

**IMPACT Silver Corp.**  
**Form 51-102F1**  
**Management's Discussion and Analysis**  
**For the Nine Months Ended September 30, 2023**

**INTRODUCTION**

*This Management's Discussion and Analysis ("MD&A") is for the nine months ended September 30, 2023 of IMPACT Silver Corp. ("IMPACT" or the "Company") prepared as at November 20, 2023 and should be read in conjunction with the Company's annual audited consolidated financial statements for the year ended December 31, 2022 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.sedarplus.ca](http://www.sedarplus.ca).*

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

**CORPORATE OVERVIEW**

IMPACT Silver Corp. is recognized as an intermediate miner with strength across the value chain including production, growth and exploration activities. The Company maintains an extensive land position in Mexico with tremendous exploration potential both at the legacy, silver-rich Royal Mines of Zacualpan assets as well as the recently acquired Plomosas property. The Company maintains an aggressive exploration program to continue to feed and expand its operations while providing shareholders with meaningful resource upside across the Company.

IMPACT controls the majority of three extensive mineral districts in Mexico. The Company's legacy producing assets, known as the Royal Mines of Zacualpan Silver-Gold District, and are located in central Mexico where the Company has been in production for 17 years. Nearby, the Company owns the Capire Mineral District adjacent to and southwest of the Zacualpan district which together total 211 km<sup>2</sup>. In Q2 2023 the Company added a third mining district known as Plomosas. Plomosas is a producing high-grade zinc-lead-silver mine located in northern Mexico, just 150 km northeast of the city of Chihuahua. Plomosas is a formerly producing, high-grade zinc-lead-silver mine. In April 2023, the Company commenced significant upgrades to the mill and associated infrastructure and restarted production at the mine subsequent to quarter-end. During Q3 2023, the Company also began its initial, phase 1 drill program at Plomosas. This program is expected to expand as the Company soon takes delivery of an additional drill rig. Field programs designed to test a number of additional targets on the balance of the property started in early fall.

IMPACT has typically been considered a near pure play on silver with ongoing production across an extensive mining district. Currently, IMPACT's primary production metal is silver, by both volume and sales, and is therefore highly leveraged to silver prices. Since restarting the Plomosas mine, the Company's production profile will now increasingly include substantial levels of zinc.

Since 2006, the Company has conducted aggressive exploration programs that have led into meaningful development and production activities, with ten sites having been developed along this value chain to date. Over that period, IMPACT has produced more than 12 million ounces of silver and generated more than \$256 million in revenues. As a result, a sizable portion of the more than \$80 million in capital expenditures and exploration on the properties has been funded by operations.

To combat industry-wide cost pressures from inflation and a strong Mexican peso, the Company has implemented aggressive cost controls. Management is assessing potential changes in mining processes and new technologies to improve margins and offset higher supplier and labour costs. The Company has deferred a number of non-critical projects to offset higher costs.

At September 30, 2023, the Company remains well-funded with cash of \$8.9 million, no long-term debt and working capital of \$8.7 million.

### **Plomosas Mine Agreement**

On April 3, 2023, the Company closed a Share Purchase and Sale Agreement (the "Sales Agreement") with Yari Minerals Ltd., ("Yari") of Australia, previously Consolidated Zinc Limited ("CZL"), to purchase all of the outstanding shares of their Mexican subsidiary, Minera Latin American Zinc S.A.P. I. de C.V. ("MLAZ") which holds a 100% interest in the Plomosas zinc-lead-silver mine in the state of Chihuahua, Northern Mexico. The mine is subject to a 1% net smelter royalty.

The total purchase price was US\$6.0 million consisting of US\$3.0 million in cash with the balance in IMPACT shares, plus a 12% net profit interest royalty payable to Yari.

#### *Plomosas – High-Grade Zinc Production Back Online*

The acquisition provides the Company with additional resources and potential as it expanded IMPACT's production profile from one to two producing operations. Plomosas adds significant metal diversification through its high-grade zinc-lead-silver deposit as well as exciting exploration potential across the property's largely under explored terrain.

We believe that our multi-decade experience building mines in Mexico, combined with our strong balance sheet, will allow IMPACT to capture significant upside from this timely acquisition and become a leading high-grade zinc producer in an established mining region in northern Mexico.

On October 23, 2023, the Company announced that it had restarted production at the Plomosas mine and anticipates growing production levels through early 2024. Management believes that it can increase the size of the operation in a cost-effective manner by further expanding the plant and mill along with a multi-phase drilling program, the first of which is ongoing. Rehabilitation efforts included:

#### **Mill:**

- Rebuilt approximately 50% of the floatation circuit
- Replacing and repairing pumps, cyclones and electrical components
- Replaced the secondary cone crusher
- Rebuilt the conveyor system to improve efficiency and overall operation
- Moved and rebuilt the ball mill on a completely new, solid foundation
- Expanded the concentrate patio to allow for increased volume

Management will make modifications and adjustments as needed as it targets design processing capacity of approximately 200 tonnes per day ("tpd") in 2024.

#### **Mine Site:**

- Rehabilitating work areas and commencing surveying in the underground mine including dewatering down to level nine
- Replacing and rehabilitating underground equipment including mobile vehicles such as scoop trams and underground trucks

**Infrastructure and Mine Administration:**

- Reconnection and upgrading of the electrical system and power grid across the operation
- Re-established the onsite lab to modern standards and initiated metallurgical studies
- Rebuilt and replaced surface vehicles for above ground mine activity and supervision
- Invested in safety equipment and implemented protocols to bring site to industry standards
- Upgraded site offices including IT systems, computer hardware and software

**Above Ground Investment:**

- Commenced drill program with Company owned drill and supplies: arrival of a second Company drill is pending
- Engaged a leading technical geological consultant and began a program to assess property wide potential
- Completed phase 1 of the expansion of the existing tailings pond and initiated studies for further expansion to ensure sufficient capacity to meet ongoing production growth

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, on the U.S. on the OTCQB as ISVLF and on the Frankfurt Stock Exchange under the symbol IKL.

