

IMPACT Silver Corp.
Form 51-102F1
Management's Discussion and Analysis
For the Three Months Ended March 31, 2024

INTRODUCTION

This Management's Discussion and Analysis ("MD&A") is for the three months ended March 31, 2024 of IMPACT Silver Corp. ("IMPACT" or the "Company") prepared as at May 27, 2024 and should be read in conjunction with the Company's annual audited consolidated financial statements for the year ended December 31, 2023 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.

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 high-grade Plomosas zinc-lead-silver property. The Company maintains aggressive exploration programs using its own diamond drills to continue to feed and expand its operations while providing shareholders with meaningful resource upside potential 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, are located in central Mexico where the Company has been in production for 18 years. Nearby, the Company owns the Capire Mineral District adjacent to and southwest of the Zacualpan district which together total 211 km². In Q2 2023 the Company added a third mining district known as Plomosas, located in northern Mexico, just 150 km northeast of the city of Chihuahua. Plomosas, described as a Carbonate Replacement Deposit ("CRD"), is a producing, high-grade zinc-lead-silver mine. In April 2023, the Company commenced significant upgrades to the mill and associated infrastructure and restarted limited production at the mine late in the year. During Q3 2023, the Company also began its initial, phase 1 drill program at Plomosas which was recently expanded with the addition of a second drill rig. Field programs that were designed to test a number of additional targets on the balance of the property commenced in 2023.

IMPACT has typically been considered a near pure play on silver with ongoing production across an extensive mining district at Zacualpan. Currently, IMPACT's primary production metal is silver, by both volume and sales, and is therefore highly leveraged to silver prices while gold production has begun to play a more meaningful role. With the Plomosas mine expected to return to normal production in late 2024, the Company's production profile will add substantial levels of zinc.

Since 2006, the Company has conducted aggressive exploration programs that have led to 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 12.7 million ounces of silver, generated more than \$265 million in revenues and funded more than \$84 million in capital expenditures and exploration on the properties.

To combat industry-wide cost pressures from inflation and a strong Mexican Peso, the Company maintains aggressive cost controls and production efficiencies. 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 March 31, 2024, the Company had cash of \$3.6 million, no long-term debt and working capital of \$2.7 million.

Plomosas Acquisition

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. Certain adjustments in the price of the acquisition are currently under negotiation.

Plomosas – High-Grade Zinc Production Startup

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.

Due to concerns about the transferability of surface titles, permits, and licences, the Company was obliged to purchase the shares of MLAZ to affect the purchase. Since acquisition, the Company has spent considerable time and money on upgrades as the mill, mobile equipment and infrastructure were in a state of disrepair. Further, the Company has had to address the existing mining plans and underground development and make considerable improvements for safety and future operations. A significant part of the former has been rehabilitated or replaced, and the redesign of the underground mining plan is underway. Administratively, the Company has had to deal with a number of previously unpaid suppliers, as well as issues with regulators and litigations resulting from previous activities. While most of the latter is either resolvable or recoverable, the time, effort and cost associated with these issues have been considerable to the Company.

On October 23, 2023, the Company announced that it had commenced limited start-up production at the Plomosas mine and anticipates growing production levels through the balance of 2024. Management believes that it has the potential to increase the size of the operation in a cost-effective manner by further expanding the plant and mill along with a multi-phased drilling program, which is ongoing. Rehabilitation efforts included:

Mill:

- Rebuilt approximately 50% of the floatation circuit
- Replaced and repaired 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 200-225 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
- Developing a mine plan as additional stopes are accessed

Infrastructure and Mine Administration:

- Reconnection and upgrading of the electrical system and power grid across the operation
- Re-established the onsite laboratory to modern standards and initiated metallurgical studies
- Rebuilt and replaced surface vehicles for above ground 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 drills and supplies
- Engaged a leading technical geological consultant and began a program to assess property wide exploration 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.

Q1 2024 Achievements Include:

- Contracting Bell Internacional to provide a Tesla battery energy system with solar at the Plomosas mine, with anticipated annual energy savings of 30-45% and a 90% decrease in annual carbon emissions, to be implemented in mid-2024
- Announced encouraging drill results at Plomosas of 6.9 metres with 10.22% zinc, 5.43% lead and 27.7 g/t silver in the first drill results from the project
- Ongoing rehabilitation of the Plomosas mine following start-up of restricted mining operations in late 2023
- Substantial drilling activities at Zacualpan and Plomosas for the purpose of adding feed for mining and processing
- Subsequent to quarter-end, the Company announced a \$8.2 million non-brokered private placement financing. The first tranche, which closed May 21, 2024, raised aggregate gross proceeds of \$7.1 million by issue of 10,487,812 LIFE units at \$0.28 per unit, and 15,526,190 standard units at \$0.27 per unit. The second tranche is anticipated to close on or before May 28, 2024.

