

# **IMPACT SILVER CORP.**

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**June 30, 2023 and 2022**

**Unaudited**

NOTICE OF NO REVIEW BY AUDITOR

In accordance with National Instrument 51 – 102 *Continuous Disclosure Obligations* of the Canadian Securities Administrators **WE HEREBY GIVE NOTICE THAT** the condensed consolidated interim financial statements which follow this notice have not been reviewed by an auditor.

# IMPACT Silver Corp.

## Condensed Consolidated Interim Statements of Financial Position

(Canadian dollars)

Unaudited

<b>ASSETS</b>	<b>June 30, 2023</b>	December 31, 2022
<b>Current</b>		
Cash	\$ 13,737,547	\$ 15,251,161
Trade and other receivables (Note 4)	3,793,535	1,746,367
Inventories (Note 5)	1,800,116	1,137,682
Investments	110,000	240,000
	<b>19,441,198</b>	18,375,210
<b>Value added taxes</b>	<b>478,138</b>	493,077
<b>Right-of-use assets (Note 6)</b>	<b>131,249</b>	168,468
<b>Property, plant and equipment (Note 8)</b>	<b>32,673,801</b>	23,184,736
<b>Exploration and evaluation assets (Note 9)</b>	<b>31,371,991</b>	26,574,023
<b>Due on acquisition of Minera Latin American Zinc (Note 3)</b>	<b>3,473,769</b>	-
<b>Goodwill (Note 3)</b>	<b>1,616,892</b>	-
	<b>\$ 89,187,038</b>	<b>\$ 68,795,514</b>
<b>LIABILITIES</b>		
<b>Current</b>		
Trade payables and accrued liabilities	\$ 6,043,366	\$ 1,874,865
Lease liabilities (Note 7)	85,520	80,549
	<b>6,128,886</b>	1,955,414
<b>Lease liabilities (Note 7)</b>	<b>22,880</b>	67,294
<b>Reclamation provision</b>	<b>1,248,424</b>	732,067
<b>Deferred income tax liabilities</b>	<b>5,122,719</b>	4,207,903
	<b>12,522,909</b>	6,962,678
<b>SHAREHOLDERS' EQUITY</b>		
<b>Share capital</b>	<b>90,750,305</b>	82,241,813
<b>Warrants (Note 12(c))</b>	<b>3,843,042</b>	467,913
<b>Contributed surplus</b>	<b>11,306,243</b>	10,838,330
<b>Accumulated other comprehensive loss</b>	<b>(277,585)</b>	(3,940,454)
<b>Accumulated deficit</b>	<b>(28,957,876)</b>	(27,774,766)
	<b>76,664,129</b>	61,832,836
	<b>\$ 89,187,038</b>	<b>\$ 68,795,514</b>

### Nature of operations (Note 1)

ON BEHALF OF THE BOARD:

"F.W. Davidson" \_\_\_\_\_, Director

"P. Tredger" \_\_\_\_\_, Director

-The accompanying notes form an integral part of these consolidated financial statements-

# IMPACT Silver Corp.

## Condensed Consolidated Interim Statements of Income (Loss)

For the Three and Six Months Ended June 30

(Canadian dollars)

