

IMPACT Silver Corp.
Form 51-102F1
Management's Discussion and Analysis
For the Nine Months Ended September 30, 2024

INTRODUCTION

This Management's Discussion and Analysis ("MD&A") is for the nine months ended September 30, 2024 of IMPACT Silver Corp. ("IMPACT" or the "Company") prepared as at November 25, 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 has an extensive land position in Mexico with production and 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 upside potential across the Company. The Company has operated in Mexico for nearly 20 years, and while mining legislation changes from time to time, the country remains a highly sought-after jurisdiction in which to operate. However, the industry remains uncertain as to the impact of recently proposed Mexican legislation related to mining.

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 southwest of Mexico City where the Company has been in production for more than 18 years. Nearby, the Company owns the Capire Mineral District adjacent to and south of the Zacualpan district, which together total 211 km². In 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, mobile equipment and associated infrastructure and restarted limited production on a test basis at the mine late in the year. By the end of Q3 2024, the mine was producing at approximately 70% of the mill's design capacity.

During Q3 2023, the Company began its initial, phase 1 drill program at Plomosas which was subsequently expanded with the addition of a second drill rig in 2024. The field programs were designed to test a number of additional targets immediately adjacent to the current mine. Initial field work on the balance of the property commenced in mid 2023.

IMPACT has typically been considered a near pure play on silver with ongoing production and exploration taking place across the Zacualpan mining district. Currently, IMPACT's primary production metal is silver, by both volume and sales, and is therefore highly leveraged to silver prices but gold production in the Zacualpan District is expected to play a more meaningful role in the future. With the Plomosas mine approaching full design capacity in the coming months, the Company's production profile will add substantial

levels of zinc to the overall revenue mix. As a result, the Company is focused on, and heavily invested mostly in two minerals; silver and zinc. Both are amongst the best performing commodities in 2024 with pricing expected to remain strong on the back of global economic expansion as well being positioned as key contributors to the global green economic transition.

Since 2006, the Company has conducted aggressive exploration programs that have led to meaningful development and production activities, with more than ten sites having been developed into mining operations since inception. Over that period, Zacualpan has produced 12 million ounces of silver, generated more than \$277 million in revenues and contributed to the funding of more than \$98 million in capital expenditures, including property, plant and equipment, mining assets and exploration on both the Zacualpan and Plomosas properties. Drilling is carried out primarily with the Company's own drills, allowing for a cost-effective approach to exploration and mine development.

While industry-wide cost pressures continue to impact profitability, the Company maintains strict cost controls and is focused on its production efficiencies. Management is assessing potential changes in mining processes and new technologies to improve margins and offset higher supplier and labour costs.

IMPACT continues to operate with the objective of maximizing earnings 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.

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

Plomosas High-Grade Zinc Mine Acquisition

On April 3, 2023, the Company closed a Share Purchase and Sale Agreement with Yari Minerals Ltd., ("Yari") of Australia, previously Consolidated Zinc Limited, 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 remain under negotiation and the Company has initiated an arbitration proceeding to resolve certain differences. This process is ongoing.

Plomosas – High-Grade Zinc Production Start-up

The acquisition has provided 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 acquisition and become a leading high-grade zinc producer in an established mining region in northern Mexico.

Q3 2024 Achievements Include:

- Initiated final stages of returning the Plomosas mine to design capacity, with ongoing and consistent ramp-up throughout the recent quarter.

- Added efficiencies at the Zacualpan mines to improve production and recoveries, as well as ongoing exploration at existing mines in the area.
- Appointed Janet Meiklejohn to the board of directors. Janet has more than 25 years of experience in corporate finance, institutional equity sales and as Chief Financial Officer for various high-growth private and public companies.

The Company has successfully addressed many of the inflationary pressures it experienced over the last three years as operating and administrative costs have been brought under control. While some cost pressures remain, the Company believes ongoing cost stabilization will continue through year-end and into 2025.

