IMPACT Silver Corp.
Form 51-102F1
Management's Discussion and Analysis
For the Three Months Ended March 31, 2016

INTRODUCTION

This Management's Discussion and Analysis ("MD&A") is for the three months ended March 31, 2016 of IMPACT Silver Corp. ("IMPACT" or the "Company") prepared as at May 25, 2016 and should be read in conjunction with the Company's annual audited consolidated financial statements for the year ended December 31, 2015 and the related notes contained therein. All amounts referred to herein are in Canadian dollars unless otherwise specified. Additional information relating to the Company including material change notices, certifications of annual and interim filings and press releases are available on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com.

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

CORPORATE OVERVIEW

IMPACT controls the majority of two large mineral districts totalling 357 km^2 in central Mexico: the **Royal Mines of Zacualpan Silver District** and the **Capire Mineral District** adjacent to and southwest of Zacualpan. IMPACT celebrated 10 years of continuous production at the Royal Mines of Zacualpan Silver District in January 2016. Over the last 10 years, the Company has provided new investment, talent and leadership to build up the operations and find efficiencies with upgraded equipment and expanded mill facilities. The Company has carried out programs of exploration, development and mine production at both districts. IMPACT has brought five sites from exploration drilling to development and profitable mining, including all mines currently in production. The Company now processes 496 tonnes per day ("tpd") of mill feed containing silver, gold, lead and zinc at its Guadalupe processing plant, up from 187 tonnes per day in 2006.

Silver prices continued to decline between the first quarter of 2015 (average US$16.71) and the first quarter of 2016 (average US$14.85). Despite this climate of low silver prices, the Company managed to increase production by 9% and reduce its operating expenses by 6% or $0.2 million. While the price of silver has increased 11% to US$15.38 at March 31st from US$13.82 at December 31, 2015, IMPACT is continuing to address the changes in economics due to continued low silver prices. Over the past two years, the Company upgraded its development and mining operations, and has been sourcing superior grade feed from its mines to ensure production remains economical. 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 two years ago. This is a notable achievement by the entire IMPACT team, and it puts the Company on more solid footing. IMPACT also reduced lower priority work, laid off related personnel and substantially cut back exploration expenditures. Had the Company not incurred any foreign exchange expenses, IMPACT would have made a profit in Q1 2016.

Between mid-2013 and early 2014, the Company also operated the 200-tpd Capire Pilot Plant, located 16 kilometres to the southwest of the Guadalupe Production Center, as a test processing plant. The work performed has increased the Company's knowledge about the metallurgy of mineral in both districts and has helped define the operating costs at Capire. In 2014, the Capire operations were put on care and maintenance to further reduce expenditures, with plans to restart operations when silver prices recover.

The Company has no long term debt and its operations are primarily funded by production revenues. In April 2016, the Company completed two private placements. In the first placement, a total of 6,666,666 shares were issued to an accredited investor at a price of $0.30 per share for aggregate gross proceeds of $2,000,000. In the second placement, a total of 2,000,000 shares were issued to accredited investors at a price of $0.31 per share for aggregate gross proceeds of $620,000. 1,000,000 of these shares were acquired by Energold Drilling Corp. ("Energold"), which is considered a related party due to management and directors in common. On May 20, 2016, the Company issued a news release announcing it had entered into an engagement with an underwriting syndicate to raise additional share capital funds. The amounts and terms of this proposed capital raise are still to be finalized and may be amended from those terms stated in the news release. If the price of silver remains at current low levels, the Company may consider additional opportunities to improve its balance sheet and fund future developments through financing and/or acquisition or merger.

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

1. Continue to expand, upgrade and optimize production with a focus on higher grade zones to optimize cash flows.

2. Optimize cost and operational controls.

3. Continue exploration across the large 357 square kilometre land package, focusing on discovery and definition of additional high grade mineral for future mining.

4. In the longer term, management also intends to produce gold and copper from Carlos Pacheco South and San Juan, and to re-evaluate the Capire open pit silver mine when silver prices improve.

To date the Company has been making progress on these objectives.

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, 2016

Financial Overview

- Earnings before interest, taxes, depreciation and amortization (EBITDA[1]) were $0.2 million for the first quarter of 2016 and 2015.

- Mine operating earnings before amortization and depletion[2] improved by $0.1 million to $0.8 million in Q1 2016 from $0.7 million in Q1 2015.

