION

Since acquiring the Royal Mines of Zacualpan project in 2006, IMPACT technical teams discovered, drilled and placed into production a number of new mines. Mines on epithermal veins that were discovered and built by IMPACT staff since 2006 include the Cuchara-Oscar Silver Mine (currently in operation), San Ramon Deeps Silver Mine (currently in operation), Mirasol Silver Mine (currently in operation), Carlos Pacheco Gold-Copper Mine (on care and maintenance), Chivo Silver Mine (operated 2007-2012) and the Noche Buena Silver Mine (operated 2010-2014) as well as the Capire VMS open pit mine (on care and maintenance in the adjacent Mamatla District). Exploration is continuing with the goal of finding and developing new mines for the Company. During the quarter exploration highlights were as follows:

*San Ramon Deep Drilling Results*

During the quarter, IMPACT announced additional underground drill results from the San Ramon Deeps Zone. Highlights included 1,025 g/t silver over 2.84 meters within 552 g/t silver over 5.80 meters, and 647 g/t silver over 1.49 meters within 278 g/t silver over 6.50 meters. The San Ramon Deeps Zone is open for expansion to depth and along strike. In the third quarter of 2014, mining began on the new San Ramon Deeps Zone and additional drilling is in progress.

*Exploration Field Work*

IMPACT employs field crews dedicated to finding and bringing new mineral prospects to the drilling stage. These crews have been sampling some of the 4,000+ old mine workings and prospects in the districts. They have also trenched areas of mineralization and carried out extensive soil sampling on 100 meter x 25 meter grids. During the quarter, fieldwork in the form of detailed geological mapping and rock sampling in old mine workings was mainly focussed on larger and higher grade target areas close to current mines and infrastructure at Alacran North and Guadalupe South.

### Veta Grande (Zacatecas) Silver Project, Mexico

The Zacatecas Project consists of a 200-tpd mill and 13 mineral concessions in the Zacatecas Silver District located 500 kilometers northwest of Mexico City. Access is by paved highways which run through the district. Infrastructure is good throughout the district with road networks, electric power and a trained work force. Since 2007 intermittent exploration was carried out on several of the 13 mineral concessions located within the district.

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

After 2011, the Company participated in several small private placement financings in Defiance. During 2014, the Company sold all 4,067,000 shares and no longer holds any shares in Defiance.

### Dominican Republic

For several years the Company has been trying to renew its mineral concessions in the Dominican Republic, a process it has successfully done several times in the past. The status of these concessions is pending.

## FUTURE PLANS

In response to the current lower metal price environment, near term plans for mining and exploration in the Zacualpan District are focused mainly on larger and higher grade zones of silver and gold close to the active mining operations.

### Mining Plans

Over the past two years IMPACT implemented some significant changes to its mining activities. Silver production continues to transition to new mines to take advantage of their higher grades in response to lower metal prices. The new San Ramon Deeps and Mirasol Mines were constructed in 2014 to provide higher grade silver feed to the Guadalupe mill. This transition resulted in the increase in overall silver production grades. Plans are to further increase production from these higher grade zones in 2015. In the longer term, management also intends to produce gold and copper at Carlos Pacheco South and San Juan.

### Exploration Plans

Plans are to continue exploration with a goal of putting some of the other 4,000+ compiled old mine workings in the Zacualpan and Capire districts on a faster track to potential production and build mineral inventories for mining. Current exploration work is focused mainly on larger and higher grade targets close to current production areas at Alacran North and Guadalupe South.

With a track record of successful exploration, rapid mine development and more than 4,000 old mine workings identified to date as exploration targets, the Company's long term vision sees potential for establishment of 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 under the meaning of Canadian National Instrument 43-101, is responsible for the technical information in this MD&A for the Royal Mines of Zacualpan Silver Project, the Capire Mineral District and the Veta Grande (Zacatecas) Silver Project. 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.

Our employees and contract personnel are aware and continually reminded to maintain high standards with regard to environmental issues and safety. We work as part of a community, whose members are kept informed of our activities and their concerns addressed. The Company retains a Community Relations Officer to ensure open communications. The use of personnel and other workers from the local communities fosters understanding, direct involvement in the Company's operations and financial benefits to the local communities including the development of recreational areas and parks.