**Quarter in Review – Q3 2023**

In Q3 2023, the Company dealt with ongoing inflationary pressures across the Zacualpan operations, however the growth in the rate of inflation started to slow towards the end of the period. Notwithstanding, profit margins remain pressured due to higher supplier pricing, and increased labour and union-related compensation, as well as other operating and administrative costs. The exchange rate pressures continued to negatively impact margins as the Mexican peso strengthened in the first half of 2023, however some relief in the strength of the Peso has occurred recently. Higher gold production during the period helped partially offset lower overall tonnage and ongoing cost pressures.

During the quarter, the Company milled a total of 37,178 tonnes of mill feed at the Zacualpan complex, down from 39,816 tonnes in Q3 2022. The third quarter is typically a seasonally wet period which carries with it unpredictable production levels. Transport costs from some of the Company's mines was higher than usual due to rainy season deteriorated roads at times over longer hauling distances while processing wet material tends to lower efficiencies in the mill.

Silver production during the period was 158,290 oz compared to 169,835 oz in Q3 2022. Contributions from lead and gold saw production increases on a year over year basis of 43% and 123%, respectively. The average silver grade in Q3 2023 was 156 g/t compared to 165 g/t in Q3 2022. Despite lower mill throughput, additional gold production helped contribute to a significant increase in revenue per tonne sold to \$129.46 compared to \$99.98 in Q3 2022. Inflation across the value chain remains prevalent but there is some indication that this trend is slowing. Quarterly direct costs per tonne increased to \$128.75 compared to \$104.45 in Q3 2022.

In April 2023, the government of Mexico announced that it had passed new mining legislation for the next generation of mining companies operating in country. The Company expects its existing operations to be mostly unaffected by this new legislation and IMPACT continues to operate with the aim of doing so profitably while maintaining leading Environmental Social and Governance ("ESG") programs and standards. Management is exploring options to establish significant carbon-reducing infrastructure initiatives that could materially lead the way towards a higher ESG and more profitable operating cost profile.

## Financial Overview

- Revenue in Q3 2023 was \$4.8 million, up from \$3.8 million in Q3 2022
- Mine operating earnings before amortization and depletion was \$0.01 million in the quarter, compared to a loss of \$(0.1) million in Q3 2022.
- Cash used in operations for the quarter was \$1.0 million compared to \$0.3 million in Q3 2022.
- After investing \$3.8 million in exploration expenditures and mining assets during the quarter, the cash position remained strong at quarter-end at \$8.9 million with working capital of \$8.7 million.
- The net loss in Q3 2023 was \$1.5 million compared to net loss of \$1.2 million in Q3 2022.
- The Company has no long-term debt.

## Production and Sales Highlights

### Guadalupe Production Complex

The Company is continuing its strategy to optimize production and costs at its Guadalupe processing plant. Amidst a higher cost profile in the quarter, wet conditions causing transportation and production inefficiencies led to a 7% decline in mill throughput. Meanwhile, revenue per tonne increased by 29% on a year over year basis on higher silver prices and a 43% and 163% increase in lead and gold sales, respectively. There remains a focus on mining higher grade material combined with added gold production that has positively impacted results and helped offset temporarily reduced silver grades.

Mine management has been running a focused program of definition and step-out drilling in the Guadalupe Mine while developing additional feed at the San Ramon, Cuchara and Veta Negra mines. The historic Alacran mine, recently brought back into production, contains elevated levels of gold mineralisation that have helped improve the overall grade for the operation as the exploration team works through older workings and vein extensions at that location. Ongoing work is being performed at the Alacran mine to improve recoveries and economics. The Company's strategy of focused exploration and efficient milling at Zacualpan has helped offset against high inflation and costs associated with running the operation, as well as negative foreign exchange pressures over the last year.

The Company has increased the tailings capacity at the Guadalupe complex, including work on a third tailings facility with a provisional life of nine years.

### Capire Project

Previous 43-101 studies on the Capire deposit have been evaluated with an inhouse review using the experience of the earlier test mining toward the potential restart of operations. Other studies are being conducted with regard to critical infrastructure to determine optimum plant size for Capire operations. Also, as the result of lab scale studies, a bulk sample of 1,400 kilograms of material selected by the Company's consultant from the Capire open pit was previously shipped for testing to a Canadian laboratory using state of the art X-Ray transmission ("XRT") pre-concentration processing technology. XRT technology is a process that recognizes and sorts rocks based on the specific atomic density of the material. XRT sorts ore grade material from waste reducing the amount of material to be processed and the costs during the milling process as well as tailings. The bulk sample results have been positive and the Capire zone is being reviewed for optimization in light of potential processing with XRT. The Company is currently evaluating the impact of XRT upon both capital and operating costs, recoveries and the ultimate mineable size of the zone and the current pilot plant. The Company has also drilled and is evaluating the significance of the nearby Aurora 2 zone to the project.

The objectives of these studies at Capire are to improve the possible operating margins through reduced processing costs to minimize sensitivity of operations to metal price fluctuations.