- Revenue for the current quarter was $3.8 million compared to $3.9 million in 2015, a 4% decrease due to the lower sales and silver prices.

- Net loss for Q1 2016 and 2015 was $0.3 million for the quarter, of which non-cash items included $0.5 million in amortization and depletion in both years. Had the Company not incurred any foreign exchange expenses, IMPACT would have made a profit in Q1 2016.

- Cash flows generated from operations were $0.7 million for the first quarter of 2016 (2015 - $0.4 million). Cash flows generated from operations before changes in non-cash working capital[3] were $0.2 million during the first quarter of 2016 (2015 - $0.4 million).

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[1] 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 a useful indicator of how the Company's operations are performing.

[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" for additional information.

- Capital expenditures during the quarter included mineral property expenditures of $0.7 million. At March 31, 2016, cash was $1.0 million and net working capital was $2.0 million. The Company continues to be free of long term debt.

Production Overview

- Silver production increased to 240,414 ounces for the first quarter of 2016, up 9% from 220,961 ounces in the same period of 2015 and up 3% from 233,740 ounces in the fourth quarter of 2015.

- Total tonnes milled during the first quarter of 2016 increased 10% to 45,094 from 41,046 in the comparable quarter of 2015, raising production to 496 tonnes per day.

- Average mill feed grade for silver in the first quarter of 2016 was 185 grams per tonne (g/t) compared to 189 g/t in the first quarter of 2015.

PRODUCTION AND SALES: GUADALUPE MILL

	For the Three Months Ended March 31		
	2016	2015	% Change
Total tonnes (t) milled	**45,094**	41,046	+10%
Tonnes milled per day	**496**	456	+9%
Silver production (oz)	**240,414**	220,961	+9%
Lead production (t)	**116**	112	+4%
Zinc production (t)	**25**	83	-70%
Gold production (oz)	**124**	153	-19%
Silver sales (oz)	**229,792**	240,535	-4%
Lead sales (t)	**116**	121	-4%
Zinc sales (t)	**18**	81	-78%
Gold sales (oz)	**127**	175	-27%
Average mill head grade –silver g/t	**185**	189	-2%
Revenue per tonne sold[4]	**$88.14**	$88.53	0%
Direct costs per production tonne[4]	**$68.36**	$70.95	-4%

Production and Sales Highlights for the Three Months Ended March 31

The Company increased tonnes milled in the first quarter of 2016 to 45,094, compared to 41,046 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. The average mill head silver grade declined slightly to 185 g/t in the first quarter of 2016 from 189 g/t in the same quarter of the previous year.

Silver sales were 229,792 ounces in the first quarter of 2016, a 4% decrease from the 240,535 ounces sold in the same period in 2015. The Company's revenue stayed steady at $88.14 per tonne in the first quarter of 2016, from $88.53 in the first quarter of 2015.

[4] 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. See "NON-IFRS MEASURES" for additional information

MINE PRODUCTION

Royal Mines of Zacualpan District

Since acquiring the Royal Mines of Zacualpan, there has been extensive work done to upgrade operations and expand production. Expanding the tailings capacity is an ongoing process and the costs are expensed as incurred and not capitalized. Additional surface lands near the Guadalupe mill were also purchased to address the need for additional tailings capacity in the future which is in the process of design and permitting.

San Ramon Deeps 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, but in early 2014 grades dropped with depth and production decreased. During 2014, underground drilling from the bottom levels of the mine discovered new high grade silver zones in the nearby San Ramon Deeps area, and mining of this area began in Q3-2014. It has been the main source of the increase in average overall mined silver grade since then. During the first quarter of 2016, the San Ramon Deeps Mine provided 35% (Q1 2015 – 39%) of feed to the Guadalupe mill. To date this vein has been exposed in mine workings on Levels 16.5, 18, 19, 20, 21 and 22 over a length of 180 metres and widths of 2 to 17 metres. Diluted mining grades at San Ramon during the quarter ranged from 209 to 231 g/t silver. Underground drilling to date has outlined the vein over a vertical distance of 10 to 60 metres below the current mine workings. During and subsequent to the quarter, additional high grade drill intersections were announced (see EXPLORATION below for details). IMPACT has expanded the main mine ramp to better access the zone and to increase monthly tonnages of high grade silver mineral extracted from the mine. The aim is to continue increasing overall silver grades and silver production ounces at the Guadalupe mill.