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

## INVESTOR RELATIONS

The Company builds investor awareness and shareholder value by conducting institutional presentations and attending investment and mining related conferences in Canada and internationally. During the quarter the Company participated in investor and mining related conferences and conducted institutional presentations. Beyond this, the Company continues to strengthen its presence via social media, print magazine articles and online advertisements.

## FINANCIAL DISCUSSION

### Summary of Quarterly Results

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

| In thousands except for earnings per share | Three months ended March 31 | | |
|---|---|---|---|
| | **2015** | 2014 | 2013 |
| Revenue | $ **3,912** | $ 2,962 | $ 4,173 |
| Net loss | $ **(281)** | $ (1,264) | $ (655) |
| Loss per share – basic and diluted | $ **0.00** | $ (0.02) | $ (0.01) |

For the three months ended March 31, 2015, the Company's mine operating income was $0.2 million compared to a loss of $0.9 million in the same period of 2014, with revenue of $3.9 million in 2015 compared to $3.0 million in 2014. Silver production was 220,961 ounces during the first quarter of 2015, representing a 49% increase from 148,696 ounces produced within the same period in 2014. Revenue per tonne sold increased 21% from $73.16 in the first quarter of 2014 to $88.53 in the comparable period of 2015. The increase in revenue per tonne is a result of the significant increase in silver grade and sales, partially offset by an 18% decrease in silver prices in the first quarter of 2015 compared to the first quarter of 2014. As silver sales account for the majority of the Company's revenues, the changes in lead, zinc and gold prices and production did not significantly affect mine operating income.

Direct costs per tonne at the Guadalupe mill for the three months ended March 31, 2015 were $70.95, compared to $67.21 in 2014. Operating expenses for Guadalupe increased to $3.1 million in the first quarter of 2015 compared to $2.6 million in the first quarter of 2014 due to increased production and higher haulage costs. Overall operating costs were only slightly higher in the first quarter of 2015 due to the decreased costs for Capire, which has been on care and maintenance since the second quarter of 2014. Amortization and depletion expenses decreased to $0.5 million during the quarter ended March 31, 2015 from $0.7 million in the same quarter of the previous year due to decreased depletion based on the make-up of mine feed.

General and administrative costs remained consistent at $0.5 million in the first quarter of 2015 and 2014. The Company had a $0.11 million foreign exchange loss in the first quarter of 2015 compared to a

$0.02 million gain in the same period of last year. The Company also received $0.1 million in interest income in the first quarter of 2015 as the result of an outstanding settlement with the government. Income taxes in the quarter ended March 31, 2015 were an expense of $0.03 million compared to a recovery of $0.11 million in the comparable quarter of 2014.

## OTHER FINANCIAL INFORMATION

### Summary of Quarterly Results

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

| | For the Three Months Ended ($ in thousands except for earnings per share) | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Mar 31 2015 | Dec 31 2014 | Sep 30 2014 | Jun 30 2014 | Mar 31 2014 | Dec 31 2013 | Sept 30 2013 | Jun 30 2013 |
| Revenues | 3,912 | 3,132 | 3,363 | 2,552 | 2,962 | 3,035 | 3,119 | 3,779 |
| Net loss | (281) | (598) | (600) | (1,024) | (1,264) | (4,699) | (1,223) | (1,942) |
| Loss per share – Basic and Diluted* | 0.00 | (0.01) | (0.01) | (0.02) | (0.02) | (0.07) | (0.02) | (0.03) |
| Total assets | 61,365 | 58,061 | 61,758 | 61,634 | 64,536 | 63,119 | 65,860 | 68,648 |
| Total liabilities | 9,226 | 8,316 | 8,998 | 9,045 | 9,200 | 8,997 | 8,191 | 8,481 |

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

### Liquidity, Financial Position and Capital Resources

Working Capital and Cash Flow

The Company had $0.5 million in cash and net working capital of $3.9 million at March 31, 2015. The Company generated cash flows from operations before changes in non-cash working capital[3] of $0.4 million during the first quarter of 2015. For the same period of 2014, the company used cash flows from operations before changes in non-cash working capital of $0.5 million.

The Company's working capital at March 31, 2015 of $3.9 million increased slightly from $3.8 million at December 31, 2014. The Company continues to be strategic with its investing and exploration activities as it aims to be cash flow positive, with only $0.7 million invested in the first quarter of 2015 in development and exploration and capital additions compared to $1.1 million in the same period of 2014.