Q3 2024 Financial Highlights

- Consolidated revenue for Q3 2024 was \$8.6 million, up \$3.8 million (79%) from Q3 2023 with revenue for year to date 2024 reaching \$21.7 million, up \$6.3 million (41%) from \$15.4 million in 2023. There was no revenue from Plomosas in 2023 as it was in start-up mode.
- As operations continue to ramp up, production at the Plomosas mine continued to increase in 2024, milling 12,686 tonnes (“t”) in Q3 2024, up from 9,256 t in Q2 2024 and 3,594 t in Q1 2024.
- Revenue generated from Plomosas was \$2.5 million in the quarter, and year to date was \$5.4 million. Operating costs at the mine have remained consistent throughout 2024.
- Revenue from Zacualpan was \$6.1 million in Q3 2024 up from \$4.8 million in Q3 2023.
- Operating income for Q3 2024, before amortization and depletion, improved \$1.0 million from Q3 2023.
- After investing \$1.9 million in exploration expenditures and mining assets during the quarter, the cash position was \$6.4 million with working capital of \$7.1 million, and no long-term debt.
- The net loss in Q3 2024 was \$1.2 million improved from \$2.6 million in Q2 2024, and \$3.1 million in Q1 2024, as the Company brings operations at Plomosas online.

OPERATING REPORT

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.

Zacualpan Silver Operation

During the quarter, the Zacualpan mill processed a total of 32,901 t of mill feed at the Zacualpan/Guadalupe complex, down from 35,062 t in Q2 2024. Lower throughput was primarily related to extreme weather in September that resulted in loss of power from the Mexican power grid and washouts across some of the Company’s primary haul roads. As a result, silver production from the Guadalupe complex during the period was 142,945 ounces (“oz”) compared to 152,152 oz in Q2 2024. The average mill head grade for silver was marginally down at 160 grams per tonne (“g/t”) from the prior quarter but 4 g/t higher than the comparable quarter in 2023. Gold production was 176 oz as production recommenced from the gold-rich Alacran mine with improved recoveries, as a result of recent metallurgical studies and improvements. Revenue per tonne sold in Q3 2024 was \$180.90 compared to \$129.46 in Q3 2023, while direct costs per tonne in Q3 2024 increased to \$146.27 from \$128.75 in Q3 2023, but were down from \$153.26 in Q2 2024.

Zacualpan - Guadalupe Production Complex

The Company is continuing its strategy to increase grade and optimize production and cost control at its Guadalupe processing plant. Higher costs have continued to plague the industry but there are signs that these pressures are coming under control with a \$7 a tonne reduction in direct costs per tonne from the prior quarter. There remains a focus on developing higher grade material combined with added gold production and enhanced recoveries in order to positively impact results and help offset temporarily reduced production due to weather conditions in September.

Going forward, mine management will start to shift the production mix towards higher grade vein systems, including the high grade discovery of the Kena vein announced May 6, 2024. Meanwhile, a focused program of definition and step-out drilling in the area should lead to additional feed from 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 with the mine coming back online in late Q2 2024, with improved recoveries and economics. The Company continues to deal with the negative effects of fluctuating currencies and their impact on resulting profit margins. The Company's focus on efficient milling at Zacualpan has helped offset against these trends while higher grades and recoveries should continue to assist in this regard.

PRODUCTION AND SALES: ZACUALPAN - GUADALUPE MILL

	For the Three Months Ended September 30			For the Nine Months Ended September 30		
	2024	2023	% Change	2024	2023	% Change
Total tonnes milled	32,901	37,178	-12%	99,698	111,619	-11%
Tonnes produced per day ("tpd")	358	404	-11%	364	409	-11%
Silver production (oz)	142,945	158,290	-10%	432,388	481,084	-10%
Lead production (t)	61	89	-32%	162	242	-33%
Gold production (oz)	176	178	-1%	326	672	-51%
Silver sales (oz)	147,206	156,798	-6%	440,292	483,265	-9%
Lead sales (t)	60	86	-31%	163	228	-28%
Gold sales (oz)	178	184	-3%	325	671	-52%
Average mill head grade –silver g/t	160	156	+3%	161	160	+1%
Revenue per tonne sold ¹	\$180.90	\$129.46	+40%	\$161.69	\$136.88	+18%
Direct costs per production tonne ¹	\$146.27	\$128.75	+14%	\$142.95	\$123.58	+16%

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.

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".

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 2024, the Guadalupe Mine provided 43% (Q3 2023 – 51%) of feed to the Guadalupe mill. Monthly average mining grades at Guadalupe during the quarter ranged from 144 to 171 g/t silver. Production during the quarter was mainly from the Lipton, Liptonia, Delores and Kena area veins on Levels 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.