The Company continues to deal with ongoing inflationary pressures across the Zacualpan operations. Profit margins remain pressured due to higher supplier pricing and increased labour and union-related compensation, as well as other operating and administrative costs.

Q1 2024 Financial Highlights

- Revenue in Q1 2024 was \$5.3 million of which \$1.0 million was from Plomosas which had limited production in the quarter.
- After investing \$1.9 million in exploration expenditures and mining assets during the quarter, the cash position was \$3.6 million with working capital of \$2.7 million.
- Net loss in Q1 2024 was \$3.1 million (which included \$1.9 million incurred by MLAZ to bring operations online), compared to \$0.3 million in Q1 2023.
- The Company has no long-term debt.

Q1 2024 Review

During the quarter, the Company milled a total of 31,735 tonnes of mill feed at the Guadalupe complex, down from 38,688 tonnes in Q1 2023. The decline on a year over year basis is due to development at the mine including rebuilding the underground railway track system and shaft which resulted in production stops during the quarter. The Company returned to normal capacity levels after the end of the period.

As a result of the maintenance efforts, silver production from the Guadalupe complex during the period was 137,291 oz compared to 167,050 oz in Q1 2023. Contributions from lead and gold production decreased on a year over year basis by 31% and 70%, respectively. The average mill head grade on a silver-equivalent basis in Q1 2024 was 161 g/t compared to 162 g/t in Q1 2023. Lower gold production on a year over year basis was due to lower recoveries as well a temporary stop in production at the gold-producing Alacran mine while conducting metallurgical studies. Alacran is the principal source of gold production and is expected to return to production in the second half of 2024. Notwithstanding, revenue per tonne sold in the period increased by 6% to \$134.59 from \$126.96 in Q1 2023 while direct costs per tonne increased by 15% to \$128.12 from \$111.79 on a year over year basis. Inflation across the value chain remains a challenge, however the rate of increase of these costs has started to moderate.

At the Plomosas mine, the Company recommenced limited production operations in October 2023, after a substantial rehabilitation program following the acquisition of the mine in April 2023. In Q4 2023, the Plomosas mine had a limited amount of start-up production at substantial head grades for zinc of 13.8%, lead of 6.6% and silver of 46.8 g/t. Typical start-up pauses are ongoing in order to review and optimize processes and with improvements to take place, the mine is expected to reach design capacity of 200-225 tpd later in 2024. In accordance with current IFRS standards, unlike the former prescribed treatment, the revenue and costs for the Plomosas operations were required to be included in the financial results and were therefore expensed on the income statement rather than capitalized on the balance sheet.

Governmental Factors

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 further improving ESG as well as a more profitable operating cost profile.

Production and Mine Site Review

Zacualpan - Guadalupe Production Complex

The Company is continuing its strategy to optimize production and cost control at its Guadalupe processing plant. Amidst a higher cost profile in the quarter due to ongoing inflationary pressures, costs increased on a

per tonne basis. Inflationary pressures are expected to continue to moderate in the coming year. There remains a focus on mining higher grade material combined with added gold production and recoveries in order to positively impact results and help offset temporarily reduced silver sales which represents the majority of the Company's revenue.

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 contains elevated levels of gold mineralisation that have helped improve the overall grade for the operation in 2023 and is expected to continue to do so once the mine is brought back online later in 2024. Ongoing work is being performed with the Alacran mineralization 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.

Plomosas Project

Following the acquisition of the Plomosas high grade zinc-lead-silver mine in 2023, the Company was focused on rehabilitating the mine, plant and equipment, and commenced limited start-up operations in late 2023. Production ramp up is ongoing and should be reflected in the Company's financial results later in 2024, with management working to optimize mining and production efficiencies. Management anticipates reaching design throughput capacity by the end of 2024. Recent average mill head grade for zinc was 15.3%, which is amongst the top-tier across the zinc industry, worldwide.

The 3,019 hectares property covers extensive carbonate replacement deposit-type zinc-lead-silver mantos (beds). The previous operator reported an historic JORC-compliant mineral resource 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). To date, just 600m of the 6km strike length has been seen modern exploration, thereby offering meaningful exploration potential and upside. A robust drilling program will be ongoing throughout 2024 with the intention of defining and expanding the size and quality of the historical resource. A second drill rig arrived at Plomosas during the quarter and began activity in late March.