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

## Outstanding Share Data

The following common shares and convertible securities were outstanding at May 26, 2015:

| | # of Shares | Exercise Price | Expiry Date |
|---|---|---|---|
| Issued and outstanding common shares | 68,128,244 | | |
| Stock options | 788,750 | $1.10 | June 6, 2015 |
| Stock options | 1,760,000 | $1.85 | September 26, 2016 |
| Stock options | 2,120,000 | $1.20 | January 22, 2018 |
| Stock options | 1,260,000 | $0.55 | January 6, 2019 |
| Fully diluted at May 26, 2015 | 74,056,994 | | |

All of the 5,928,750 options outstanding have vested at May 26, 2015.

## Related Party Transactions

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

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

During the three months ended March 31, 2o15, no fees (2014 – $0.1 million) were incurred to Energold Drilling Corp., a significant shareholder of the Company, for contract drilling services performed in Mexico at the Zacualpan and Capire concessions. At March 31, 2015, the balance owed to Energold was $1.5 million (December 31, 2014 - $1.4 million).

# FINANCIAL INSTRUMENTS AND MANAGEMENT OF FINANCIAL RISK

## Going Concern

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

During the three months ended March 31, 2015, the Company incurred a net loss of $0.3 million and cash inflows from operating activities of $0.4 million. At March 31, 2015, the Company had unrestricted cash and cash equivalents of $0.5 million, current assets of $7.1 million and working capital of $3.9 million. The Company is confident that it will be able to fund its committed capital investment program and working capital requirements throughout 2015. However, internally generated cash flows will not be sufficient to cover the Company's working capital and capital investment needs.

The Company's anticipated growth and development will require the Company to seek additional funds. The Company's management is currently considering and pursuing various alternatives for future financing requirements, within the context of existing market conditions. These alternatives could include, but are not limited to equity financing, debt financing or other means depending on market conditions and other relevant factors at the time. However, there can be no assurance that management will be successful in its efforts to finance the operating activities of the Company, as volatility in debt and equity capital markets and other factors may adversely affect the Company's ability to implement a comprehensive financing plan. Failure to obtain sufficient additional financing would likely have a materially adverse impact on the Company's ability to maintain the current working capital needs, and could jeopardize the Company's ability to meet its contractual commitments to third parties.

As the Company does not presently have a secure source of funding, the resulting shortfall in cash flows indicates the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The Company's consolidated financial statements do not include the adjustments that would result if the Company is unable to continue as a going concern. Such adjustments could be material.

**Financial assets and liabilities**

The Company's financial instruments consist of cash, trade and other receivables, investments, and trade payables. The Company has designated cash and trade receivables as loans and receivables, which are measured at amortized cost. Investments are designated as available for sale and measured at fair value as determined by reference to quoted market prices. Trade payables are designated as other liabilities which are measured at amortized cost. At March 31, 2015 investments were classified as Level 1 on the fair value hierarchy of IFRS 7 - Financial Instruments - Disclosures.

**Financial instrument risk exposure**

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

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk include cash, trade and other receivables and investments. The Company deposits its cash with high credit quality financial institutions as determined by ratings agencies, with the majority deposited with a Canadian Tier 1 bank. As is customary in the mining industry, the Company has entered into contracts with Mexican refining and smelting companies for the refining and sale of its silver, lead, zinc and gold contained in its lead and zinc concentrates. All contracts are with Met-Mex Penoles, S.A. de C.V. ("Penoles"), Trafigura Mexico, S.A. De C.V. ("Trafigura"), and MRI Trading AG ("MRI"). As a result, the Company has a significant concentration of credit risk exposure to these companies at any one time, but is satisfied that these companies have an adequate credit rating as determined by Standard and Poor's. The Company's maximum exposure to credit risk at the reporting date of March 31, 2015 is the carrying value of its cash ($0.5 million), trade and other receivables ($5.8 million), which includes value added and other taxes receivable in the amount of $3.7 million and is subject to government review and regulatory changes.