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 2024, San Ramon South provided 21% (Q3 2023 – 14%) of feed to the Guadalupe mill. Monthly average mining grades at San Ramon during the quarter ranged from 165 to 174 g/t silver. Production during Q3 2024 was from Levels 7, 8 and 9 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 2024, the Veta Negra Mine provided 11% (Q3 2023 – 11%) of feed to the Guadalupe mill. Monthly average mining grades at Veta Negra during the quarter ranged from 174 to 177 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 third quarter of 2024, the Cuchara Mine provided 17% (Q3 2023 – 11%) of feed to the Guadalupe mill. The mine contributes a silver-lead-zinc feed to the Guadalupe mill. Current production is from the Milmaravillas and La Blanca veins. Monthly average mining grades at Cuchara during the quarter ranged from 150 to 158 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. Production restarted during the second quarter of 2024. During the third quarter of 2024, the Alacran Mine provided 8% (Q3 2023 – 13%) of feed to the Guadalupe mill. The mine contributes a gold-silver feed to the Guadalupe mill. Monthly average mining grades at Alacran during the quarter ranged from 3.13 to 3.14 g/t gold and 51 to 64 g/t silver. Production during the quarter was from the San Margarito Vein on Levels 5 and 6.

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 operation), 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 second 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 former Chivo Mine and north extension of the active San Ramon Mine.

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. 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.

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.

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.

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. Work continues to ramp up production to the plant design capacity and associated increase in revenue early 2025.

The district was discovered in 1832 and in recent years has 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 elements (*Footnote 1*).

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 (*Footnote 1*). Mine access is by a ramp reaching a depth of 250m below surface and old shafts that potentially could be refurbished. Mine development is 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 and a 12% Net Profit Interest.

Following the acquisition of the Plomosas high grade zinc (lead-silver) mine in 2023, the Company commenced a substantial drill program both on surface and underground having completed over 20,800 metres to September 30, 2024 to outline mineral for mining operations.

Plomosas Zinc Operation

The Company recommenced limited test production at Plomosas in October 2023, while conducting a substantial initial stage rehabilitation program following the acquisition of the mine in April 2023. In Q3 2024, the Plomosas mine continued its gradual start-up of operations, having processed 12,686 tonnes in the Q3 2024 and 25,536 tonnes on a year to date basis. The year to date average grade in 2024 for zinc was 12.7%, 7.9% for lead and 47.2 g/t for silver. On a year to date basis, Plomosas concentrate sales were 344 tonnes of lead, 1,770 tonnes of zinc and over 22,000 oz of silver.

As the operation approaches full design capacity, typical pauses in production are ongoing to review and optimize processes. Continued improvements are taking place, including mine development, expansion of the tailings pond and the acquisition and rehabilitation of mobile equipment.

Following nearly 18 months of rehabilitation of mobile equipment, plant facilities, infrastructure and the underground mine, production has meaningfully expanded. Towards the end of Q3 2024, production stood at approximately 70% of mill capacity. As production increases, additional limitations both underground and at the mill are exposed and quickly addressed. The Company is expanding the existing tailings pond and concurrently, a new, larger tailings pond is at the design stage. These efforts will provide additional capacity to re-establish and grow output at the mill while providing the Company with substantial tailings capacity for future production increases.

While initial exploration and development is focused on immediately accessible mineralization, longer term projects are under way to evaluate the balance of the property with re-interpretation of Induced Polarization, Magnetic and Gravitational surveys, as well as a reconnaissance exploration program. As a result of recent exploration success, Plomosas is now mining the area of “Mina Juarez” where the extension to a previous operator’s efforts was successfully defined.

PRODUCTION AND SALES: PLOMOSAS

	Q1 2024	Q2 2024	Q3 2024	YTD 2024
Total tonnes milled	3,594	9,256	12,686	26,636
Tonnes produced per day	39	102	138	93
Average mill head grade				
Zinc (%)	15.3	13.2	11.4	12.7
Lead (%)	10.5	7.5	7.1	7.9
Silver (g/t)	44.3	43.3	50.7	47.2
Zinc production (t)	584	1,122	1,739	3,445
Lead production (t)	75	226	335	636
Zinc sales (t)	349	556	865	1,770
Lead sales (t)	69	116	159	344
Silver sales (oz)	5,121	6,766	10,347	22,234

Production ramp up since that time has been both successful and consistent. At the start of Q2 2024, production was averaging approximately 100 tpd, and by September 2024 averaged 142 tpd, with the goal to achieve design capacity of 200 tpd by in early 2025.