Cuchara-Oscar Silver Mine

The mine is located 2.5 kilometres east of the Guadalupe mill and commenced production in the first quarter of 2013. During the first quarter of 2016, the Cuchara-Oscar Mine provided 40% (Q1 2015 – 51%) of feed to the Guadalupe mill. The mine contributes a silver-lead-zinc feed to the Guadalupe mill from a corridor of veins. Current production is from the Marqueza, Santa Lucia and Oscar veins. There are plans to mine other nearby veins as the mine develops. Diluted mining grades at Cuchara-Oscar during the quarter ranged from 166 to 176 g/t silver.

Mirasol Silver Mine

The Mirasol Mine is located 5.5 kilometres southeast of the Guadalupe mill and mining began in Q3 2014. During the first quarter of 2016, Mirasol contributed 15% (Q1 2015 – 8%) of silver-rich feed to the Guadalupe mill. Diluted mining grades at Mirasol ranged from 178 to 191 g/t during the quarter.

Nivel 6 – Mine Dump

Nivel 6 is a historic mine with a dump pile at the portal of old mined mineral that was never processed. It is located southwest of the Guadalupe mill. Material from this dump was recovered and provided 11% (Q1 2015 – nil) of feed to the Guadalupe mill during the quarter. Diluted mining grades ranged from 128 to 162 g/t silver.

Gallega Mine

The Gallega Mine is located less than one kilometre from the Guadalupe mill and is mined intermittently to provide modest tonnages of supplementary silver feed to the plant. During the first quarter of 2016, the Gallega Mine provided no mill feed (Q1 2015 – 2%) to the Guadalupe mill.

Noche Buena-Carlos Pacheco Mine

Noche Buena is located four kilometres 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 metres to the east (available for future mining), and lead-zinc-silver veins from the Upper San Juan Zone to the north (now mined out). 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. The mine workings are being maintained and dewatered so production can readily restart when needed.

Capire Processing Plant and Mine

Capire is located 16 kilometers southwest of the Guadalupe Production Center. It is a volcanogenic massive sulphide ("VMS") base and precious metal deposit. VMS mineralization in the Capire district is predominantly silver-rich with zinc and lead credits. 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. The Capire plant is currently on care and maintenance.

In Q1 2013, IMPACT announced the commissioning of the new Capire open pit mine and completion 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. Most of this test work was completed; however, in light of lower silver prices, Mexican mining tax changes, hauling costs and low overall silver grade being mined at Capire, the Company recognized that the open pit test mining operation was not presently economical. In February 2014, after processing approximately 33,000 tonnes of material, the open pit operations were suspended. Production from the Capire open pit may restart in the future with higher metal prices and/or lower unit production costs associated with a potential larger operation.

After the shut-down, the Capire plant was reconfigured as a bulk test processing facility for gold and copper mineralization from the Carlos Pacheco South Zone in the Noche Buena Mine. Test operations ended during Q2 2014. 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. As a result, there was higher gold production at Guadalupe during the first half of 2014.

New Capire Mineral Resource

On January 18, 2016, IMPACT announced new 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 current Canadian Institute of Mining, Metallurgy and Petroleum ("CIM") standards, definitions and guidelines. The resources were estimated by inverse distance cubed ("ID^3") and checked the estimate with inverse distance to the 4^{th} power, kriging, and nearest neighbour. The Capire database was audited in its entirety and has 20,273 assays of silver ("Ag"), gold ("Au") and lead ("Pb") and zinc ("Zn") collected from 376 exploration drill holes. There are also 889 samples with density measurements in the Capire database. MDA worked with the data on sections spaced 20 meters apart. During that work, MDA found the geology and analytical data to support each other and to present a qualitatively reasonable set of drill data.

The table presents the Inferred diluted resources at Capire using total-metal (silver, zinc and lead) dollar-value cutoffs. The model block size is 3m by 3m by 3m. The diluted resources are displayed at multiple cutoffs, but the resource is reported at a cutoff of US$30/t lying within a pit optimized using $31/oz Ag, $1.51/lb Zn, and $1.69/lb Pb. MDA considers a US$30/t cutoff to be appropriate for production using IMPACT's 200t/d mill and recoveries around 80%, 50%, and 65% for silver, zinc and lead, respectively. The resources were generated within an optimized pit shell on the Capire zone that best conveyed "reasonable prospects for eventual economic extraction" which is a requirement of the 2014 CIM Definition Standards, incorporated into Canadian National Instrument 43-101.