Unaudited

	Three months ended June 30		Six months ended June 30	
	2023	2022	2023	2022
<b>Revenues</b>	\$ 5,491,898	\$ 3,501,370	\$ 10,605,852	\$ 8,129,990
<b>Cost of sales</b>				
Operating expenses (Note 11)	4,593,843	3,470,509	9,072,852	7,039,704
Amortization and depletion	454,981	375,953	829,456	686,204
	<u>5,048,824</u>	<u>3,846,462</u>	<u>9,902,308</u>	<u>7,725,908</u>
<b>Mine operating income (loss)</b>	<u>443,074</u>	<u>(345,092)</u>	<u>703,544</u>	<u>404,082</u>
<b>General and administrative expenses</b>				
Accounting, audit and legal	342,859	71,874	419,731	112,283
Amortization	4,304	5,191	8,250	7,699
Investor relations, promotion and travel	224,687	46,420	322,627	62,443
Management fees and consulting	107,280	121,556	285,028	226,633
Office, rent, insurance and sundry	166,418	83,342	267,133	186,079
Office salaries and services	398,905	270,408	661,417	553,807
	<u>1,244,453</u>	<u>598,791</u>	<u>1,964,186</u>	<u>1,148,944</u>
<b>Operating loss</b>	<u>(801,379)</u>	<u>(943,883)</u>	<u>(1,260,642)</u>	<u>(744,862)</u>
<b>Other income (expenses)</b>				
Finance cost	(22,272)	(17,317)	(43,105)	(34,730)
Finance income	154,394	44,895	294,704	63,588
Foreign exchange gain (loss)	177,570	81,912	287,068	(8,444)
Other income (expense)	24,268	1,134	19,407	(2,826)
Loss on disposal of assets	(5,164)	-	(6,373)	-
	<u>328,796</u>	<u>110,624</u>	<u>551,701</u>	<u>17,588</u>
<b>Loss before taxes</b>	<u>(472,583)</u>	<u>(833,259)</u>	<u>(708,941)</u>	<u>(727,274)</u>
Current income tax expense	13,921	10,042	14,104	12,082
Deferred income tax expense (recovery)	366,655	(48,046)	460,065	116,103
<b>Net loss</b>	<u>\$ (853,159)</u>	<u>\$ (795,255)</u>	<u>\$ (1,183,110)</u>	<u>\$ (855,459)</u>
<b>Loss per share</b>				
Basic and diluted	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.00)
<b>Weighted average number of shares outstanding</b>				
Basic and diluted	192,001,873	147,178,037	170,215,825	146,351,540

-The accompanying notes form an integral part of these consolidated financial statements-

# IMPACT Silver Corp.

## Condensed Consolidated Interim Statements of Comprehensive Income For the Three and Six Months Ended June 30

(Canadian dollars)

Unaudited

	Three months ended June 30		Six months ended June 30	
	2023	2022	2023	2022
<b>Net loss</b>	\$ (853,159)	\$ (795,255)	\$ (1,183,110)	\$ (855,459)
<b>Other comprehensive (loss) income</b>				
<b>Items that may be subsequently reclassified to profit or loss</b>				
Cumulative translation adjustment	699,105	696,390	3,746,236	1,085,996
<b>Items that will not be subsequently reclassified to profit or loss</b>				
Gain (loss) on investments	32,613	(125,000)	(83,367)	(145,000)
<b>Comprehensive (loss) income</b>	\$ (121,441)	\$ (223,865)	\$ 2,479,759	\$ 85,537

-The accompanying notes form an integral part of these consolidated financial statements-

# IMPACT Silver Corp.

## Condensed Consolidated Interim Statements of Changes in Shareholders' Equity

For the Six Months Ended June 30

(Canadian dollars)

Unaudited

	Shares Outstanding	Share Capital (\$)	Warrants (\$)	Contributed Surplus (\$)	Accumulated Other Comprehensive Income (\$)	Retained Deficit (\$)	Total Shareholders' Equity (\$)
Balance at January 1, 2022	145,381,485	81,122,078	2,666,279	8,897,500	(8,107,947)	(24,611,979)	59,965,931
Net loss for the period	-	-	-	-	-	(855,459)	(855,459)
Warrants exercised	2,706,225	1,066,194	(238,995)	-	-	-	827,199
Stock options exercised	100,000	53,541	-	(18,541)	-	-	35,000
Cumulative translation adjustments	-	-	-	-	1,085,996	-	1,085,996
Loss on investments	-	-	-	-	(145,000)	-	(145,000)
Balance at June 30, 2022	148,187,710	82,241,813	2,427,284	8,878,959	(7,166,951)	(25,467,438)	60,913,667
Balance at January 1, 2023	148,187,710	82,241,813	467,913	10,838,330	(3,940,454)	(27,774,766)	61,832,836
Net loss for the period	-	-	-	-	-	(1,183,110)	(1,183,110)
Shares issued for acquisition of Minera Latin American Zinc, net (Note 3)	11,441,647	3,684,641	-	-	-	-	3,684,641
Shares issued in relation to private placement	33,357,104	9,006,418	-	-	-	-	9,006,418
Share issue costs	-	(339,525)	-	-	-	-	(339,525)
Warrants issued in relation to private placement	-	(3,843,042)	3,843,042	-	-	-	-
Warrants expired	-	-	(467,913)	467,913	-	-	-
Cumulative translation adjustments	-	-	-	-	3,746,236	-	3,746,236
Loss on investments	-	-	-	-	(83,367)	-	(83,367)
Balance at June 30, 2023	192,986,461	90,750,305	3,843,042	11,306,243	(277,585)	(28,957,876)	76,664,129

