

IMPACT SILVER CORP.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

March 31, 2024 and 2023

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

ASSETS	March 31, 2024	December 31, 2023
Current		
Cash	\$ 3,604,078	\$ 8,279,200
Trade and other receivables (Note 3)	4,340,267	3,854,897
Inventories (Note 5)	1,614,383	2,079,269
Investments	80,202	90,000
	9,638,930	14,303,366
Value added taxes	301,872	332,163
Right-of-use assets (Note 6)	325,481	91,842
Property, plant and equipment (Note 8)	34,044,016	32,569,080
Exploration and evaluation assets (Note 9)	40,239,922	37,811,650
Due on the acquisition of Minera Latin American Zinc (Note 4)	3,555,103	3,470,095
	\$ 88,105,324	\$ 88,578,196
LIABILITIES		
Current		
Trade payables and accrued liabilities	\$ 6,621,848	\$ 6,669,648
Lease liabilities (Note 7)	301,906	68,921
	6,923,754	6,738,569
Reclamation provision	1,077,440	1,008,210
Deferred income tax liabilities	7,029,054	6,698,287
	15,030,248	14,445,066
SHAREHOLDERS' EQUITY		
Share capital	94,947,950	94,947,950
Warrants (Note 12(c))	2,980,914	2,980,914
Contributed surplus	11,306,243	11,306,243
Accumulated other comprehensive loss	2,315,410	238,033
Accumulated deficit	(38,475,441)	(35,340,010)
	73,075,076	74,133,130
	\$ 88,105,324	\$ 88,578,196

Nature of operations (Note 1)

Subsequent events (Note 14)

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 Loss For the Three Months Ended March 31

(Canadian dollars)

Unaudited

	2024	2023
Revenue	\$ 5,346,945	\$ 5,113,954
Cost of sales		
Operating expenses (Note 11)	6,996,816	4,479,009
Amortization and depletion	645,916	374,475
	<u>7,642,732</u>	<u>4,853,484</u>
Mine operating (loss) income	<u>(2,295,787)</u>	<u>260,470</u>
General and administrative expenses		
Accounting, audit and legal	218,408	76,872
Amortization	6,110	3,946
Investor relations, promotion and travel	206,418	97,940
Management fees and consulting	214,193	177,748
Office, rent, insurance and sundry	115,978	100,715
Office salaries and services	219,772	262,512
	<u>980,879</u>	<u>719,733</u>
Operating loss	<u>(3,276,666)</u>	<u>(459,263)</u>
Other income (expenses)		
Finance cost	(35,438)	(20,833)
Finance income	48,582	140,310
Foreign exchange gain	265,549	109,498
Other expense	(3,887)	(6,253)
	<u>274,806</u>	<u>222,722</u>
Loss before taxes	<u>(3,001,860)</u>	<u>(236,541)</u>
Current income tax expense	98,458	-
Deferred income tax expense	35,113	93,410
	<u>35,113</u>	<u>93,410</u>
Net loss	<u>\$ (3,135,431)</u>	<u>\$ (329,951)</u>
Loss per share – Basic and Diluted	<u>\$ (0.02)</u>	<u>\$ (0.00)</u>
Weighted average number of shares outstanding – Basic and Diluted	<u>213,574,696</u>	<u>148,187,710</u>

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

IMPACT Silver Corp.

Condensed Consolidated Interim Statements of Comprehensive Loss For the Three Months Ended March 31

(Canadian dollars)
Unaudited

	2024	2023
Net loss	\$ (3,135,431)	\$ (329,951)
Other comprehensive loss		
Items that may be subsequently reclassified to profit or loss		
Cumulative translation adjustment	2,074,744	3,047,131
Items that will not be subsequently reclassified to profit or loss		
Gain (loss) on investments	2,633	(115,980)
Comprehensive (loss) income	\$ (1,058,054)	\$ 2,601,200

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IMPACT Silver Corp.

