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

## INTRODUCTION

*This Management's Discussion and Analysis ("MD&A") is for the twelve months ended December 31, 2024 of IMPACT Silver Corp. ("IMPACT" or the "Company") prepared as at May 2, 2025 and should be read in conjunction with the Company's annual audited consolidated financial statements for the year ended December 31, 2024 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 $km^2$. 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. The Company restarted intermittent production on a test basis at the mine late 2023. By the end of Q4 2024, the mine was producing at approximately 75% of the mill's design capacity.

The year marked a significant transition with the ramp-up of the Plomosas mine in the fourth quarter of 2024, which brought consolidated revenues for the quarter to $10.2 million (up 89% over the comparative quarter in 2023) and for the year, a record $31.9 million. With both mining districts in production, the quarter's net income was $1.6 million. During the year management maintained an aggressive exploration program including over 30,000m of diamond drilling across both assets, supported by a financing earlier in the year. Key outcomes included high-grade zinc drill results at Plomosas, reinforcing the investment thesis behind its acquisition, and the discovery of the high-grade Kena vein at Guadalupe (Zacualpan). Additionally, in December, the Company successfully resolved outstanding disputes and claims related to the mine's previous owner, securing a US$0.8 million recovery.

With the addition of Plomosas and the continued success of the Zacualpan mines, the Company is dedicating more resources to expanding production and sustaining exploration. In line with IFRS compliance, the

Company has revised its accounting policies for early-stage exploration. Previously, reconnaissance exploration on greenfield projects was capitalized, reflecting the Company's focus on its extensive concession holdings in Mexico. Now, as most resources are allocated to production and exploration to support and expand operations, all exploration costs—except those directly tied to near-term development—will be expensed as incurred. This change has been applied retroactively, resulting in $4.6 million in exploration costs being expensed in the current year and a further $32.2 million in prior years.

IMPACT has traditionally been regarded as a near-pure play on silver, with ongoing production and exploration across the Zacualpan mining district. Currently, silver remains the company's primary production metal by both volume and revenue, making it highly leveraged to silver prices. However, gold production in the Zacualpan District is expected to become increasingly significant for exploration and development in the future. Meanwhile, with the Plomosas mine nearing full design capacity, zinc is becoming a substantial part of IMPACT's overall revenue mix. As a result, the Company is now primarily focused on two key minerals: silver and zinc. Both have been among the top-performing commodities in 2024, with prices expected to remain strong due to global economic events and their critical role in the green energy transition.

Since 2006, the Company has conducted aggressive exploration programs that have led to meaningful development and production activities, with more than ten sites in the Zacualpan District having been developed into mining operations since inception. Over that period, Zacualpan has produced 13 million ounces of silver, generated more than $284 million in revenues and contributed to the funding of capital expenditures, including property, plant and equipment, and mining assets and as well as 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.

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, Ontario 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 remained under negotiation and in December 2024, the Company received US$0.8 million (Cdn$1.1 million) resulting from the settled claims between the two parties.

*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.

**For the Year 2024 Achievements Include:**

- At year-end, the Plomosas mine in Chihuahua was operating at 75% capacity. The mine's ramp-up progressed steadily throughout the year, milling a total of 39,169 tonnes ("t"). In Q4 2024 alone, it processed 13,633 t, a significant increase from 3,594 t in Q1 2024.

- Completed nearly 33,000 metres of infill and exploratory diamond drilling during the year.

- Achieved successful exploration and development at the historic Mina Juárez, adjacent to the Plomosas Mine, including drill discoveries of high-grade zinc intercepts.

- Continued exploration at Zacualpan led to the recent discovery of the high-grade silver Kena vein.

- Ended the year with record revenue and a positive net income of $1.6 million in Q4 2024.

- A positive settlement to the outstanding claims with regard to the Plomosas acquisition.

- Launched an infrastructure upgrade program at Zacualpan's Guadalupe Mine to enhance production and recovery rates.

- Appointed Janet Meiklejohn to the board of directors. Janet brings over 25 years of experience in corporate finance, institutional equity sales, and CFO roles for high-growth private and public companies.

- In the first half of the year, the Company completed an $8.6 million (net) non-brokered "LIFE" and private placement to accelerate exploration and development across its mines and production centers.

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 throughout 2025.

**Financial Highlights**

- Consolidated revenue for Q4 2024 was $10.2 million, an increase of $4.8 million (89%) from Q4 2023. Full-year 2024 revenue reached $31.9 million, up $11.1 million (54%) from $20.8 million in 2023.

- Mine operating loss for 2024 was $2.2 million, an improvement from $2.5 million in 2023. Before amortization and depletion, mine operating income was $0.9 million in 2024, up from a $0.6 million loss in 2023.

- In 2024, the Company spent $4.6 million (2023 -$2.8 million) on exploration of which $2.0 million was spent at Zacualpan and $2.6 million at Plomosas. These costs were expensed during the year.

- With the addition of the Plomosas mine coming online, mine operating income for Q4 2024 was $1.1 million, a $3.6 million improvement from the Q4 2023 loss of $2.5 million. Before amortization and depletion, Q4 2024 mine operating income was $1.7 million, compared to a $2.1 million loss in Q4 2023.

- Revenue from Plomosas was $3.6 million in Q4 2024 and $9.0 million for the full year, compared to $0.5 million in Q4 2023, with no production prior to that period.

- Zacualpan generated $22.9 million in revenue for 2024, including $6.6 million in Q4, up from $20.2 million for the full year 2023 and $4.9 million in Q4 2023.

- After investing $1.0 million in property, plant and equipment including mining assets during Q4 2024, the Company ended the year with $7.1 million in cash, working capital of $9.0 million, and no long-term debt.