## PRODUCTION AND SALES: GUADALUPE MILL

	For the Three Months Ended			For the Nine Months Ended		
	September 30			September 30		
	2023	2022	% Change	2023	2022	% Change
Total tonnes (t) milled	<b>37,178</b>	39,816	-7%	<b>111,619</b>	113,142	-1%
Tonnes produced per day	<b>404</b>	433	-7%	<b>409</b>	414	-1%
Silver production (oz)	<b>158,290</b>	169,835	-7%	<b>481,084</b>	475,481	+1%
Lead production (t)	<b>89</b>	62	+43%	<b>242</b>	176	+37%
Gold production (oz)	<b>178</b>	80	+123%	<b>672</b>	215	213%
Silver sales (oz)	<b>156,798</b>	161,811	-3%	<b>483,265</b>	478,253	+1%
Lead sales (t)	<b>86</b>	60	+43%	<b>228</b>	181	+26%
Gold sales (oz)	<b>184</b>	70	+163%	<b>671</b>	202	232%
Average mill head grade –silver g/t	<b>156</b>	165	-5%	<b>160</b>	162	-1%
Revenue per tonne sold <sup>1</sup>	<b>129.46</b>	99.98	+29%	<b>136.88</b>	104.83	+31%
Direct costs per production tonne <sup>1</sup>	<b>128.75</b>	104.45	+23%	<b>123.58</b>	96.69	+28%

## MINE PRODUCTION

IMPACT owns two mining operations in Mexico. The Company has been operating the Royal Mines of Zacualpan Silver-Gold Mine since 2006, and on April 3, 2023, announced completion of its acquisition of the Plomosas Zinc-Lead-Silver Mine.

### ROYAL MINES OF ZACUALPAN DISTRICT

At the Royal Mines of Zacualpan Silver-Gold District in central Mexico, several underground and open pit mines on epithermal silver-gold (-zinc-lead) veins feed the central Guadalupe processing plant which has a rated capacity of 535 tonnes per day. Since acquiring the project, there has been extensive work done to upgrade operations and enhance production. Expanding the tailings capacity is an ongoing process. Work continues on a third tailings dam which will have a provisional life of nine years of operations at the Guadalupe mill complex.

### Guadalupe Silver Mine

The Guadalupe Mine is located adjacent to the Guadalupe mill. This underground mine restarted commercial production in September 2018 after a hiatus of five years and is now the largest producing mine on the property. Production comes from multiple veins on multiple levels in the largest vein cluster known on the property. During the third quarter of 2023, the Guadalupe Mine provided 51% (Q3 2022 – 55%) of feed to the Guadalupe mill. Monthly average mining grades at Guadalupe during the quarter ranged from 166 to 176 g/t silver. Production during Q3 2023 was from the Lipton, Liptonia, San Lorenzo and Kena area veins on Levels 0, 100, 110, 140, 175 and 235. With its lower cost structure, the Company has expanded production from Guadalupe, upgraded the shaft and underground railroad infrastructure, and is expanding other infrastructure in the mine to access additional veins for mining.

<sup>1</sup> Revenue per tonne sold and direct costs per production tonne are non-IFRS measures which the Company believes provides useful information on revenue and direct costs. See “NON-IFRS MEASURES”.

### **San Ramon Silver Mine**

The San Ramon Mine is located five kilometres southeast of the Guadalupe mill. San Ramon has been a significant contributor to production since 2008. In September 2021, the Company finished mining the San Ramon Deeps zone and began development and mining of the San Ramon South zone which was discovered in early 2021. During the third quarter of 2023, San Ramon South provided 14% (Q3 2022 – 13%) of feed to the Guadalupe mill. Monthly average mining grades at San Ramon during the quarter ranged from 163 to 171 g/t silver. Production during Q3 2023 was from Levels 7 and 8 in the San Ramon South zone.

### **Veta Negra Silver Mine**

The Veta Negra mine is a small open pit operation which commenced production in September 2019. It is located four kilometres northwest of the Guadalupe mill. The mine contributes a silver-rich feed to the Guadalupe mill from a near surface bulk tonnage zone. During the third quarter of 2023, the Veta Negra Mine provided 11% (Q3 2022 – 11%) of feed to the Guadalupe mill. Monthly average mining grades at Veta Negra during the quarter ranged from 168 to 183 g/t silver. Exploration is continuing to determine the full potential of the Veta Negra Zone and other nearby zones.

### **Cuchara Silver Mine**

The Cuchara mine is located 2.5 kilometres east of the Guadalupe mill and commenced production in the second quarter of 2013. During the third quarter of 2023, the Cuchara Mine provided 11% (Q3 2022 – 21%) of feed to the Guadalupe mill. The mine contributes a silver-lead-zinc feed to the Guadalupe mill. Current production is mainly from the Milmaravillas vein. Monthly average mining grades at Cuchara during the quarter ranged from 158 to 166 g/t silver.

### **Alacran Gold-Silver Mine**

The Alacran Gold-Silver Mine is a new operation on a historic mine located three kilometres south of the Guadalupe mill. IMPACT began redevelopment of the mine during the fourth quarter of 2022 with first commercial mining in March 2023. During the third quarter of 2023, the Alacran mine produced 13% of feed to the Guadalupe mill. The mine contributes a gold-silver feed to the Guadalupe mill. Current production is from the San Margarito Vein. Monthly average mining grades at Alacran during the quarter ranged from 2.83 to 2.93 g/t gold and 46 to 63 g/t silver.

### **Capire Processing Plant and Mine**

The Capire Production Centre is located 16 kilometres southwest of the Guadalupe Production Center. It is a volcanogenic (“VMS”) base and precious metal deposit. VMS mineralization in the Capire district is predominantly silver-rich with zinc and lead credits occurring in small massive sulphide lenses enveloped in disseminated mineralization.

In Q2 2013, IMPACT announced the commissioning of the Capire test open pit mine and completion of construction of the 200-tpd pilot plant but in February 2014 suspended operations mainly due to low silver prices and low silver grades. The Capire plant is currently on care and maintenance. Company engineers are reviewing Capire for potential restart of operations. The Company is also assessing the potential of an ore sorting system to upgrade the mineral feed at low cost to the Capire mill.