- The accompanying notes form an integral part of these consolidated financial statements -

# IMPACT Silver Corp.

## Condensed Consolidated Interim Statements of Cash Flows For the Three and Six Months Ended June 30

(Canadian dollars)

Unaudited

Cash resources provided by (used in)	Three months ended June 30		Six months ended June 30	
	2023	2022	2023	2022
<b>Operating activities</b>				
Net loss	\$ (853,159)	\$ (795,255)	\$ (1,183,110)	\$ (855,459)
Items not affecting cash				
Amortization and depletion	459,285	381,144	837,706	693,903
Deferred income tax (recovery) expense	366,655	(48,046)	460,065	116,103
Accretion expense	18,908	13,103	36,936	25,807
Loss on disposal of assets	-	-	1,209	-
Unrealized (loss) gain on foreign exchange	(323,464)	28,526	(491,937)	25,875
Changes in non-cash working capital				
Trade and other receivables	(728,600)	555,856	(982,650)	(335,752)
Income taxes receivable	(3,961)	(5,795)	(7,529)	(9,631)
Inventories	(481,244)	(199,514)	(344,752)	(107,812)
Trade payables	(627,278)	38,906	(1,114,989)	(454,143)
Income taxes payable	354	7,397	(2,787)	(11,075)
	<b>(2,172,504)</b>	<b>(23,678)</b>	<b>(2,791,838)</b>	<b>(912,184)</b>
<b>Investing activities</b>				
Cash acquired on acquisition (Note 3)	163,936	-	163,936	-
Acquisition of Minera Latin American Zinc (Note 3)	(4,031,399)	-	(4,031,399)	-
Proceeds on the sale of investments	34,213	-	46,633	-
Proceeds on sale of long-lived assets	-	-	-	100,000
Acquisition of long-lived assets	(2,741,614)	(1,444,776)	(3,516,740)	(2,701,833)
	<b>(6,574,864)</b>	<b>(1,444,776)</b>	<b>(7,337,570)</b>	<b>(2,601,833)</b>
<b>Financing activities</b>				
Repayment of lease liability	(27,715)	(25,298)	(51,099)	(50,365)
Proceeds from the exercise of stock options	-	35,000	-	35,000
Proceed from exercise of warrants	-	705,679	-	827,199
Proceeds from private placement, net	8,198,473	-	8,666,893	-
	<b>8,170,758</b>	<b>715,381</b>	<b>8,615,794</b>	<b>811,834</b>
<b>Net change in cash</b>	<b>(576,610)</b>	<b>(753,073)</b>	<b>(1,513,614)</b>	<b>(2,702,183)</b>
Cash - Beginning of period	14,314,157	19,132,465	15,251,161	21,081,575
<b>Cash - End of period</b>	<b>\$ 13,737,547</b>	<b>\$ 18,379,392</b>	<b>\$ 13,737,547</b>	<b>\$ 18,379,392</b>

- The accompanying notes form an integral part of these consolidated financial statements -

# IMPACT Silver Corp.

## Notes to the Condensed Consolidated Interim Financial Statements

June 30, 2023

(Canadian dollars)

Unaudited

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### 1. Nature of operations

IMPACT Silver Corp. and its subsidiaries (collectively, “IMPACT” or the “Company”) are engaged in silver mining and related activities including exploration, development and mineral processing in Mexico. The Company operates a series of mines near Zacualpan in the State of Mexico and in Guerrero State as well as in the State of Chihuahua, and produces silver, lead, zinc and gold sold in the form of lead and zinc concentrates. The registered address of the Company is 303 – 543 Granville Street, Vancouver, British Columbia.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that the current exploration and development programs will result in ongoing profitable mining operations. The investment in and expenditures on exploration and evaluation assets comprise a significant portion of the Company’s assets. The recovery of the Company’s investment in these exploration and evaluation assets and the attainment of profitable operations are dependent upon future commodity prices, the ongoing discovery and development of economic ore on these properties and the ability to arrange sufficient financing to bring the ore estimates into production. The ultimate outcome of these matters cannot presently be determined because they are contingent on future events.