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity

For the Three Months Ended March 31

(Canadian dollars)

Unaudited

	Shares Outstanding	Share Capital (\$)	Warrants (\$)	Contributed Surplus (\$)	Accumulated Other Comprehensive Income (\$)	Retained Deficit (\$)	Total Shareholders' Equity (\$)
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	-	-	-	-	-	(329,951)	(329,951)
Cumulative translation adjustments	-	-	-	-	3,047,131	-	3,047,131
Loss on investments	-	-	-	-	(115,980)	-	(115,980)
Balance at March 31, 2023	148,187,710	82,241,813	467,913	10,838,330	(1,009,303)	(28,104,717)	64,434,036
Balance at January 1, 2024	213,574,696	94,947,950	2,980,914	11,306,243	238,033	(35,340,010)	74,133,130
Net loss for the period	-	-	-	-	-	(3,135,431)	(3,135,431)
Cumulative translation adjustments	-	-	-	-	2,074,744	-	2,074,744
Loss on investments	-	-	-	-	2,633	-	2,633
Balance at March 31, 2024	213,574,696	94,947,950	2,980,914	11,306,243	2,315,410	(38,475,441)	73,075,076

- 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 Months Ended March 31

(Canadian dollars)
Unaudited

Cash resources provided by (used in)	2024	2023
Operating activities		
Net loss	\$ (3,135,431)	\$ (329,951)
Items not affecting cash		
Amortization and depletion	652,026	378,421
Loss on disposal of assets	-	1,209
Deferred income tax expense	35,113	93,410
Accretion expense	24,054	18,028
Unrealized gain on foreign exchange	(248,310)	(168,473)
Changes in non-cash working capital		
Trade and other receivables	(194,830)	(254,050)
Income taxes receivable	(73,664)	(3,568)
Inventories	541,294	136,492
Trade payables	(315,164)	(487,711)
Income taxes payable	(1,742)	(3,141)
	<u>(2,716,654)</u>	<u>(619,334)</u>
Investing activities		
Proceeds on the sale of investments	12,429	12,420
Additions of long-lived assets	(1,922,233)	(775,126)
	<u>(1,909,804)</u>	<u>(762,706)</u>
Financing activities		
Repayment of lease liability	(48,664)	(23,384)
Share subscriptions received in advance	-	468,420
	<u>(48,664)</u>	<u>445,036</u>
Net change in cash	(4,675,122)	(937,004)
Cash - Beginning of period	<u>8,279,200</u>	<u>15,251,161</u>
Cash - End of period	\$ 3,604,078	\$ 14,314,157

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

IMPACT Silver Corp.

Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2024

(Canadian dollars)

Unaudited

1. Nature of operations

IMPACT Silver Corp. and its subsidiaries (collectively, "IMPACT" or the "Company") are engaged in silver, zinc and lead 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.

There are many external factors that can adversely affect general workforces, economies and financial markets globally. Examples include, but are not limited to, 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 interim 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.

2. Basis of Preparation

Statement of compliance

The Company's consolidated interim financial statements have been prepared in accordance with IFRS Accounting 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 interim condensed financial statements are consistent with those applied and disclosed in the Company's audited consolidated financial statements for the year ended December 31, 2023.

IMPACT Silver Corp.

Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2024

(Canadian dollars)

Unaudited

2. Basis of Preparation – continued

As all the disclosures required by IFRS are not included, these consolidated interim statements should be read in conjunction with the audited financial statements of IMPACT Silver Corp. (“the Company”) for the year ended December 31, 2023.

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

The condensed interim consolidated interim financial statements were authorised for issue by the Board of Directors on May 27, 2024.

3. Trade and other receivables

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

	March 31, 2024	December 31, 2023
Value added taxes receivable – current portion	\$ 2,495,787	\$ 2,057,743
Trade and other receivables	1,251,454	953,213
Prepays	593,026	843,941
	\$ 4,340,267	\$ 3,854,897

4. 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 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. This contingent consideration requires significant estimates by management and includes the evaluation of factors such as revenue, operating costs and capital expenditures to estimate future cashflows. Based on these factors, as well as only the historical indicated mineral resource estimate and historical production information available at the time of acquisition, the Company has estimated the 12% net profit royalty to be CDN\$1,344.

The Company has finalized its full and detailed assessment of the fair value of net assets of MLAZ acquired.

IMPACT Silver Corp.

Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2024

(Canadian dollars)

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4. 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 at April 3, 2023 is as follows:

Fair value of consideration:	
Cash payment	\$ 4,031,400
Fair value of 11,441,647 common shares issued by the Company	4,462,242
Discount for lack of marketability	(777,774)
Working capital adjustment	(3,531,266)
12% net profit royalty	1,344
Total purchase price	<u>\$ 4,185,946</u>
Provisional fair value of assets and liabilities acquired:	
Cash	163,936
Accounts receivable and prepaid expenses	784,697
Inventories	179,437
Property, plant and equipment	2,593,252
Exploration and evaluation assets	5,810,743
Accounts payable and accrued liabilities	(4,966,368)
Provision for site reclamation and closure	(379,751)
Net assets acquired	<u>\$ 4,185,946</u>

The working capital adjustment of US\$2.6 million (revalued to Canadian dollars at period end rate), contains contingent liabilities and other amounts subject to settlement. The vendors have agreed to escrow their net profit royalty as security for part of the contingent liabilities.