#### *Capire Mineral Resource*

On January 18, 2016, IMPACT announced NI43-101 mineral resources for the Capire Zone as follows and then filed a supporting technical report on [www.sedarplus.ca](http://www.sedarplus.ca) 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
<b>30</b>	<b>1,786,000</b>	<b>63.74</b>	<b>79.49</b>	<b>1.22</b>	<b>0.54</b>	<b>4,563,000</b>	<b>47,975,000</b>	<b>21,423,000</b>
35	1,490,000	69.96	87.65	1.33	0.59	4,199,000	43,692,000	19,504,000
40	1,242,000	76.47	96.20	1.45	0.65	3,842,000	39,596,000	17,666,000
45	1,035,000	83.30	105.37	1.56	0.70	3,507,000	35,693,000	15,905,000
50	859,000	90.69	115.49	1.69	0.75	3,189,000	31,983,000	14,203,000
60	636,000	103.31	133.60	1.88	0.84	2,732,000	26,339,000	11,793,000
70	489,000	114.89	150.72	2.04	0.92	2,370,000	22,034,000	9,909,000
80	381,000	126.33	167.97	2.20	0.99	2,057,000	18,455,000	8,338,000
90	294,000	138.53	187.15	2.34	1.07	1,772,000	15,194,000	6,966,000

The reported resource (“Base Case”) cutoff grade is US\$30/tonne in the table. The mineral resources in this disclosure were estimated by Mine Development Associates (“MDA”) of Reno, Nevada. The resources were estimated using Canadian Institute of Mining, Metallurgy and Petroleum (“CIM”) standards, definitions and guidelines. The resources were estimated diluted resources and are displayed at multiple cutoffs, but the resource is reported at a cutoff of US\$30/t lying within a pit optimized using \$31/oz silver, \$1.51/lb zinc, and \$1.69/lb lead. MDA considered a US\$30/t cutoff to be appropriate at the time for production using IMPACT’s 200 t/d mill and recoveries around 80%, 50%, and 65% for silver, zinc and lead, respectively. The resources were generated within an optimized pit shell on the Capire zone that best conveyed “reasonable prospects for eventual economic extraction” at the time which is a requirement of the 2014 CIM Definition Standards, incorporated into Canadian National Instrument 43-101. There is additional mineralization too deep to fulfill the criteria of “reasonable prospects for eventual economic extraction” within an open pit, but that may be available for potential underground development. For further details on the Capire mineral resource see IMPACT’s news release dated January 18, 2016.

## Zacualpan Exploration

Mines on epithermal veins that were drilled and built by the IMPACT team on the Zacualpan property include the Cuchara Silver Mine (currently in operation), San Ramon Mine (currently in operation), the Veta Negra open pit mine (currently in operation), Alacran Gold-Silver Mine (currently in production), San Patricio (Chivo) Silver Mine (operated 2017-2018), Carlos Pacheco Gold-Copper Mine (on care and maintenance), Chivo Silver Mine (operated 2007-2012), the Noche Buena Silver Mine (operated 2010-2014) and the Mirasol Silver Mine (operated 2014-2017), as well as the Capire VMS open pit silver mine (being assessed for restart of operations). Exploration is continuing with the goal of finding and developing new mines for the Company. Recent exploration highlights were as follows:

### Drilling

During the first quarter, IMPACT announced Zacualpan drill results from greenfields drilling targets including at the San Antonio zinc prospect, where drill results included 2.3% zinc over 3.85 metres (see IMPACT news release dated January 4, 2023 for details). Step out drilling at Aurora 2, north of the Capire open pit, included 128 g/t silver, 0.42 g/t gold, 0.76% lead and 1.84% zinc over 7.5 metres (see IMPACT news release dated February 16, 2023 for details).

### *Exploration Field Work*

IMPACT crews are continuing to explore some of the 5,000+ old mine workings and prospects in the Zacualpan and Capire districts as well as exploring new areas to define drill targets. Exploration targets are defined and prioritized using a very large computer database compiled over many years from historical maps and other technical data on the project. Upcoming drilling and exploration work is planned for the south extensions of the Guadalupe Mine and former Chivo Mine.

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

### **PLOMOSAS PROJECT**

On April 3, 2023, IMPACT announced completion of its acquisition of the Plomosas Zinc-Lead-Silver Mine located 150 km northeast of Chihuahua City, northern Mexico. On October 23, 2023, after carrying out a program of extensive upgrading to mining, equipment, and processing facilities as well as hiring of new technical and supervisory staff, IMPACT announced restart of operations and shipment of first concentrate. Plans are to next ramp up operations to the plant design capacity of 200 tpd and associated increase in revenue in H1 2024.

Plomosas is host to high-grade mineralization. The previous owner, Yari, reported Plomosas JORC-compliant mineral resources<sup>1</sup> of 215,000 tonnes grading 13.5% zinc, 6.3% lead and 34.0 g/t silver indicated, and 772,000 tonnes grading 13.1% zinc, 3.0% lead and 19.0 g/t silver inferred, at a 3% zinc cutoff at December 2021. IMPACT has begun a surface drill program to infill and test extensions of the known mineralization.

The district was discovered in 1832 and has recently seen small scale mining. Historical mining is in the global upper quartile for zinc grade with approximately 2.5 million tonnes mined since 1943 grading 15-25% zinc, 2-7% lead and 40-60 g/t silver with low deleterious elements<sup>2</sup>.

The mine and mill were last in production from September 2018 until late 2022. In 2021, the previous owner processed 31,695 tonnes producing 2,442 tonnes of zinc concentrate and 599 tonnes of lead concentrate. Mine access is by a ramp reaching a depth of 250m below surface and old shafts that can be refurbished<sup>2</sup>. Mine development and dewatering are continuing as activity expands underground. Mineral is fed to a refurbished 200 tonne per day conventional flotation plant. The Plomosas Property is subject to an underlying 1% Net Smelter Royalty.