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 laboratory 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: ZACUALPAN-GUADALUPE MILL

	For the Three Months Ended March 31		
	2024	2023	% Change
Total tonnes (t) milled	31,735	38,688	-18%
Tonnes produced per day	353	430	-18%
Silver production (oz)	137,291	167,050	-18%
Lead production (t)	46.4	67.1	-31%
Gold production (oz)	52	175	-70%
Silver sales (oz)	141,887	172,289	-18%
Lead sales (t)	49	64	-23%
Gold sales (oz)	55	163	-66%
Average mill head grade –silver g/t	161	162	-1%
Revenue per tonne sold ¹	134.59	126.96	+6%
Direct costs per production tonne ¹	128.12	111.79	+15%

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 mines and an open pit mine on epithermal silver-gold (-zinc-lead) veins feed the central Guadalupe processing plant which has a rated capacity of 535 tonnes per day. Upgrading operations, enhancing production and 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 first quarter of 2024, the Guadalupe Mine provided 56% (Q1 2023 – 52%) of feed to the Guadalupe mill. Monthly average mining grades at Guadalupe during the quarter ranged from 159 to 165 g/t silver. Production during Q1 2024 was from the Lipton, Liptonia, San Lorenzo, Trinidad, Caballo and Kena area veins on Levels 40, 50, 110, 140, 175, 195 and 215. With its lower cost structure, the Company is adding infrastructure in the mine to access additional veins for mining.

¹ 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 first quarter of 2024, San Ramon South provided 19% (Q1 2023 – 13%) of feed to the Guadalupe mill. Monthly average mining grades at San Ramon during the quarter ranged from 159 to 171 g/t silver. Production during Q1 2024 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 first quarter of 2024, the Veta Negra Mine provided 9% (Q1 2023 – 8%) of feed to the Guadalupe mill. Monthly average mining grades at Veta Negra during the quarter ranged from 164 to 168 g/t silver.

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 first quarter of 2024, the Cuchara Mine provided 16% (Q1 2023 – 16%) of feed to the Guadalupe mill. The mine contributes a silver-lead-zinc feed to the Guadalupe mill. Current production is from the Milmaravillas, Golondrinas and La Blanca veins. Monthly average mining grades at Cuchara during the quarter ranged from 156 to 169 g/t silver.

Alacran Gold-Silver Mine

The Alacran Gold-Silver Mine is 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. Production was temporarily suspended in late October 2023 and metallurgical studies initiated to improve gold recoveries. Plans are to restart production in the second half of 2024. The mine contributes a gold-silver feed to the Guadalupe mill. Last production was from the San Margarito Vein. Average mining grades at Alacran during October 2023 were 2.65 g/t gold and 63 g/t silver.

Capire Processing Plant and Mine

The Capire Production Centre is located 16 kilometres southwest of the Guadalupe Production Centre. 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 on March 3, 2016.

Total Resource at US Dollar per Tonne Cutoffs - Inferred and Unoxidized								
Cutoff	Inferred Mineral Resources							
US\$/t	Tonnes	US\$/t	g Ag/t	%Zn	%Pb	Oz Ag	lbs Zn	lbs Pb
10	4,465,000	36.20	44.21	0.72	0.31	6,346,000	71,183,000	30,212,000
15	3,450,000	43.24	53.03	0.85	0.37	5,881,000	64,914,000	28,072,000
20	2,707,000	50.37	62.22	0.98	0.43	5,414,000	58,444,000	25,755,000
25	2,177,000	57.19	71.06	1.10	0.49	4,974,000	52,766,000	23,522,000
30	1,786,000	63.74	79.49	1.22	0.54	4,563,000	47,975,000	21,423,000
35	1,490,000	69.96	87.65	1.33	0.59	4,199,000	43,692,000	19,504,000
40	1,242,000	76.47	96.20	1.45	0.65	3,842,000	39,596,000	17,666,000
45	1,035,000	83.30	105.37	1.56	0.70	3,507,000	35,693,000	15,905,000
50	859,000	90.69	115.49	1.69	0.75	3,189,000	31,983,000	14,203,000
60	636,000	103.31	133.60	1.88	0.84	2,732,000	26,339,000	11,793,000
70	489,000	114.89	150.72	2.04	0.92	2,370,000	22,034,000	9,909,000
80	381,000	126.33	167.97	2.20	0.99	2,057,000	18,455,000	8,338,000
90	294,000	138.53	187.15	2.34	1.07	1,772,000	15,194,000	6,966,000

The reported resource (“Base Case”) cutoff grade is US\$30/tonne in the table. The mineral resources in this disclosure were estimated by Mine Development Associates (“MDA”) of Reno, Nevada. The resources were estimated using 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 (production temporarily suspended), 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

Subsequent to the first quarter, IMPACT announced initial results from underground drilling of the Kena Vein South in the Guadalupe Mine including 213 g/t silver over 17.30 metres and including 1,400 g/t silver over 0.75 metres (see IMPACT news release dated May 6, 2024). Drilling continues at Kena Vein South and other targets.