Plomosas Exploration

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) (*Footnote 2*). To date, just 600m of the 6km strike length has seen modern exploration, thereby offering meaningful exploration potential and upside. A robust drilling program will be ongoing throughout 2024 and 2025 with the intention of defining and expanding the size and quality of the historical resource and concurrently, the Company is having a series of geophysical studies reviewed and updated where necessary, including Induced Polarization, Magnetic and Gravitational surveys, to complement an ongoing mapping and sampling program testing the exploration potential of the property.

During the first 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). A second drill rig arrived at Plomosas during the first quarter and began activity in late March.

During the second quarter, 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 and the nearby Mina Juarez area, while underground exploration development was initiated on both targets, with development muck expected as soon as Q4 2024.

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 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 (Footnote 2). (Reference to these nearby projects is for information purposes only and there are no assurances that Plomosas will achieve similar results.)

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. 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.

2. Plomosas mineral resources were reported by Consolidated Zinc Ltd. (CZL) (now Yari Minerals Ltd. (YAR:ASX)) 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. (Australia). 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.

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, it initiated its first report on those activities which is now available on the Company's website.

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 workers, as well as local contractors and personnel. 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 operations employ safety officers to implement and supervise the safety programs and first aid and emergency facilities at the mines.

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 crews. 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 and have contributed to ensuring the Company's exploration dollars are being spent in the most efficient manner.

Zacualpan; Environmental and Social

Tailings dams are engineered to stringent standards. The tailings themselves are benign and 100% of mine water is either recycled or lost to evaporation. Recently, as part of a periodic review, the Company 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.

From 2022 onward, trees were planted as part of permitting for the new tailing's facility #3, and as part of a larger program to improve areas of historical mining activity. In conjunction with the municipality and the Technological Baccalaureate Center, the Company has planted more than 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 agave plants to be planted over the next two years. 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. From an economic standpoint, these agave plants have helped provide a source of cash for local farmers and have contributed towards small business development in the area in terms of distillation activities and livestock feed.

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, cooperation and direct involvement in the Company's operations. Over the last several years, the Company has focused on investments to improve area infrastructure which may have been neglected by government in the past. Meanwhile, the Company continues to provide tools, materials and supplies while the communities provide labour for various community projects. Specifically, the Company regularly upgrades roads and has also built a new school and a modern health clinic. Regular investments in modern social facilities are made by the Company including soccer fields, basketball courts and other facilities for local communities as well as the building of water tanks and providing plastic pipes for water storage and distribution to the local residents and farmers.

On an ongoing basis, the Company takes on geology and engineering students for co-op semesters to provide them, under supervision, with essential work experience that is integral to their studies. In many cases, these students form the basis of the Company's future employment base.

Plomosas; Environmental and Social

The Company educates its new employees and contract personnel as to its high standards related to environmental and safety issues which are 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, once complete, will reduce carbon emissions as well as costs.

While operating in a relatively remote location, the Company uses the closest town approximately 25 minutes drive away to accommodate its workers, and providing an opportunity for the community to generate employment. Discussions are ongoing as to opportunities to improve the local communities infra structure.

INVESTOR RELATIONS

The Company builds investor awareness and shareholder value by conducting institutional presentations and attends investment and mining related conferences. With dynamic 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 is in the process of revising 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 a variety of investor resources available for viewing on its website www.IMPACTSilver.com. Investors are also encouraged to reach out to management using the contact info located on its website.

METALS MARKET OVERVIEW

Silver

The silver market is poised for a steady growth rate of 3.0% annually, driven by its extensive applications across various industries:

- **Industrial Demand:** Silver's unique properties, including excellent electrical conductivity, make it a critical component in electronics, semiconductors, and medical devices.
- **Renewable Energy:** The adoption of solar panels is significantly boosting demand for silver, given its reflective capabilities in photovoltaic cells. The solar energy sector alone is expected to see a 10% annual increase in silver consumption over the next five years.
- **Automotive Industry:** The rise of electric vehicles (EVs) is contributing to higher silver usage, especially in electronic components and connectors.
- **Investment and Jewelry:** Silver remains a preferred choice for investors during economic uncertainties, while the jewelry sector continues to provide stable demand.