The 3,019 hectare property covers extensive carbonate replacement deposit-type ("CRD") zinc-lead-silver mantos (beds) mainly hosted in carbonates (limestones, marbles). Exploration potential at Plomosas is exceptional with only 600m of the 6,000m long CRD structure assessed by modern exploration plus other exploration targets including untested copper-gold targets to the northwest. Exploration of greenfield targets on the property has commenced with mapping and sampling of historic prospects. Regionally Plomosas lies in the same mineral belt as some of the largest CRD deposits in the world<sup>2</sup>. (Reference to these nearby projects is for information purposes only and there are no assurances that Plomosas will achieve similar results.)

### **MINING PLANS**

At Zacualpan in the near term, the Company is optimizing silver and gold production, and continues evaluation of the potential restart of the Capire open pit silver mine.

At the Plomosas mine, the Company recently announced restart of operations and shipment of first concentrate (see IMPACT news release dated October 23, 2023 for details) with plans to achieve mill design capacity of 200 tpd in H1/2024 and then further expand production.

*QP Statements: George Gorzynski, P. Eng., Vice President and Director of IMPACT Silver Corp., and a Qualified Person as defined under Canadian National Instrument 43-101, approved the technical*

information in this MD&A for the Royal Mines of Zacualpan Project, the Capire Mineral District (except information related to the Capire mineral resources), and the Plomosas 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, approved the Capire mineral resource estimate and directly related information in this MD&A. Details of the technical information in this MD&A are available in Company news releases posted on the Company website at [www.IMPACTSilver.com](http://www.IMPACTSilver.com) and on [www.sedarplus.ca](http://www.sedarplus.ca).

*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.*

*Footnotes:*

*1. Plomosas mineral resources were reported by Consolidated Zinc Ltd. (CZL:ASX) (now Yari Minerals Ltd.) on their website (<https://www.consolidatedzinc.com.au>) under the Australian JORC (2012) Code as mineral resources "depleted as at December 2021" based on an independent report in compliance with JORC (2012) by Shaun Searle of Ashmore Advisory Pty Ltd. IMPACT's Qualified Person has reviewed but not verified in detail these current reported mineral resources and is only reporting them as material recent mineral resources reported by CZL and available in the public record. IMPACT believes the estimates are relevant and reliable, given they are reported to Australian JORC standards; however, IMPACT's Qualified Person has not done sufficient work to classify them as current Canadian NI 43-101 mineral resources.*

*2. Reference: Alexandri, A. Gonzalez, H., & Salas, H. (2022). Plomosas Project (CZL), Field Visit Report. IMPACT Silver Corp. private report on field visits and compilation of historic and recent data, 56 pages.*

## **SAFETY, SOCIAL AND ENVIRONMENTAL POLICY**

IMPACT recognizes that 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 conducts reclamation on sites disturbed by its activities. As a primarily underground mining operator, surface disturbances from mining activity have been minimal.

While IMPACT has always considered its responsibility to the community and the environment, in 2023 it initiated its first annual report on those activities which is now available on the Company's website.

### **Zacualpan Operational, Environmental and Social:**

The exploration surface drills used and owned by IMPACT are modular diamond drill rigs which minimize the area of disturbance due to their small size and mobility. These drills rigs require little in the way of drill pads or access trails which minimizes surface disturbances, and the Company engages the local community for logistical support and assistance as part of the drill crew. All drill sites are reclaimed after use. Besides increasing our flexibility while keeping environmental disturbances to a minimum, the drill programs, utilizing Company-owned drills, have proved to be very cost effective.

Tailings dams are engineered to stringent standards. The tailings themselves are benign and 100% of mine water is either recycled or lost to evaporation. In 2021, the Company, as part of a periodic review, engaged independent engineers to conduct a study on the status of the Guadalupe (Zacualpan) tailings impoundment and are continuing to follow their recommendations.

Work on tailings pond facility #3 is continuing, which is projected to accommodate approximately nine years of production from the Guadalupe mill complex in the future. The site has now been fully permitted and cleared.

In 2022, trees were planted as part of preparation for the new tailings facility #3, and part of a larger program to improve areas of past historical activity. In conjunction with the municipality and the Technological Baccalaureate Center, the Company planted approximately 6,000 trees of various indigenous species over the last two years. A further 10,000 trees are expected to be planted over the next year or so.

In areas surrounding the mine's property, tailings facilities and the complex's support facilities, the Company, collaborating with local farmers, planted approximately 1,000 agave plants. The Company maintains a greenhouse for nurturing the initial plants before being transferred to the field. Plans are in place for a further 3,000 agaves to be planted over the next year or so. According to the Company's consultants, agave plants can reduce and isolate large quantities of atmospheric CO<sub>2</sub>. They produce more biomass above and below ground than most other plant species. Estimates are they can absorb and store the dry weight equivalent of 30 to 60 tons of CO<sub>2</sub> per hectare per year. Once established, they do not require regular irrigation and are relatively insensitive to rising global temperatures and drought. Agave also provides a cash crop for local farmers as well as livestock feed.

The Company is currently reviewing its power usage, which is sourced primarily from the national Mexican power grid. Studies are being conducted that include sustainable alternatives incorporating LED lighting and solar panels, for at least part of the power demand. In 2021 a test site was established to provide electricity to the mine administrative building with solar panels. This program is anticipated to expand and will supply other service buildings once suitable locations have been found for the panels. While reducing the mine's carbon footprint, it is anticipated the solar power produced will also generate economic savings for the Company.