There are many external factors that can adversely affect general workforces, economies and financial markets globally. Examples include, but are not limited to, the COVID-19 global pandemic, political conflict in other regions, and supply chain disruptions. It is not possible for the Company to predict the duration or magnitude of adverse results of such external factors and its effect on the Company’s business or ability to raise funds.

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. The Company estimates that it has adequate financial resources for the next twelve months.

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### 2. Basis of Preparation

#### Statement of compliance

The Company’s consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). These unaudited condensed interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting. All material intercompany balances have been eliminated. The accounting policies applied in the preparation of these unaudited condensed financial statements are consistent with those applied and disclosed in the Company’s audited consolidated financial statements for the year ended December 31, 2022.

# IMPACT Silver Corp.

## Notes to the Condensed Consolidated Interim Financial Statements

June 30, 2023

(Canadian dollars)

Unaudited

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### 2. Basis of Preparation – continued

As all the disclosures required by IFRS are not included, these interim statements should be read in conjunction with the audited financial statements of IMPACT Silver Corp. (“the Company”) for the year ended December 31, 2022.

Except when otherwise stated, all amounts are presented in Canadian (“CDN”) dollars, which is the presentation currency of the Company.

The condensed consolidated interim financial statements were authorised for issue by the Board of Directors on August 24, 2023.

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### 3. Acquisition of Minera Latin American Zinc

On April 3, 2023, the Company completed a Share Purchase Agreement (the “MLAZ” agreement) to purchase all the outstanding shares of Minera Latin American Zinc, S.A.P. I. de CV (“MLAZ”), which holds 100% interest in the Plomosas zinc-lead-silver mine in the state of Chihuahua, northern Mexico.

Under the terms of the MLAZ agreement, the Company paid a total purchase price of US\$ 6 million of which one-half was in cash and one-half in shares of the Company. Contractual restrictions have been applied to 75% of the shares which will be released in three equal tranches, every six months, over 18 months from closing (October 3, 2023; April 3, 2024; October 3, 2024).

For accounting purposes, the MLAZ acquisition was accounted for as a business combination using the acquisition method of accounting, whereby the purchase price is allocated to the identifiable assets and liabilities on the basis of the fair value at acquisition date.

As part of the MLAZ agreement, the Company agreed to pay the vendors a 12% net profit royalty on production from the Plomosas project. The Company is assessing the value of this contingent consideration which requires significant estimates by management and includes the evaluation of factors such as revenue and cost forecast. At this time no value has been attributed to this net profit royalty.

As of the date of these interim consolidated financial statements, the determination of the fair value of assets and liabilities acquired is based on preliminary estimates and has not been finalized. The actual fair values of the assets and liabilities may differ materially from the amounts disclosed in the preliminary fair value below and are subject to change within a period not to exceed twelve months from the acquisition date with retroactive restatement of the impact of adjustment to those provisional fair values effective as at the acquisition date.

# IMPACT Silver Corp.

## Notes to the Condensed Consolidated Interim Financial Statements

June 30, 2023

(Canadian dollars)

Unaudited

### 3. Acquisition of Minera Latin American Zinc - continued

The allocation of the purchase price, based on management's estimates of the fair value of assets acquired and liabilities assumed in Canadian dollars is as follows:

**Fair value of consideration:**

Cash payment	\$	3,051,895
Cash, held in trust		978,605
Fair value of 11,441,647 common shares issued by the Company		4,030,500
Accounting adjustment for share price movement		(777,600)
Working capital adjustment		(3,524,931)
Total purchase price	\$	<u>3,758,469</u>

**Provisional fair value of assets and liabilities acquired:**

Cash		163,936
Accounts receivable and prepaid expenses		784,698
Inventories		179,437
Property, plant and equipment		5,050,297
Exploration and evaluation assets		1,300,456
Accounts payable and accrued liabilities		(4,957,496)
Provision for site reclamation and closure		(379,751)
Net assets acquired	\$	<u>2,141,577</u>

Excess purchase price allocated to goodwill	\$	<u>1,616,892</u>
	\$	<u>3,758,469</u>

The working capital adjustment, reported above, is preliminary and is still being assessed as it contains contingent liabilities subject to settlement. The Company engaged an independent appraiser to assist in the determination of the fair values of the property, plant and equipment acquired.

The results from operations of MLAZ from April 3, 2023 forward are included in these consolidated financial statements.