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. Surface drilling is currently in progress on the south extension of the Guadalupe Mine, and is planned for the south extension of the former Chivo Mine and north extension of the active San Ramon 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 and associated increase in revenue by late 2024.

Plomosas is host to high-grade mineralization. The previous owner, Yari, reported Plomosas JORC-compliant mineral resources¹ 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 reported 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 elements².

The mine and mill were previously 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 refurbished². Mine development and dewatering are continuing as the underground is opened and upgraded. 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.

Exploration

During the quarter IMPACT announced first drill results from surface drilling at Plomosas including 6.9 metres (true width) of 10.22% zinc, 5.43% lead and 27.7g/t silver on the Tres Amigos Zone (see IMPACT news release dated January 17, 2024). On April 18, 2024, subsequent to quarter end, IMPACT announced further drill results from the Tres Amigos Zone including 8.6 metres (true width) of 10.22% zinc and including 1.1 metres (true width) of 30.1% zinc (see IMPACT news release dated April 18, 2024). Drilling is continuing to infill and extend the Tres Amigos Zone with plans for initial drill programs on other explorations targets elsewhere on the property in 2024.

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 world². (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 by late 2024 and for potential expansion.

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 and on 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 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 has planted approximately 15,000 trees of various indigenous species to date. 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, have planted approximately 2,900 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 CO₂. 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 CO₂ 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 educates its new employees and contract personnel as to its high standards related to environmental and safety issues which is reinforced on a regular basis to ensure compliance.

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 and in 2023 signed a commitment with Bell Internacional (equipment provided by Tesla Inc.) to convert 85%+ of the mine's electricity to battery and solar power. This project, with implementation planned for mid-2024, will reduce carbon emissions as well as costs.

The Company has social, environmental, and other policies related to its operations and promotes a culture for working safely. It has 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).

FINANCIAL DISCUSSION

Summary of Quarterly Results

In thousands except for earnings per share	Three months ended March 31			
	2024		2023	
Revenue	\$	5,347	\$	5,114
Net loss	\$	(3,135)	\$	(330)
Loss per share– basic and diluted	\$	(0.02)	\$	(0.00)

Net loss for the first quarter of 2024 was impacted by the following factors:

- The net loss for Q1 2024 includes the results from MLAZ, whereas the comparative results for Q1 2023 do not as MLAZ was acquired by the Company April 3, 2023.
- During the first quarter 2024, the Company focused on development and improvements at both the Guadalupe and Plomosas mines. As a result, tonnes milled at Guadalupe decreased 18% from the comparative period in 2023 with silver production also down 18%. Plomosas continued the gradual start-up of operations processing 3,594 tonnes with a grade of 15.3% zinc. There is no comparative Q1 2023 information for Plomosas.
- Revenue for Q1 2024 was \$5.3 million of which \$4.3 million was from Guadalupe (Q1 2023- \$5.1 million). Although silver sales from Guadalupe decreased to 141,887 oz from 172,289 in Q1 2023, revenue per tonne increased 6% to \$134.59 on marginally higher silver prices and foreign exchange. Revenue from Plomosas for Q1 2024 was \$1.0 million.
- Operating expenses were \$7.0 million in Q1-2024, of which \$4.2 million was from Guadalupe (Q1 2023 - \$4.5 million), and \$2.8 million was from Plomosas.
- The net loss for Q1 2024 was \$3.1 million compared to \$0.3 million in Q1 2023. Of this \$1.9 million was from MLAZ which had limited production during the quarter as it restarted operations while continuing with mine development and improvements.
- General and administrative costs were \$1.0 million compared to \$0.7 million in Q1 2023. During the quarter legal, audit and accounting increased by \$0.1 million, investor relations costs also increased by \$0.1 million over the comparative period.
- The Company recorded a provision for income taxes of \$0.1 million in Q1 2024 (Q1 2023 \$0.1 million).
- There was a foreign exchange gain of \$0.2 million in Q1 2024 compared to \$0.1 million in Q1 2023 resulting from the fluctuating US dollar and Mexican peso. Finance income from interest on short term cash investments decreased \$0.1 million in Q 1 2024.