The Company keeps community members informed of its activities and collaborates with the communities to address local concerns. The employment of most workers from local communities helps to foster understanding, and direct involvement in the Company's operations. Over the last several years the Company has focused on two strategies to assist the local communities. The first is to improve infrastructure which may have been neglected by government in the past. The Company continues to provide tools, materials and supplies while the communities provide labour for community projects. The Company continues to upgrade roads and has built a new school as well as a badly needed health clinic. The Company has also built soccer fields, basketball courts and other facilities for local communities.

The second strategic need is to help ensure water access, both potable and for irrigation, to a number of individual farmers and nearby communities. This includes building water tanks and providing plastic pipes for water storage and distribution.

In late summer 2022, earthquake drills were practiced across Mexico and the Zacualpan team received recognition for its use of the mine rescue team and ambulance in the district as the primary resource in the event of a natural disaster. These safety, social and environmental programs are ongoing and a source of pride for the Company.

In the past and during the current year, the Company has taken on geology and engineering students for co-op semesters to provide them, under supervision, with essential work experience that is integral to their studies.

Plomosas Operational, Environmental and Social:

At Plomosas, plans are in place to further expand the existing tailings pond and concurrently, a new larger tailings pond is in the design stage. These efforts will provide additional capacity to re-establish and grow output at the mill in the near-term, while providing the Company with substantial tailings capacity for future production increases.

The Company is educating its new employees and contract personnel to maintain high standards related to environmental and safety issues and they are continually reminded to uphold these standards.

The mine is located in a desert environment that is sparsely occupied and will require a sensitive program to enhance the environmental and social situation. The Company is also reviewing the opportunity to make Plomosas a sustainable mining operation with consideration being given to reducing emissions and lowering costs through at solar energy generation project.

The Company has social, environmental, and other policies related to its operations and promotes a culture for working safely. It has an established an effective relationship with the mine’s union, as well as local contractors and personnel that it works with. Work conducted by or on behalf of the Company is planned with a focus on safety and concern for the environment and the effect on local communities. The mining operation employs a safety officer to implement and supervise the safety program and currently first aid facilities are being initiated at the mine.

## INVESTOR RELATIONS

The Company builds investor awareness and shareholder value by conducting institutional presentations and attends investment and mining related conferences. With the changes occurring in the marketplace and the economy, the Company continues to also strengthen its presence via social media and other online marketing.

The Company has also revised its website to assist stakeholders in understanding its activities and the potential of the entire Royal Mines of Zacualpan and Plomosas districts. The Company has prepared video presentations of some of its operations and exploration activities which are available for viewing under the “Media” section on the Company’s website ([www.IMPACTSilver.com](http://www.IMPACTSilver.com) ).

## FINANCIAL DISCUSSION

### Summary of Quarterly Results

In thousands except for earnings per share	Three months ended September 30	
	2023	2022
Revenue	\$ 4,767	\$ 3,794
Net loss	\$ (1,480)	\$ (1,243)
Loss per share– basic and diluted	\$ (0.01)	\$ (0.01)

Net loss for the third quarter of 2023 was impacted by the following factors:

- Revenue for Q3 2023 was \$4.8 million, an increase from \$3.8 million in 2022, due to 23% higher silver prices in the current quarter compared to the prior year, as well as the increase in the value of the Mexico peso over the Canadian dollar between the two periods. While tonnes milled during the quarter decreased 7% to 37,178 from 39,816 in Q3 2022, silver sales were down 3%, and gold sales were up 163% over the comparative period.
- Mining operating loss was \$0.5 million in both Q3 2023 and 2022. Revenue per tonne was up by 29% to \$129.46 compared to \$99.98 in the third quarter last year, due in part to increased gold sales. Direct costs per tonne were up 23% to \$128.75 from \$104.45 in Q3 2022. The stronger Mexican peso affected the revenue per tonne and direct costs per tonne during the period. There was no revenue or operating expenses recorded for MLAZ during the quarter.
- General and administrative costs were \$0.9 million compared to \$0.7 million in Q3 2022. This increase was primarily due to the inclusion of the general and administrative costs from MLAZ since its acquisition April 3, 2023. In Q3 2023, legal, audit and accounting increased by \$0.2 million over the same period in the prior year.

- The Company recorded income and deferred tax recovery of \$0.2 million in Q3 2023 compared to an expense of \$0.02 million in Q3 2022.
- There was a foreign exchange loss of \$0.3 million in Q3 2023 compared to \$0.1 million in Q3 2022 resulting from the fluctuating US dollar and Mexican peso. Finance income from interest on short term cash investments remained steady at \$0.1 million in the third quarters of 2023 and 2022.

## Summary of Year to Date Results

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

In thousands except for earnings per share	Nine months ended September 30	
	2023	2022
Revenue	\$ 15,373	\$ 11,924
Net loss	\$ (2,663)	\$ (2,098)
Loss per share – basic and diluted	\$ (0.01)	\$ (0.01)

Net loss for the first nine months of 2023 was impacted by the following factors:

- Revenue for the nine months ended September 30, 2023 was \$15.4 million compared to \$11.9 million in the same period in 2022. During the period, revenue per tonne sold increased to \$136.88 compared to \$104.83 on 6% higher silver prices, and silver and gold sales which increased 1% and 232%, respectively. Tonnes milled decreased to 111,619 from 113,142 in 2022.
- Mine operating income was \$0.2 million in 2023 compared to a loss of \$0.05 million in 2022. Revenue per tonne was 31% higher than in the same period in 2022 due to increased gold and silver production and sales, as well as a stronger Mexican peso. Direct costs per tonne increased 28% to \$123.58 compared to \$96.69 in the nine months ended September 30, 2023, of which 20% is due to the value of the Mexican peso increasing against the Canadian dollar during the period. There was no revenue or operating expenses recorded for MLAZ during the period.
- General and administrative costs increased to \$2.9 million in the first three quarters of 2023 compared to \$1.9 million in 2022, most of which was due to additional costs incurred by the Company on a private placement, as well as the acquisition of MLAZ, both of which closed during Q2. The costs related to the acquisition of MLAZ, along with the promotional costs relating to the financing, have been expensed. In addition, the general and administrative costs from MLAZ since its acquisition April 3, 2023 have been included in the results. For the nine months ended September 30, 2023, investor relations, promotion and travel was \$0.4 million (2022 -\$0.09 million), legal, audit and accounting was \$0.6 million (2022 -\$0.2 million), office salaries and services was \$0.9 million (2022 -\$0.8 million), and office, rent, insurance and sundry was \$0.4 million (2022 -\$0.3 million).
- The Company recorded income and deferred tax expense of \$0.3 million in 2023 compared to \$0.1 million in 2022.
- Finance income from interest on short term cash investments was \$0.4 million compared to \$0.2 million in 2022. There was a small foreign exchange loss of \$0.01 million in 2023 compared to a loss of \$0.1 million in 2022 resulting from the fluctuating US dollar and Mexican peso.