The global silver market is forecasted to exceed \$25 billion by 2028, bolstered by its role in emerging technologies and increasing industrial applications. *(Source: The Silver Institute)*

Zinc

Zinc's prominence is expanding in the digital and green technology sectors, driven by its critical applications in energy and construction:

- **Energy Storage:** Zinc is a key component in zinc-air batteries, known for high energy density, commonly used in devices like hearing aids and emerging as a significant player in renewable energy storage systems.
- **Sustainable Energy:** Zinc is essential in manufacturing wind turbine components and solar panels, enhancing their durability and performance, making it a vital material in the transition to sustainable energy solutions.

- **Infrastructure Growth:** Global infrastructure projects increasingly rely on galvanized steel, which uses zinc for corrosion resistance, supporting extensive demand in the construction sector.
- **Automotive Sector:** The shift towards electric vehicles (EVs) has driven higher demand for zinc alloys due to their strength and lightweight properties.

The global zinc market is expected to grow at a CAGR of 5.3%, potentially reaching a valuation of \$80 billion by 2028, as industries focus on sustainability and technological advancements. (Source: Lucintel Market Research)

FINANCIAL DISCUSSION

On April 3, 2023, the Company purchased Minera Latin American Zinc, which owns the Plomosas mine. Until Q4 2023, the Plomosas mine was in start up mode with no production, and all the operating costs were deferred. Consequently, the consolidated results for the nine months ended September 30, 2024, as well as for Q3 2024, are not comparative with the prior year.

Summary of Quarterly Results

In thousands except for earnings per share	Three months ended September 30	
	2024	2023
Revenue	\$ 8,645	\$ 4,767
Net loss	\$ (1,238)	\$ (1,480)
Loss per share – basic and diluted	\$ (0.01)	\$ (0.01)

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

- Consolidated revenue increased to 8.6 million in Q3 2024, up from \$7.7 million in Q2 2024, and up from \$4.8 million in Q3 2023, due to production from Plomosas and higher commodity prices.
- The net loss for Q3 2024 was \$1.2 million compared to \$1.5 million in Q3 2023.
- Operating income in Q3 2024 was \$0.2 million compared to a loss of \$0.5 million in Q3 2023.
- In Q3 2024, production from the Plomosas mine increased to 12,686, up from 9,256 tonnes in Q2 2024, on grades of 11% zinc, 7% lead and 51 g/t silver. As a result of this increased throughput, as well as higher zinc prices, revenue from Plomosas reached \$2.5 million from \$1.8 in Q2 2024.
- Operating costs at the Plomosas mine remained consistent with the prior quarter 2024 at \$2.7 million with production levels increasing to 138 tpd from 102 tpd by the end of Q3 2024. Ongoing mine development and property improvement expenditures will continue to impact operating costs as the Company proceeds towards achieving design production levels.
- Revenue from the Zacualpan mines increased to \$6.1 million (\$180.90 per tonne sold) in Q3 2024 from \$5.9 million in Q3 2023 (\$146.27 per tonne sold), despite 10% lower silver production and 6% lower sales. Extreme weather conditions, with high rainfall and power outages, were experienced at the mine during the quarter which negatively impacted production. Silver grades increased 3% to 160 g/t from 156 g/t in Q3 2024. The increase in revenue was attributable to 25% higher silver prices in Q3 2024 over the comparative period in 2023.
- Operating costs at the Zacualpan mine increased slightly by \$0.2 million in Q3 2024 over Q3 2023. However direct costs per tonne milled were higher by 14% to \$146.27 from \$128.75 in Q3 2023, as production decreased to 32,901 tonnes from 37,178 tonnes in 2023.

- General and administrative costs in Q3 2024 were \$1.0 million (Q3 2023 - \$1.0 million). Office salaries and services were slightly lower than in Q3 2023, while consulting, accounting, audit and legal were marginally higher due to increased regulatory requirements in both Canada and Mexico.
- The Company recorded a provision for deferred income taxes of \$0.4 million in Q3 2024, compared to a recovery in Q3 2023 of \$0.2 million.
- There was a \$0.1 million foreign exchange gain in Q3 2024, compared to a loss of \$0.3 million in Q3 2023.