### 4. Trade and other receivables

The following table details the composition of trade and other receivables at:

	<b>June 30, 2023</b>	December 31, 2022
Value added and income taxes receivable – current portion	\$ 1,280,655	\$ 432,004
Trade and other receivables	1,798,158	1,003,621
Prepays	714,722	310,742
	<u>\$ 3,793,535</u>	<u>\$ 1,746,367</u>

# IMPACT Silver Corp.

## Notes to the Condensed Consolidated Interim Financial Statements

June 30, 2023

(Canadian dollars)

Unaudited

### 5. Inventories

The following table details the composition of inventories at:

	<b>June 30, 2023</b>	December 31, 2022
Materials and supplies	\$ 1,425,976	\$ 746,997
Stockpile inventory	137,335	102,207
Concentrate inventory	<b>236,805</b>	288,478
	<b>\$ 1,800,116</b>	\$ 1,137,682

The amount of write-down of inventories to net realizable value during the six months ended June 30, 2023 was \$11,128 (June 30, 2022 - \$55,095) relating to concentrate inventory.

### 6. Right-of-use assets

Details are as follows:

	<b>Land</b>
<b>Balance at January 1, 2022</b>	\$ 266,738
Amortization	(102,574)
Foreign exchange movement	4,304
<b>Balance at December 31, 2022</b>	<b>168,468</b>
Additions	<b>11,340</b>
Amortization	<b>(52,075)</b>
Foreign exchange movement	<b>3,516</b>
<b>Balance at June 30, 2023</b>	<b>\$ 131,249</b>

### 7. Lease Liabilities

Details are as follows:

<b>Balance at January 1, 2022</b>	\$ 243,825
Interest	15,920
Repayments	(113,213)
Foreign exchange movement	1,311
<b>Balance at December 31, 2022</b>	<b>147,843</b>
Additions	<b>11,340</b>
Interest	<b>5,901</b>
Repayments	<b>(57,000)</b>
Foreign exchange movement	<b>316</b>
<b>Balance at June 30, 2023</b>	<b>108,400</b>
Less: current portion	<b>85,520</b>
Non-current lease liabilities	<b>\$ 22,880</b>

# IMPACT Silver Corp.

## Notes to the Condensed Consolidated Interim Financial Statements

June 30, 2023

(Canadian dollars)

Unaudited

### 7. Lease Liabilities - continued

The Company's leased assets are for office leases and land. The lease liabilities were discounted at the Company's incremental borrowing rate. The weighted average rate applied for leases was 8.0%.

The expected timing of undiscounted lease payments is as follows:

	<b>June 30, 2023</b>	December 31, 2022
Less than one year	\$ <b>98,385</b>	\$ 101,467
One to five years	<b>15,457</b>	56,745
	<b>\$ 113,842</b>	\$ 158,212

### 8. Property, plant and equipment

Details are as follows:

	Plant and Mine equipment (\$)	Vehicles (\$)	Office furniture and equipment (\$)	Surface rights (\$)	Mining Assets (\$)	<b>Total (\$)</b>
<b>Cost</b>						
Balance at January 1, 2022	9,471,563	569,664	280,440	1,020,097	29,111,022	<b>40,452,786</b>
Additions	415,636	102,318	20,826	-	1,895,274	<b>2,434,054</b>
Transfer from exploration and evaluation assets	-	-	-	-	163,637	<b>163,637</b>
Change in reclamation estimate	-	-	-	-	(73,891)	<b>(73,891)</b>
Foreign exchange movement	1,137,934	67,894	14,947	121,576	2,935,927	<b>4,278,278</b>
Balance at December 31, 2022	11,025,133	739,876	316,213	1,141,673	34,031,969	<b>47,254,864</b>
Acquisition of Latin American Zinc (Note 3)	3,051,697	37,208	29,644	-	1,931,748	<b>5,050,297</b>
Additions	1,491,321	50,321	16,717	-	1,234,214	<b>2,792,573</b>
Disposals	-	-	(870)	-	-	<b>(870)</b>
Foreign exchange movement	1,258,929	83,795	17,023	129,299	3,347,209	<b>4,836,255</b>
<b>Balance at June 30, 2023</b>	<b>16,827,080</b>	<b>911,200</b>	<b>378,727</b>	<b>1,270,972</b>	<b>40,545,140</b>	<b>59,933,119</b>
<b>Accumulated amortization</b>						
Balance at January 1, 2022	7,029,553	420,543	201,664	-	12,980,626	<b>20,632,386</b>
Amortization for the period	405,324	54,188	27,450	-	907,956	<b>1,394,918</b>
Foreign exchange movement	849,482	50,120	12,657	-	1,130,565	<b>2,042,824</b>
Balance at December 31, 2022	8,284,359	524,851	241,771	-	15,019,147	<b>24,070,128</b>
Amortization for the period	303,208	45,062	16,322	-	508,948	<b>873,540</b>
Disposals	-	1,286	(867)	-	-	<b>419</b>
Foreign exchange movement	943,106	59,441	14,498	-	1,298,186	<b>2,315,231</b>
<b>Balance at June 30, 2023</b>	<b>9,530,673</b>	<b>630,640</b>	<b>271,724</b>	<b>-</b>	<b>16,826,281</b>	<b>27,259,318</b>
<b>Net book value</b>						
At December 31, 2022	2,740,774	215,025	74,442	1,141,673	19,012,822	23,184,736
<b>At June 30, 2023</b>	<b>7,296,407</b>	<b>280,560</b>	<b>107,003</b>	<b>1,270,972</b>	<b>23,718,859</b>	<b>32,673,801</b>