## OTHER FINANCIAL INFORMATION

### Summary of Quarterly Results

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

**For the Three Months Ended**  
(\$ in thousands except for earnings per share)

	Sept 30 2023	June 30 2023	Mar 31 2023	Dec 31 2022	Sept 30 2022	June 30 2022	Mar 31 2022	Dec 31 2021
Revenue	4,767	5,492	5,114	4,412	3,794	3,501	4,629	4,026
Net (loss) income	(1,487)	(853)	(330)	(1,065)	(1,243)	(795)	(60)	(541)
Earnings (loss) per share – Basic and Diluted*	(0.01)	(0.00)	(0.00)	(0.01)	(0.01)	(0.00)	(0.00)	(0.00)
Total assets	88,161	89,187	71,959	68,796	69,257	66,781	66,781	66,544
Total liabilities	12,463	12,523	7,525	6,963	7,181	6,306	6,384	6,578

### Liquidity, Financial Position and Capital Resources

#### Working Capital and Cash Flow

At September 30, 2023 the Company had cash of \$8.9 million compared to \$15.3 million at December 31, 2022. Working capital was \$8.7 million compared to \$16.4 million at December 31, 2022.

During the nine months ended September 30, 2023:

- On April 3, 2023, the Company completed a Share Purchase Agreement to purchase all the outstanding shares of MLAZ, which holds 100% interest in the Plomosas zinc-lead-silver mine in the state of Chihuahua, northern Mexico. Under the terms of this agreement, the Company paid a total purchase price of US\$6.0 million of which one-half was in cash and one-half in shares of the Company.

The total consideration for this acquisition was estimated to total \$4.1 million. This includes a working capital adjustment of \$3.5 million which is still being assessed as it contains contingent liabilities and other amounts subject to settlement. The estimated fair value of the net assets from MLAZ acquired and the liabilities assumed at acquisition was \$2.2 million. The excess purchase price of \$1.9 million has been allocated to exploration and evaluation assets.

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. The results from operations of Minera Latin American Zinc from April 3, 2023 forward are included in the September 30, 2023 consolidated financial statements.

As of the date of the September 30, 2023 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 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.

- On May 3, 2023, the Company closed a non-brokered private placement financing which was completed in 2 tranches:
  - i. On April 19, 2023, a total of 30,903,012 units were issued for aggregate gross proceeds of \$8,343,813. 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.
  - ii. On May 3, 2023, a total of 2,454,092 units were issued for aggregate gross proceeds of \$662,605. 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.

- For the nine months ended September 30, 2023, the Company used cash flows from operating activities of \$3.8 million compared to \$1.2 million in 2022. This was primarily due to \$1.4 million spent on the reduction of trade payables including amounts assumed on the acquisition of MLAZ, and a temporary increase in inventory and trade and other receivables of \$1.3 million.
- In the first three quarters of 2023, the Company invested \$7.3 million (2022 - \$4.2 million) in long-lived assets, of which \$2.0 million was allocated to exploration expenditures and \$5.3 million to property, plant and equipment including mining assets. During the period \$4.5 million was spent to upgrade and update the property, plant and equipment of MLAZ to ready it for production, and \$0.4 was spent on its exploration.
- In the second quarter of 2023, the Company paid cash of \$4 million for the acquisition of MLAZ, and acquired cash of \$0.2 million on the acquisition.
- During the period, the Company received net proceeds of \$8.7 million from a non-brokered private placement. In 2022 the Company received proceeds of \$0.9 million on the exercise of warrants and stock options.
- In 2022, the Company received a cash payment of \$100,000 and 1 million treasury shares from Pantera valued at \$240,000 pursuant to the option agreement on part of its Zacualpan SE concession signed in Q4 2020.

During the three months ended September 30, 2023:

- The Company used cash flows from operating activities of \$1.0 million in Q3 2023 compared to using \$0.3 million in 2022. This was primarily due \$0.3 million spent on the reduction of trade payables including amounts assumed on the acquisition of MLAZ, and a temporary increase in inventory and trade and other receivables of \$0.1 million.
- During the third quarter, the Company invested \$3.8 million (Q3 2022 - \$1.6 million) in long-lived assets, of which \$2.9 million was spent on property, plant and equipment including mining assets. Of this amount, \$2.5 million was spent on readying MLAZ to restart production. Investment in exploration expenditures for the group totaled \$0.9 million, of which \$0.4 million was spent at MLAZ's Plomosas property.

## Outstanding Share Data

The following common shares and convertible securities were outstanding at November 20, 2023:

	# of Shares	Exercise Price	Expiry Date
Issued and outstanding common shares	192,986,461		
Stock options	1,750,000	\$0.36	October 24, 2024
Stock options	2,010,000	\$0.90	January 18, 2026
Stock options	2,250,000	\$0.48	October 8, 2026
Warrants	31,637,473	\$0.35	April 19, 2025
Warrants	2,543,042	\$0.35	May 3, 2025
Fully diluted	<u>233,176,976</u>		

All of the 6,010,000 stock options outstanding have vested.