There is additional mineralization too deep to fulfill the criteria of "reasonable prospects for eventual economic extraction" within an open pit, but that may be available for potential underground development. Quality Assurance/Quality Control ("QA/QC") protocols were carried out to assess the quality of the drilling assay results and the confidence that can be placed in the assay data. The QA/QC data available at Capire demonstrate the analytical data are sufficient to be used in estimating Inferred resources. The drill spacing is tighter in the central area. Overall the average distance to the nearest composite sample is 20m (less in the central area), and the average distance to all composites used in the estimation is 40m (less in the central area). Three separate drill-hole database and composite files were built, one for each of silver, zinc and lead. Each drill-hole database was composited to three-meter lengths respecting each metal's domain and the alluvium contacts. Samples from the open pit mining blast-holes and samples logged as alluvium were excluded from compositing. There was no minimum width for compositing because the composites are length-weighted during grade estimation.

This new mineral resource is based on improved geological and structural modeling over the previous 2011 mineral resource. MDA used this new geologic interpretation as the foundation for building mineral domains for silver, zinc and lead. Those domains followed the sedimentary/ volcanic package contacts and respected the structural deformation defined within the sedimentary package. The interpretations were made as polygons digitized on the same 20m-spaced sections. The polygons were extruded halfway to adjacent sections to obtain a volume for model coding and controlling the estimate. The extrusion of these polygons, rather than snapped-in-3D polygons and constructing solids or solid equivalents, was done at the request of IMPACT to reduce work and reduce the time to completion. That was a principal reason for the Inferred classification, which could otherwise have been higher with minor additional work. Statistics by each domain for each metal and by domain were evaluated and in part used to determine capping levels. Capping levels were determined for each metal in each domain, using quantile plots and considering coefficients of variation.

The differences between the previous 2011 publicly reported tonnes and grade at Capire and those reported as the current resources here are substantial. The Base Case resources reported in this new estimate are much smaller than those previously reported, in part because the current resources were estimated with tighter constraints, both geostatistical and geological, and in part because they lie within an optimized pit shell and exclude additional mineralization lying at deeper levels. Much of this deeper mineralization was included in the 2011 estimate. That deep mineralization may be available for potential underground development, but that option remains to be studied and is not included in the current resource tabulation.

EXPLORATION

Mines on epithermal veins that were discovered and built by the IMPACT team 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). Exploration is continuing with the goal of finding and developing new mines for the Company. During and subsequent to the quarter exploration highlights were as follows:

San Ramon Deeps Drilling Results

IMPACT announced underground drill results from the San Ramon Deeps Zone which included 425 g/t silver over 7.89 metres, 432 g/t silver over 6.80 metres, 481 g/t silver over 14.82 metres and 271 g/t silver over 21.74 metres. Drilling will continue to test the zone to depth when a new drill station is completed on Level 22, the deepest current working level in the mine.

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 4,500+ 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 focused on larger and higher grade target areas close to current mines and infrastructure at Alacran North and El Angel. In addition, compilation of historical maps and other mining data from the districts into a large computer database continues and is being used to plan future exploration programs.

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. There is good infrastructure throughout the district which consists of 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. The Zacatecas project is currently on care and maintenance.

FUTURE PLANS

Mining Plans

Plans are to continue to expand production at the San Ramon Deeps to take advantage of higher grades in response to low metal prices. The Company plans to continue increasing production from higher grade zones to increase overall silver production. In the longer term, management also intends to produce gold and copper from Carlos Pacheco South and San Juan, and to re-evaluate the Capire open pit silver mine when silver prices improve.

Exploration Plans

The Company will continue exploration with the goal of putting some of the 4,500+ compiled old mine workings in the Zacualpan and Capire districts on a faster track to potential production and build mineral inventories for mining. Currently, exploration work is focused on larger and higher grade targets close to current production areas at Alacran North and El Angel.

IMPACT has a track record of successful exploration and rapid mine development. The Company's long term vision sees potential for establishing 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 (except the mineral resources) and the Veta Grande (Zacatecas) Silver Project. Steven Ristorcelli, C.P.G. (U.S.A.), Principal Geologist for Mine Development Associates and a Qualified Person under the meaning of Canadian National Instrument 43-101, is responsible for the 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. The Company keeps community members informed of its activities and works with the community to address concerns. The employment of 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 retains a Community Relations Officer to ensure open communications.