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)

	Mar 31 2024	Dec 31 2023	Sept 30 2023	June 30 2023	Mar 31 2023	Dec 31 2022	Sept 30 2022	June 30 2022
Revenue	5,347	5,389	4,767	5,492	5,114	4,412	3,794	3,501
Net loss	(3,135)	(4,902)	(1,480)	(853)	(330)	(1,065)	(1,243)	(795)
Earnings (loss) per share – Basic and Diluted*	(0.02)	(0.02)	(0.01)	(0.00)	(0.00)	(0.01)	(0.01)	(0.00)
Total assets	88,105	88,578	88,161	89,187	71,959	68,796	69,257	66,781
Total liabilities	15,030	14,445	12,463	12,523	7,525	6,963	7,181	6,306

Liquidity, Financial Position and Capital Resources

Working Capital and Cash Flow

During the three months ended March 31, 2024:

- During the three months ended March 31, 2024, the Company used cash flows from operating activities of \$2.7 million compared to \$0.6 million in 2023. This included a temporary increase in inventories of \$0.5 million, \$0.5 million used in the reduction accounts receivables and trade payables, along with a \$0.2 million foreign exchange impact.
- In Q1 2024, the Company invested \$1.9 million (2023 - \$0.8 million) in long-lived assets, of which \$1.2 million was allocated to exploration expenditures and \$0.7 million to property, plant and equipment including mining assets. A total of \$0.8 million in long-lived assets was spent at Plomosas, \$0.9 million at Guadalupe, and \$0.2 million for drilling equipment.
- In Q1 2023 the Company received \$0.5 million for share subscriptions received in advance. There was no comparable amount for Q1 2024.
- At March 31, 2024 the Company had cash of \$3.6 million compared to \$8.3 million at December 31, 2023. Working capital was \$2.7 million down from \$7.6 million at December 31, 2023 as the Company continued to fund start-up and development of the Plomosas mine.
- 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.

Outstanding Share Data

The following common shares and convertible securities were outstanding at May 27, 2024:

	# of Shares	Exercise Price	Expiry Date
Issued and outstanding common shares	240,207,772		
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	31,543,399	\$0.35	April 19, 2025
Warrants	2,543,042	\$0.35	May 3, 2025
Warrants	10,110,415	\$0.22	December 22, 2025
Warrants	21,928,657	\$0.34	May 21, 2026
Fully diluted	<u>312,343,285</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 Trufigura Mexico S.A de C.V. As a result, the Company

has a significant concentration of credit risk exposure to this company at any one time but is satisfied that this company has 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 (\$3.6 million) and trade and other receivables (\$4.3 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 March 31, 2024, 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 March 31, 2024, a 10% depreciation or appreciation of all the above currencies against the Canadian dollar would result in an approximate \$0.1 million decrease or increase in the Company's net income for the period ended March 31, 2024.

Commodity price risk

The Company is subject to commodity price risk for all the principal metals that are recovered from the concentrates that it produces. These include silver, lead, zinc, and gold. These metal prices are subject to numerous factors beyond the control of the Company including central bank sales, producer hedging activities, interest rates, exchange rates, inflation and deflation, global and regional supply and demand, and political and economic conditions in major producing countries throughout the world. The Company has elected not to actively manage its exposure to metal prices at this time.

The only financial instrument affected by commodity price risk for the Company is trade accounts receivable. Assuming the same rate of production, a 10% change in commodity prices from actual realized prices would have increased or decreased the Company's trade accounts receivable balance at March 31, 2024 by \$0.1 million (2023 - \$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.

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 Zacualpan (excluding Plomosas):

For the Three Months Ended March 31

	2024	2023
Operating expenses	\$ 4,192,146	\$ 4,479,009
(Deduct): operating expenses for Capire	(8,689)	(11,018)
Add (deduct): inventory	(117,698)	(143,191)
Direct costs	\$ 4,065,759	\$ 4,324,800
Tonnes milled	31,735	38,688
Direct costs per tonne	\$ 128.12	\$ 111.79
Revenue	\$ 4,336,690	\$ 5,113,954
Tonnes sold	32,222	40,279
Revenue per tonne sold	\$ 134.59	\$ 126.96

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; community relations, criminal activity, 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 and on SEDAR at 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

May 27, 2024