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

5. Inventories

The following table details the composition of inventories at:

	March 31, 2024	December 31, 2023
Materials and supplies	\$ 1,321,165	\$ 1,434,238
Stockpile inventory	51,989	27,091
Concentrate inventory	241,229	617,940
	<u>\$ 1,614,383</u>	<u>\$ 2,079,269</u>

IMPACT Silver Corp.

Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2024

(Canadian dollars)

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6. Right-of-use assets

Details are as follows:

	Land and Buildings
Balance at January 1, 2023	\$ 168,468
Additions	23,742
Amortization	(104,303)
Foreign exchange movement	3,935
Balance at December 31, 2023	91,842
Additions	281,873
Amortization	(49,869)
Foreign exchange movement	1,635
Balance at March 31, 2024	\$ 325,481

7. Lease Liabilities

Details are as follows:

Balance at January 1, 2023	\$ 147,843
Additions	23,742
Interest	9,876
Repayments	(112,965)
Foreign exchange movement	425
Balance at December 31, 2023	68,921
Additions	281,873
Interest	3,834
Repayments	(52,498)
Foreign exchange movement	(224)
Balance at March 31, 2024	301,906
Less: current portion	(301,906)
Non-current lease liabilities	\$ -

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 11.0%.

IMPACT Silver Corp.

Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2024

(Canadian dollars)

Unaudited

7. Lease Liabilities - continued

The expected timing of undiscounted lease payments is as follows:

	March 31, 2024	December 31, 2023
Less than one year	\$ 317,887	\$ 70,936

8. Property, plant and equipment

Details are as follows:

	Plant and Mine equipment (\$)	Vehicles (\$)	Office furniture and equipment (\$)	Surface rights (\$)	Mining Assets (\$)	Total (\$)
Cost						
Balance at January 1, 2023	11,025,133	739,876	316,213	1,141,673	34,031,969	47,254,864
Acquisition of Minera Latin American Zinc (Note 4)	2,146,649	37,208	29,644	-	379,751	2,593,252
Additions	1,453,842	68,330	80,465	-	4,200,473	5,803,110
Disposals	-	-	(880)	-	-	(880)
Change in reclamation provision	-	-	-	-	(292,339)	(292,339)
Foreign exchange movement	1,535,367	100,561	21,807	142,771	3,833,935	5,634,441
Balance at December 31, 2023	16,160,991	945,975	447,249	1,284,444	42,153,789	60,992,448
Additions	402,220	-	-	-	361,909	764,129
Foreign exchange movement	748,350	47,046	13,590	56,681	1,636,087	2,501,754
Balance at March 31, 2024	17,311,561	993,021	460,839	1,341,125	44,151,785	64,258,331
Accumulated amortization						
Balance at January 1, 2023	8,284,359	524,851	241,771	-	15,019,147	24,070,128
Amortization for the period	599,442	81,355	48,686	-	984,761	1,714,244
Foreign exchange movement	1,076,999	71,770	17,505	-	1,472,722	2,638,996
Balance at December 31, 2023	9,960,800	677,976	307,962	-	17,476,630	28,423,368
Amortization for the period	221,776	29,745	14,710	-	361,576	627,807
Foreign exchange movement	472,337	35,219	9,160	-	646,424	1,163,140
Balance at March 31, 2024	10,654,913	742,940	331,832	-	18,484,630	30,214,315
Net book value						
At December 31, 2023	6,200,191	267,999	139,287	1,284,444	24,677,159	32,569,080
At March 31, 2024	6,656,648	250,081	129,007	1,341,125	25,667,155	34,044,016

IMPACT Silver Corp.

Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2024

(Canadian dollars)

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9. Exploration and evaluation assets

Balance at January 1, 2023	\$	26,574,023
Acquisition of Minera Latin American Zinc (Note 4)		5,877,182
Additions		2,913,207
Foreign exchange		2,447,238
Balance at December 31, 2023		37,811,650
Additions		1,282,944
Foreign exchange		1,145,328
Balance at March 31, 2024	\$	40,239,922

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 months ended March 31 is as follows:

	2024		2023	
Salaries and fees	\$	166,250	\$	156,350
Amounts payable	\$	58,833	\$	57,133

11. Expenses by nature

The following table details the nature of expenses within cost of goods sold for the three months ended March 31:

	2024		2023	
Production costs	\$	3,852,633	\$	2,770,637
Administration		18,052		19,253
Transportation		289,767		167,606
Wages and salaries		2,836,364		1,521,513
	\$	6,996,816	\$	4,479,009

IMPACT Silver Corp.

Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2024

(Canadian dollars)

Unaudited

12. Equity

a) Share capital

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

On 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 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 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.

On December 22, 2023, the Company closed a non-brokered private placement. A total of 20,588,235 units were issued at a price of \$0.17 per unit for aggregate gross proceeds of \$3,500,000. Each unit consists of one common share and one half of one common share purchase warrant. Each full warrants entitles the holder to purchase one common share at a price of \$0.22 per share for a period of 24 months form the date of issuance. The Company paid certain registered dealers a cash commission of \$58,000 and granted 341,298 broker warrants. Each broker warrant entitles the holder to purchase one common share at a price of \$0.22 until December 22, 2025.

b) Stock options

A summary of the Company's stock options as at March 31, 2024 and the changes for the periods ended on these dates is as follows:

	Number	Weighted Average Exercise Price (\$)
At March 31, 2024, December 31, 2023 and January 1, 2023	6,010,000	0.59

The following table summarizes information about the stock options outstanding at March 31, 2024:

Exercise Price Per Share	Number of Options Outstanding	Weighted Average Remaining Life (Years)	Number of Options Exercisable	Expiry Date
\$0.36	1,750,000	0.57	1,750,000	October 24, 2024
\$0.90	2,010,000	1.80	2,010,000	January 18, 2026
\$0.48	2,250,000	2.52	2,250,000	October 8, 2026
	6,010,000	1.71	6,010,000	

IMPACT Silver Corp.

Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2024

(Canadian dollars)

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12. Equity – continued

b) Stock options – continued

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.

c) Warrants

A summary of the Company's warrants as at March 31, 2024 and the changes for the periods ended on these dates is as follows:

	Number	Weighted Average Exercise Price (\$)
At January 1, 2023	4,878,334	0.39
Exercised	44,815,930	0.32
Expired	(4,878,334)	0.39
At March 31, 2024 and December 31, 2023	44,815,930	0.32

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	Dec 22 2023
Expiry Date	April 19 2025	May 3 2025	Dec 22 2025
Number of warrants granted	31,637,473	2,543,042	10,635,415
Risk-free interest rate	3.94%	3.59%	4.02%
Expected dividend yield	Nil	Nil	Nil
Expected share price volatility	72.106%	71.342%	72.756%
Expected warrant life in years	1.5	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.

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March 31, 2024

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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 at March 31 are as follows:

	<u>2024</u>	<u>2023</u>
Revenues by geographic area		
Mexico	\$ 5,346,945	\$ 5,113,954
Net loss by geographic area		
Mexico	\$ (2,366,434)	\$ 95,257
Canada	(768,997)	(425,208)
	\$ (3,135,431)	\$ (329,951)
	<u>March 31,</u>	<u>December 31,</u>
	<u>2024</u>	<u>2023</u>
Assets by geographical area		
Mexico	\$ 84,916,150	\$ 81,422,539
Canada	3,189,174	7,155,657
	\$ 88,105,324	\$ 88,578,196
Property, plant and equipment by geographical area		
Mexico	\$ 34,007,973	\$ 32,530,174
Canada	36,043	38,906
	\$ 34,044,016	\$ 32,569,080

IMPACT Silver Corp.

Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2024

(Canadian dollars)

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14. Subsequent Events

Subsequent to the end of the quarter, the Company announced a non-brokered private placement financing of up to \$8.2 million.

On May 21, 2024, the Company closed the first tranche of the placement. The first tranche raised aggregate gross proceeds of \$7,128,659 by issue of 10,487,812 LIFE units at a price of \$0.28 per unit, and 15,526,190 standard units at a price of \$0.27 per unit.

Each LIFE unit consists of one common share and one-half share purchase warrant with each warrant exercisable at a price of \$0.34, expiring two years from the date of issue. Each standard unit consists of one common share and one full share purchase warrant with each warrant exercisable at a price of \$0.34, expiring two years from the date of issue.

The Company paid certain registered dealers a cash commission of \$317,943 and 1,158,562 broker warrants. Each broker warrant entitles the holder to purchase one common share at a price of \$0.34 for two years from the date of issue.

The second tranche of the offering is expected to close on or before May 28, 2024.