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	
	2024	2023
Revenue	\$ 21,714	\$ 15,373
Net loss	\$ (7,010)	\$ (2,663)
Loss per share – basic and diluted	\$ (0.03)	\$ (0.01)

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

- Revenue for the nine months ended September 30, 2024 was \$21.7 million compared to \$15.4 million in 2023 on higher commodity prices as well as production from Plomosas. The years are not comparative as Plomosas was not in operation in 2023.
- During 2024, production at the Plomosas mine continued to increase over the period reaching 70% of mill capacity by the end of the quarter, and is continuing to ramp up production to design levels which it anticipates to reach by early 2025. Plomosas generated revenues of \$5.4 million from 25,536 tonnes milled, with production of 3,445 tonnes of zinc and 636 of tonnes lead concentrate. The year to date grades were 12.7% zinc, 7.9% lead and 47.2 g/t silver.
- Operating costs at the Plomosas mine were \$8.2 million for the nine months in 2024, with Q3 2024 costs at the same level as Q1 and Q2 2024. During the period, the Company expensed ongoing property upgrades and underground development required to bring the mine into full operating levels. There were no comparative costs or revenue in 2023.
- Revenue from the Zacualpan mines to September 30, 2024 was \$16.3 million up from \$15.4 from the same period in 2023, increasing to \$161.69 from \$136.88 per tonne on 11% lower production. The increase in revenue was primarily due to an increase of 17% in silver prices from 2023 as well as the influence of foreign exchange with revenue being paid in US\$.
- Inflation pushed operating costs at Zacualpan higher to \$14.5 million from \$13.8 million in 2023, Direct costs per tonne increased 16% to \$142.95 on 11% lower production over 2023. Currently inflation in Mexico appears to be stabilizing but this pressure, along with fluctuating currencies, could keep future operating costs at a level higher than historically experienced.
- Mine operating income before amortization and depletion at the Zacualpan mines improved to \$1.8 million in the nine months ended September 30, 2024, compared to \$1.6 million in the same period of 2023.

- General and administrative costs increased slightly to \$3.1 million compared to \$2.9 million in 2023 as the Company incurred additional costs relating to the private placement which closed in June, as well as consulting as legal and audit fees due to increased regulatory requirements.
- Income and deferred tax expense was \$1.0 million in 2024 (2023 - \$0.3 million). There was an increased foreign exchange gain of \$0.2 million in the period from the prior year.
- The net loss for the nine months ended September 30, 2024 was \$7.0 million (2023 - \$2.7 million). Of this \$5.5 million is attributable to Minera Latin American Zinc, primarily the result of lower revenue as the Plomosas mine continued to start up operations during the period. It is anticipated that the mine will achieve normalized levels of production in early 2025. The 2024 result is not comparative with 2023, as that period did not include operating revenue or costs from Minera Latin American Zinc.

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 2024	Jun 30 2024	Mar 31 2024	Dec 31 2023	Sept 30 2023	June 30 2023	Mar 31 2023	Dec 31 2022
Revenue	8,645	7,722	5,347	5,389	4,767	5,492	5,114	4,412
Net loss	(1,238)	(2,636)	(3,135)	(4,902)	(1,480)	(853)	(330)	(1,065)
Earnings (loss) per share – Basic and Diluted*	(0.01)	(0.01)	(0.02)	(0.02)	(0.01)	(0.00)	(0.00)	(0.01)
Total assets	83,206	89,880	88,105	88,578	88,161	89,187	71,959	68,796
Total liabilities	14,394	15,106	15,030	14,445	12,463	12,523	7,525	6,963

Liquidity, Financial Position and Capital Resources

Working Capital and Cash Flow

At September 30, 2024 the Company had cash of \$6.4 million compared to \$8.3 million at December 31, 2023. Working capital was \$7.1 million compared to \$7.6 million at December 31, 2023.