# IMPACT Silver Corp.

## Notes to the Condensed Consolidated Interim Financial Statements

June 30, 2023

(Canadian dollars)

Unaudited

### 9. Exploration and evaluation assets

Balance at January 1, 2022	\$	22,481,941		
Additions		3,182,804		
Recoveries		(340,000)		
Transfer to mining assets		(163,637)		
Write-down		(222,182)		
Foreign exchange		1,635,097		
Balance at December 31, 2022		26,574,023		
Acquisition of Minera Latin American Zinc (Note 3)		1,300,456		
Additions		1,150,510		
Foreign exchange		2,347,002		
<b>Balance at June 30, 2023</b>	<b>\$</b>	<b>31,371,991</b>		

### 10. Key management personnel compensation

Key management includes the Chief Executive Officer, Chief Financial Officer, Vice-President Exploration and Board of Directors and Audit Committee members. The remuneration of directors and other members of key management personnel for the three and six months ended June 30 is as follows:

	Three months ended June 30		Six months ended June 30	
	2023	2022	2023	2022
Salaries and fees	\$ 302,113	\$ 155,250	\$ 458,463	\$ 310,100
Share-based compensation	-	-	-	-
	<b>\$ 302,113</b>	<b>\$ 155,250</b>	<b>\$ 458,463</b>	<b>\$ 310,100</b>

The amount payable at June 30, 2023 were \$75,417 (June 30, 2022 - \$75,417)

### 11. Expenses by nature

The following table details the nature of expenses within cost of goods sold for the three and six months ended June 30:

	Three months ended June 30		Six months ended June 30	
	2023	2022	2023	2022
Production costs	\$ 2,525,307	\$ 1,880,544	\$ 5,295,944	\$ 3,974,485
Mining royalty	27,359	13,630	46,612	35,052
Transportation	133,606	116,874	301,212	227,315
Wages and salaries	1,907,571	1,459,461	3,429,084	2,802,852
	<b>\$ 4,593,843</b>	<b>\$ 3,470,509</b>	<b>\$ 9,072,852</b>	<b>\$ 7,039,704</b>

# IMPACT Silver Corp.

## Notes to the Condensed Consolidated Interim Financial Statements

June 30, 2023

(Canadian dollars)

Unaudited

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### 12. Equity

#### a) Share capital

Authorised share capital consists of an unlimited number of common shares without par value.

May 3, 2023, the Company closed a non-brokered private placement financing which was completed in 2 tranches:

- On April 19, 2023, a total of 30,903,012 units were issued for aggregate gross proceeds of \$8,343,813. The securities issued are subject to a hold period until August 19, 2023. The Company paid certain registered dealers a cash commission of \$198,305 and granted 734,461 broker warrants. Each broker warrant entitles the holder to purchase one common share at a price of \$0.35 until April 19, 2025.
- On May 3, 2023, a total of 2,454,092 units were issued for aggregate gross proceeds of \$662,605. The securities issued are subject to a hold period until September 4, 2023. The Company paid certain registered dealers a cash commission of \$24,016 and granted 88,950 broker warrants. Each broker warrant entitles the holder to purchase one common share at a price of \$0.35 until May 3, 2025.