## FINANCIAL INSTRUMENTS AND MANAGEMENT OF FINANCIAL RISK

### Financial assets and liabilities

The Company's financial instruments consist of cash, concentrate, trade receivables, other receivables, investments, trade payables, and lease obligations. Cash and other receivables are measured at amortized cost. Concentrate trade receivables are measured at fair value through profit or loss. Investments are designated as fair value through other comprehensive income and measured at fair value as determined by reference to quoted market prices. Trade payables and lease obligations are measured at amortized cost.

### Financial instrument risk exposure

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

#### Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk include cash, trade and other receivables and investments. The Company deposits its cash with high credit quality financial institutions as determined by ratings agencies, with the majority deposited with a Canadian Tier 1 bank. As is customary in the mining industry, the Company has entered into contracts with refining and smelting companies for the refining and sale of its silver, lead, zinc, and gold contained in its lead and zinc concentrates. All contracts are with currently with Trafigura Mexico S.A de C.V, Metalurgica Met-Mex Penoles, S.A. de C.C, Metco Trading, S.A. de C.V., and previously with Samsung C&T Corp. As a result, the Company has a significant concentration of credit risk exposure to these companies at any one time but is satisfied that these companies have adequate credit ratings as determined by Standard and Poor's. The Company's maximum exposure to credit risk at the reporting date is the carrying value of its cash (\$8.9 million) and trade and other receivables (\$3.7 million).

### Interest rate risk

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

### Currency risk

Foreign exchange rate fluctuations may affect the costs that the Company incurs in its operations. Silver, lead, zinc, and gold are sold in US dollars and the Company's costs are principally in Mexican pesos and Canadian dollars. At September 30, 2023, the Company is exposed to currency risk through the cash, trade and other receivables, and trade payables held in US dollars and Mexican pesos. Based on these foreign currency exposures at September 30, 2023, a 10% depreciation or appreciation of all the above currencies against the Canadian dollar would result in an approximate \$0.2 million decrease or increase in the Company's net income for the period ended September 30, 2023.

### Commodity price risk

Due to the recent volatility in silver and zinc prices, the Company is assessing the impact and direction in silver prices over the short and long term. Should the prices decline, the Company's operating results could be adversely impacted, and potentially the Company may have to recognize an impairment on the carrying value of its non-financial assets. The Company is addressing these issues with the objective of lowering production costs and mining higher-grade mineralization.

The only financial instrument affected by commodity price risk for the Company is trade accounts receivable. Assuming the same rate of production, a 10% change in commodity prices from actual realized prices would have increased or decreased the Company's trade accounts receivable balance at September 30, 2023 by \$0.1 million (2022 - \$0.1 million).

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

## COVID-19

On March 2020, the World Health Organization declared COVID-19 as a global pandemic. This contagious disease outbreak, which has continued to spread, and the related adverse public health developments, have adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. To date there have been no material adverse effects on the Company's business, but the ultimate effect on the Company's cash flows and operations is uncertain and difficult to predict at this time.

## APPROVAL

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

## SUPPLEMENTARY INFORMATION

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2023	2022	2023	2022
Operating expenses	\$ 4,753,276	\$ 3,931,844	\$ 13,826,128	\$ 10,971,548
(Deduct): operating expenses for Capire	(8,610)	7,408	(27,950)	(2,791)
Add (deduct): inventory	42,139	219,551	(4,605)	(29,829)
Direct costs	\$ 4,786,805	\$ 4,158,803	\$ 13,793,573	\$ 10,938,928
Tonnes milled	37,178	39,816	111,619	113,142
Direct costs per tonne	\$ 128.75	\$ 104.45	\$ 123.58	\$ 96.69
Revenue	\$ 4,766,757	\$ 3,793,933	\$ 15,372,609	\$ 11,923,923
Tonnes sold	36,819	37,949	112,305	113,748
Revenue per tonne sold	\$ 129.46	\$ 99.98	\$ 136.88	\$ 104.83

## 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 that the Company believes provides additional information regarding how the Company's operations are performing. This measure is calculated as revenues less operating expenses, excluding amortization and depletion.

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	<b>2023</b>	2022	<b>2023</b>	2022
Revenue	\$ <b>4,766,757</b>	\$ 3,793,933	\$ <b>15,372,609</b>	\$ 11,923,923
Operating expenses	<b>4,753,276</b>	3,931,844	<b>13,826,128</b>	10,971,548
Mine operating earnings before amortization and depletion	\$ <b>13,481</b>	\$ (137,911)	\$ <b>1,546,481</b>	\$ 952,375

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 AND CAUTIONARY STATEMENTS**

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

The factors that could cause actual results to differ materially include, but are not limited to, the following: general economic conditions; changes in financial markets; the impact of exchange rates; political conditions and developments in countries in which the Company operates; changes in the supply, demand and pricing of the metal commodities which the Company mines or hopes to find and successfully mine; changes in regulatory requirements impacting the Company's operations; pandemics; 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. The Company does not undertake to update forward-looking statements or forward-looking information, except as required by law. Additional information relating to IMPACT is on the Company website at [www.IMPACTSilver.com](http://www.IMPACTSilver.com) and on SEDAR at [www.sedarplus.com](http://www.sedarplus.com).

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 NI 43-101 the Company is required to disclose that it has not based its production decisions on NI 43-101 compliant mineral resource or reserve estimates, preliminary economic assessments or feasibility studies, and historically such projects have increased uncertainty and risk of failure.

On behalf of the Board of Directors,

“Frederick W. Davidson”

President and Chief Executive Officer

November 20, 2023