During the nine months ended September 30, 2024:

- On June 7, 2024, the Company closed a non-brokered private placement financing which was completed in 2 tranches:

- On May 17, 2024, a total of 26,014,002 units were issued for aggregate gross proceeds of \$7,128,659. The Company paid certain registered dealers a cash commission of \$317,943 and granted 1,158,562 broker warrants. Each broker warrant entitles the holder to purchase one common share at a price of \$0.34 until May 17, 2026.
- On June 7, 2024, a total of 7,220,850 units were issued for aggregate gross proceeds of \$1,958,986. The Company paid certain registered dealers a cash commission of \$47,498 and granted 169,638 broker warrants. Each broker warrant entitles the holder to purchase one common share at a price of \$0.34 until June 7, 2026.
- Of the total units issued, 11,423,526 units consist of one common share and one-half warrant, and 21,811,326 units consist of one common share and one warrant. Each whole warrant entitles the holder to purchase one common share at a price of \$0.34 per warrant share for a period of 24 months from the date of issuance.
- For the nine months ended September 30, 2024, the Company used cash flows from operating activities of \$5.2 million compared to \$3.8 million in 2023 when the Plomosas mine was not in operation. This decrease in cash flows was due primarily to timing on the receipt of accounts receivables generated from revenues.
- In the nine months ended September 30, 2024, the Company invested \$5.3 million (2023 - \$7.3 million) in long-lived assets, of which \$2.9 million was allocated to exploration expenditures and \$2.4 million to property, plant and equipment including mining assets. Of the 2024 totals, \$2.1 million in exploration expenditures and \$0.7 million in property, plant and equipment was spent at Plomosas, with the balance at Zacualpan.
- During the period, the Company received net proceeds of \$8.6 million from a non-brokered private placement, compared to \$8.7 million in the same period of 2023. In 2024, the Company received proceeds of \$0.1 million on the exercise of warrants.
- During the nine months in 2023, the Company paid cash of \$4 million for the acquisition of MLAZ, and acquired cash of \$0.2 million on the acquisition.
- In 2024 the Company realized \$0.2 on the sale of investments, and paid \$0.3 million for leases (2023 -\$0.1 million).

During the three months ended September 30, 2024:

- During the three months ended September 30, 2024, the Company used cash flows from operating activities of \$1.6 million compared to \$1.0 million in 2023. This decrease in cash flows was due primarily to timing on the receipt of accounts receivables generated from revenues as well as the reduction of accounts payable during the period.
- In Q3 2024 the Company invested \$1.9 million (2023 - \$3.8 million) in long-lived assets, of which \$1.2 million was spent at Plomosas, \$0.7 million at Guadalupe.
- The Company realized \$0.2 million on the sale of investments in Q3 2024 and paid \$0.2 million for leases.

Outstanding Share Data

The following common shares and convertible securities were outstanding at November 25, 2024:

	# of Shares	Exercise Price	Expiry Date
Issued and outstanding common shares	247,428,622		
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 17, 2026
Warrants	6,926,830	\$0.34	June 7, 2026
Fully diluted	324,740,965		

All of the 4,260,000 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. 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 (\$6.4 million) and trade and other receivables (\$5.1 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. 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, 2024, 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, 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 September 30, 2024 by \$0.2 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, and various departments within each level. The Company must also comply with corporate, environmental and mining legislation and regulations which are subject to change by governments and beyond the control of the Company. 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 its activities on a daily basis. 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 September 30		For the Nine Months Ended September 30	
	2024	2023	2024	2023
Operating expenses	\$ 4,935,770	\$ 4,744,666	\$ 14,448,696	\$ 13,798,178
Add (deduct): inventory	(123,299)	42,139	(196,690)	(4,605)
Direct costs	\$ 4,812,471	\$ 4,786,805	\$ 14,252,006	\$ 13,793,573
Tonnes milled	32,901	37,178	99,698	111,619
Direct costs per tonne	\$ 146.27	\$ 128.75	\$ 142.95	\$ 123.58
Revenue	\$ 6,088,998	\$ 4,766,757	\$ 16,322,779	\$ 15,372,609
Tonnes sold	33,659	36,819	100,948	112,305
Revenue per tonne sold	\$ 180.90	\$ 129.46	\$ 161.69	\$ 136.88

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. These measures are calculated as follows for Zacualpan (excluding Plomosas):

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2024	2023	2024	2023
Revenue	\$ 6,088,998	\$ 4,766,757	\$ 16,322,779	\$ 15,372,609
Operating expenses	4,935,770	4,744,666	14,448,696	13,798,178
Mine operating earnings before amortization and depletion	\$ 1,153,228	\$ 22,091	\$ 1,874,083	\$ 1,574,431

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; 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

November 25, 2024