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 well 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 an event of emergencies, the Company keeps a paramedic and onsite ambulance on standby.

INVESTOR RELATIONS

The Company builds investor awareness and shareholder value by conducting institutional presentations and attends investment and mining related conferences in Canada and internationally. 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 and online advertisements.

FINANCIAL DISCUSSION

Summary of Quarterly Results

In thousands except for loss per share	Three months ended March 31					
		2016		2015		2014
Revenue	$	**3,762**	$	3,912	$	2,962
Net loss	$	**(311)**	$	(281)	$	(1,264)
Loss per share – basic and diluted	$	**0.00**	$	0.00	$	(0.02)

Net loss for first quarter 2016 was impacted by the following factors:

- For the three months ended March 31, 2016, the Company's mine operating income was $0.3 million compared to $0.2 million in the same period of 2015, with revenue of $3.8 million in 2016 compared to $3.9 million in 2015.

- Silver production was 240,414 ounces during the first quarter of 2016, representing a 9% increase from 220,961 ounces produced within the same period in 2015.

- Revenue per tonne sold remained consistent at $88.14 in the first quarter of 2016 compared to $88.53 in the same period of 2015. 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, 2016 decreased to $68.36, compared to $70.95 in 2015. Operating expenses for Guadalupe decreased to $2.9 million in the first quarter of 2016 compared to $3.1 million in the first quarter of 2015 due to reduced haulage expenses in addition to the Company's ongoing efforts over the last year to closely manage all costs. Amortization and depletion expenses were steady at $0.5 million during the first quarter of both 2016 and 2015.

- General and administrative costs decreased to $0.3 million in the first quarter of 2016 from $0.5 million in the same period last year, due to lower consulting fees.

- The Company had a $0.3 million foreign exchange loss in the first quarter of 2016 compared to a $0.1 million loss in the same quarter of 2015.

- Other income of $0.1 million was earned in the first quarter of 2016 as a result of payroll administrative services provided.

- The Company received $0.1 million in interest income in the first quarter of 2015 as the result of an outstanding settlement with the government. There was no corresponding income in 2016.

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 loss per share)							
	Mar 31 2016	Dec 31 2015	Sep 30 2015	Jun 30 2015	Mar 31 2015	Dec 31 2014	Sep 30 2014	Jun 30 2014
Revenues	3,762	3,882	4,108	2,735	3,912	3,132	3,363	2,552
Net loss	(311)	168	(270)	(1,046)	(281)	(598)	(600)	(1,024)
Loss per share – Basic and Diluted*	0.00	0.00	0.00	(0.02)	0.00	(0.01)	(0.01)	(0.02)
Total assets	54,597	58,038	57,834	57,571	61,365	58,061	61,758	61,634
Total liabilities	8,231	8,792	8,837	8,441	9,226	8,316	8,998	9,045

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

Liquidity, Financial Position and Capital Resources

Working Capital and Cash Flow

The Company had $1.0 million in cash and net working capital of $2.0 million at March 31, 2016. The Company generated cash flows from operations before changes in non-cash working capital[5] of $0.2 million during the first quarter of 2016. For the same period of 2015, the company generated cash flows from operations before changes in non-cash working capital of $0.4 million.

The Company continues to be strategic with its investing and exploration activities as it aims to be cash flow positive. In the first quarter of 2016 the Company invested $0.7 million in development and exploration and capital additions, the same as it had invested in the comparable period of 2015.

Going Concern

[5] 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".

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, 2016, the Company incurred a net loss of $0.3 million and cash inflows from operating activities of $0.7 million. At March 31, 2016, the Company had unrestricted cash and cash equivalents of $1.0 million, current assets of $4.7 million and working capital of $2.0 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 beyond 2016 and may affect the Company's ability to cover its working capital and capital investments.

The Company was successful in closing two private placements subsequent to quarter end (see April 12, 2016 and April 19, 2016 news releases posted on the Company website at www.IMPACTSilver.com for details). The Company's management is still 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. There can be no assurance that management will continue to be successful in its efforts to finance all the activities of the Company, as there is still volatility in debt and equity capital markets and other factors which may adversely affect the Company's ability to implement a financing plan.

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

Outstanding Share Data

The following common shares and convertible securities were outstanding at May 25, 2016:

	# of Shares	Exercise Price	Expiry Date
Issued and outstanding common shares	76,794,910		
Stock options	1,660,000	$1.85	September 26, 2016
Stock options	1,995,000	$1.20	January 22, 2018
Stock options	1,210,000	$0.55	January 6, 2019
Fully diluted	81,659,910		

All of the 4,865,000 options outstanding have vested at May 25, 2016.