Liquidity risk

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

Interest rate risk

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

Currency risk

Foreign exchange rate fluctuations may affect the costs that the Company incurs in its operations. Silver, lead, zinc and gold are sold in U.S. dollars and the Company's costs are principally in Mexican pesos and Canadian dollars. At March 31, 2015, the Company is exposed to currency risk through the cash, trade and other receivables, trade payables and due to related party held in U.S. dollars and Mexican pesos. Based on these foreign currency exposures at March 31, 2015, 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 loss for the three months ended March 31, 2015.

Commodity price risk

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

The only financial instrument affected by commodity price risk for the Company is trade accounts receivable. Assuming the same rate of production, a 10% change in commodity prices from actual realized prices would have increased or decreased the Company's trade accounts receivable balance at March 31, 2015 as follows:

| | | **2015** | | 2014 |
|---|---|---|---|---|
| Silver price | $ | **145,000** | $ | 89,000 |

## OPERATIONAL RISK

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

## POLITICAL, REGULATORY AND SECURITY ISSUES

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

## APPROVAL

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

## NON-IFRS MEASURES

The 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 before amortization and depletion is a measure which the Company believes provides a better indicator of how the Company's operations are performing. This measure is calculated as Revenue less Operating expenses, excluding amortization and depletion.

| Three Months Ended March 31, 2015 | Guadalupe | Capire | Total |
|---|---|---|---|
| Revenue | $ 3,911,622 | $ - | $ 3,911,622 |
| Operating expenses | (3,115,118) | (65,986) | (3,181,104) |
| Mine operating earnings (loss) before amortization and depletion | $ 796,504 | $ (65,986) | $ 730,518 |

| Three Months Ended March 31, 2014 | Guadalupe | Capire | Total |
|---|---|---|---|
| Revenue | $ 2,766,661 | $ 195,606 | $ 2,962,267 |
| Operating expenses | (2,581,047) | (523,754) | (3,104,801) |
| Mine operating earnings (loss) before amortization and depletion | $ 185,614 | $ (328,148) | $ (142,534) |

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

| | For the Three Months Ended March 31 | | | |
|---|---|---|---|---|
| | | **2015** | | 2014 |
| Cash flows from operating activities | **$** | **430,696** | $ | (10,806) |
| Add (deduct) changes in non-cash working capital: | | | | |
| Trade and other receivables | | **166,290** | | (736,085) |
| Income taxes receivable | | **122,033** | | 209,274 |
| Inventories | | **(101,486)** | | (38,663) |
| Trade payables | | **(182,452)** | | 153,726 |
| Income taxes payable | | **(4,088)** | | - |
| Due to related party | | **(77,110)** | | (108,038) |
| Cash flows from operations before changes in non-cash working capital | **$** | **353,883** | $ | (530,592) |

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

| | For the Three Months Ended March 31 | | | |
|---|---|---|---|---|
| | | **2015** | | 2014 |
| Operating expenses | **$** | **3,181,104** | $ | 3,104,801 |
| Deduct: operating expenses for Capire | | **(65,986)** | | (523,754) |
| Add (deduct): inventory change | | **(202,867)** | | 92,217 |
| Direct costs | **$** | **2,912,251** | $ | 2,673,264 |
| Tonnes milled | | **41,046** | | 39,775 |
| Direct costs per tonne | **$** | **70.95** | $ | 67.21 |
| | | | | |
| Revenue | **$** | **3,911,622** | $ | 2,962,267 |
| Deduct: revenue for Capire | | **-** | | (195,606) |
| Revenue for Guadalupe | **$** | **3,911,622** | $ | 2,766,661 |
| Tonnes sold | | **44,182** | | 37,817 |
| Revenue per tonne sold | **$** | **88.53** | $ | 73.16 |

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

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

## NOTE REGARDING FORWARD–LOOKING STATEMENTS

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

The factors that could cause actual results to differ materially include, but are not limited to, the following: general economic conditions; changes in financial markets; the impact of exchange rates;

political conditions and developments in countries in which the Company operates; changes in the supply, demand and pricing of the metal commodities which the Company mines or hopes to find and successfully mine; changes in regulatory requirements impacting the Company's operations; the ability to properly and efficiently staff the Company's operations; the sufficiency of current working capital and the estimated cost and availability of funding for the continued exploration and development of the Company's exploration properties.

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

Additional information relating to IMPACT is on SEDAR at www.sedar.com.
On behalf of the Board of Directors,

"Frederick W. Davidson"

President and Chief Executive Officer

May 26, 2015