Each unit consists of one common share and one warrant. Each warrant entitles the holder to purchase one common share at a price of \$0.35 per warrant share for a period of 24 months from the date of issuance.

#### b) Stock options

The Company has established a stock option plan whereby the board of directors may, from time to time, grant options to directors, officers, employees or consultants. Under the terms of the Company's fixed stock option plan, the maximum number of shares reserved for issuance is 10% of the issued shares of the Company or 12,936,917 shares. Options granted must be exercised no later than five years from date of grant or extension or such lesser period as determined by the Company's board of directors. The exercise price of an option is not less than the closing price on the TSX Venture Exchange on the last trading day preceding the grant.

The expected volatility is based on the historical and implied volatility of the Company's common share price on the TSX Venture Exchange. The risk-free interest rate assumption is based on the Bank of Canada marketable bonds with a remaining term equal to the stock options' expected life. Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options.

# IMPACT Silver Corp.

## Notes to the Condensed Consolidated Interim Financial Statements

June 30, 2023

(Canadian dollars)

Unaudited

### 12. Equity – continued

#### b) Stock options - continued

The following table summarizes information about the stock options outstanding at June 30, 2023:

Exercise Price Per Share	Number of Options Outstanding	Weighted Average Remaining Life (Years)	Number of Options Exercisable	Expiry Date
\$0.36	1,750,000	1.32	1,750,000	October 24, 2024
\$0.90	2,010,000	2.56	2,010,000	January 18, 2026
\$0.48	2,250,000	3.28	2,250,000	October 8, 2026
	<b>6,010,000</b>	<b>2.47</b>	<b>6,010,000</b>	

#### c) Warrants

A summary of the Company's warrants as at June 30, 2023 and the changes for the periods ended on these dates is as follows:

	Number	Weighted Average Exercise Price (\$)
At January 1, 2022	18,561,513	0.63
Exercised	(2,706,225)	0.31
Expired	(10,976,954)	0.82
December 31, 2022	<b>4,878,334</b>	<b>0.39</b>
Expired	(4,878,334)	0.39
Granted	34,180,515	0.35
<b>June 30, 2023</b>	<b>34,180,515</b>	<b>0.35</b>

The fair value of each warrant granted is estimated at the time of grant using the Black-Scholes option pricing model with assumptions as follows:

Date Granted	April 19 2023	May 3 2023
Expiry Date	April 19, 2025	May 3 2025
Number of warrants granted	31,637,473	2,543,042
Risk-free interest rate	3.94%	3.59%
Expected dividend yield	Nil	Nil
Expected share price volatility	72.106%	71.342%
Expected warrant life in years	1.5	1.5

Pricing models require the input of highly subjective assumptions including the expected share price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate.

# IMPACT Silver Corp.

## Notes to the Condensed Consolidated Interim Financial Statements

June 30, 2023

(Canadian dollars)

Unaudited

### 13. Segmented information

The Company has one operating segment and two reportable segments based on geographic area:

- i) Mexico – This part of the business includes the Company’s mining operations and exploration properties
- ii) Canada – This part of the business includes head office and group services

The segments are determined based on the reports reviewed by the Chief Executive Officer (who is considered the Chief Operating Decision Maker) to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

Details are as follows:	Three months ended June 30		Six months ended June 30	
	2023	2022	2023	2022
Revenues by geographic area				
Mexico	\$ 5,491,898	\$ 3,501,370	\$ 10,605,852	\$ 8,129,990
Net (loss) income by geographic area				
Mexico	\$ 20,189	\$ (443,425)	\$ 115,446	\$ (42,857)
Canada	(873,348)	(351,830)	(1,298,556)	(812,602)
	\$ (853,159)	\$ (795,255)	\$ (1,183,110)	\$ (855,459)
Assets by geographical area			June 30, 2023	December 31, 2022
Mexico			\$ 76,573,402	\$ 54,194,954
Canada			12,613,636	14,600,560
			\$ 89,187,038	\$ 68,795,514
Property, plant and equipment by geographical area				
Mexico			\$ 32,628,752	\$ 23,132,579
Canada			45,049	52,157
			\$ 32,673,801	\$ 23,184,736