Related Party Transactions

At March 31, 2016, Energold Drilling Corp. owned 6,980,001 shares of the Company. On April 19, 2016, Energold purchased an additional 1,000,000 shares at $0.31 per share for total shareholdings of 7,980,001 shares. Energold is considered a related party due to management and directors in common.

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, 2o16, $0.08 million (2015 – $0.08 million) in fees were charged to Energold for administrative services. At March 31, 2016, the balance owed to Energold was $1.2 million (December 31, 2015 - $1.5 million).

FINANCIAL INSTRUMENTS AND MANAGEMENT OF FINANCIAL RISK

Financial assets and liabilities

The Company's financial instruments consist of cash, trade and other receivables, investments, and trade payables. The Company has designated cash and trade receivables as loans and receivables, which are measured at amortized cost. Investments are designated as available for sale and measured at fair value as determined by reference to quoted market prices. Trade payables are designated as other liabilities which are measured at amortized cost. At March 31, 2016 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") and Trafigura Mexico, S.A. De C.V. ("Trafigura"). 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, 2016 is the carrying value of its cash ($1.0 million), trade and other receivables ($2.6 million), which includes value added and other taxes receivable in the amount of $1.0 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, 2016, 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, 2016, 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, 2016, a 10% depreciation or appreciation of all the above currencies against the Canadian dollar would result in an approximate $0.04 million decrease or increase in the Company's net loss for the three months ended March 31, 2016.

Commodity price risk

The Company is continuing to assess whether the 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. 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, 2016 as follows:

		2016		2015
Silver price	$	**164,000**	$	145,000

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 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 the area of 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:

EBITDA is defined as net income before interest, taxes, depreciation, depletion and amortization. The Company considers this measure to be a meaningful supplement to net income as a performance measurement.

	For the Three Months Ended March 31	
	2016	2015
Net loss	**$ (311,140)**	$ (280,637)
Add: Finance cost	**22,466**	7,445
Current income tax expense	**15,347**	6,029
Deferred income tax (recovery) expense	**(5,098)**	24,215
Amortization	**493,227**	534,033
Less: Finance Income	**(114)**	(132,953)
Earnings before interest, taxes, depreciation and amortization	**$ 214,688**	$ 158,132

Mine operating earnings/loss before amortization and depletion is a measure which the Company believes provides a useful indicator of how the Company's operations are performing. This measure is calculated as Revenues less Operating expenses, excluding amortization and depletion.

In thousands	For the Three Months Ended March 31					
	2016			2015		
	Guadalupe	**Capire**	**Total**	Guadalupe	Capire	Total
Revenues	**$ 3,762**	**$ -**	**$ 3,762**	$ 3,912	$ -	$ 3,912
Operating expenses	**(2,946)**	**(57)**	**(3,003)**	(3,115)	(66)	(3,181)
Mine operating earnings (loss) before amortization and depletion	**$ 816**	**$ (57)**	**$ 759**	$ 797	$ (66)	$ 731

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	
	2016	2015
Cash flows from operating activities	**$ 696,416**	$ 430,696
Add (deduct) changes in non-cash working capital:		
Trade and other receivables	**(360,051)**	166,290
Income taxes receivable	**(458,056)**	122,033
Inventories	**88,269**	(101,486)
Trade payables	**(163,377)**	(182,452)
Income taxes payable	**210,341**	(4,088)
Due to related party	**224,052**	(77,110)
Cash flows from operations before changes in non-cash working capital	**$ 237,594**	$ 353,883

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	
	2016	2015
Operating expenses	**$ 3,002,901**	$ 3,181,104
Deduct: operating expenses for Capire	**(56,533)**	(65,986)
Add (deduct): inventory change	**136,079**	(202,867)
Direct costs	**$ 3,082,447**	$ 2,912,251
Tonnes milled	**45,094**	41,046
Direct costs per tonne	**$ 68.36**	$ 70.95
Revenue	**$ 3,762,406**	$ 3,911,622
Deduct: revenue for Capire	**-**	-
Revenue for Guadalupe	**$ 3,762,406**	$ 3,911,622
Tonnes sold	**42,685**	44,182
Revenue per tonne sold	**$ 88.14**	$ 88.53

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 25, 2016