- Net income for Q4 2024 was $1.6 million, a significant turnaround from the $9.6 million loss in Q4 2023, driven by the commencement of operations at Plomosas.

## OPERATING REPORT

IMPACT operates in two mining districts in Mexico. The Company has been operating the Royal Mines of Zacualpan Silver-Gold District since 2006, and on April 3, 2023, announced completion of its acquisition of the Plomosas Zinc-Lead-Silver Mine, which commenced commercial production in October 2023, and achieved economic production in the fourth quarter of 2024.

### Zacualpan Silver Operation

During Q4 2024, the Guadalupe mill processed 36,582 t of mill feed at the Zacualpan/Guadalupe complex, up from 32,901 t in Q3 2024. Throughput improved following the extreme weather event in September, which caused power outages from the Mexican grid and washouts along key haul roads.

Silver production from the Guadalupe complex in Q4 2024 was 162,876 ounces ("oz"), an increase from 142,945 oz in Q3 2024. However, due to weather-related disruptions in Q3 2024, total silver production for the year declined to 595,264 oz in 2024, compared to 637,514 oz in 2023. The average mill head grade for silver in Q4 2024 rose to 164 grams per tonne ("g/t"), 4 g/t higher than in Q4 2023. Revenue per tonne sold in Q4 2024 increased to $189.34, up from $135.80 in Q4 2023, while direct costs per tonne decreased to $146.09 from $152.58 in the prior-year quarter.

*Zacualpan - Guadalupe Production Complex*

The Company remains committed to its strategy of increasing grade, optimizing production, and controlling costs at the Guadalupe processing plant. While higher costs have impacted the industry, there are signs of stabilization, reflected in a nearly $6 per tonne reduction in direct costs from Q4 2023.

Looking ahead, mine management plans to shift the production mix toward higher-grade silver vein systems, including the recently discovered Kena vein, announced on May 6, 2024. Additionally, a focused program of definition and step-out drilling is expected to provide additional feed from the San Ramón, Cuchara, and Veta Negra mines.

**PRODUCTION AND SALES: ZACUALPAN - GUADALUPE MILL**

| | For the Three Months Ended December 31 | | | For the Twelve Months Ended December 31 | | |
|---|---|---|---|---|---|---|
| | **2024** | 2023 | % Change | **2024** | 2023 | % Change |
| Total tonnes milled | **36,582** | 35,825 | +2% | **136,280** | 147,444 | -8% |
| Tonnes produced per day ("tpd") | **398** | 389 | +2% | **372** | 404 | -8% |
| Silver production (oz) | **162,876** | 156,430 | +4% | **595,264** | 637,514 | -7% |
| Lead production (t) | **53** | 62 | -15% | **215** | 305 | -29% |
| Gold production (oz) | **138** | 104 | +33% | **464** | 776 | -40% |
| Silver sales (oz) | **152,552** | 153,390 | -1% | **592,844** | 636,655 | -7% |
| Lead sales (t) | **52** | 62 | -16% | **215** | 290 | -26% |
| Gold sales (oz) | **135** | 109 | +24% | **460** | 780 | -41% |
| Average mill head grade –silver g/t | **164** | 160 | +2% | **161** | 160 | +1% |
| Revenue per tonne sold[1] | **$189.34** | $135.80 | +39% | **$168.80** | $136.62 | +24% |
| Direct costs per production tonne[1] | **$146.09** | $152.58 | -4% | **$143.80** | $130.81 | +10% |

**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.

The Guadalupe Mine, located adjacent to the Guadalupe mill, resumed commercial production in September 2018 after a five-year hiatus and is now the largest producing mine on the property. Production comes from multiple veins at various levels within the largest known vein cluster on the site. In Q4 2024, the Guadalupe Mine supplied 46% of the mill feed, down from 54% in Q4 2023. Monthly average mining grades during the quarter ranged from 165 to 182 g/t silver. Production was primarily sourced from the Liptonia, Santa Rosa, Rata, Dolores, and Kena area veins on Levels 110, 175, 195, and 215. With its cost-efficient infrastructure and the discovery of the new Kena Vein South, the Company is expanding infrastructure within the mine to access additional mineral resources.

**San Ramon Silver Mine**

The San Ramón mine, located five kilometres southeast of the Guadalupe mill, has been a key production source since 2008. In September 2021, the Company completed mining of the San Ramón Deeps zone and shifted focus to the San Ramón South zone, which was discovered in early 2021. During Q4 2024, the San Ramón South zone contributed 21% of the feed to the Guadalupe mill, up from 16% in Q4 2023. Monthly

[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".

average mining grades at San Ramón during the quarter ranged from 160 to 164 g/t silver. Production in Q4 2024 came from Levels 7, 8, and 9 in the San Ramón South zone.

### Veta Negra Silver Mine

The Veta Negra Mine is a small open-pit operation that began production in September 2019. Located four kilometres northwest of the Guadalupe mill, it contributes a silver-rich feed to the mill from a near-surface bulk tonnage zone. In Q4 2024, the Veta Negra Mine supplied 11% of the feed to the Guadalupe mill, up from 10% in Q4 2023. Monthly average mining grades during the quarter ranged from 167 to 176 g/t silver.

### Cuchara Silver Mine

The Cuchara Mine, located 2.5 kilometres east of the Guadalupe mill, began production in Q2 2013. In Q4 2024, the Cuchara Mine supplied 16% of the feed to the Guadalupe mill, the same as in Q4 2023. The mine provides a silver-lead-zinc feed to the mill, with current production coming from the Milmaravillas and La Blanca veins. Monthly average mining grades during the quarter ranged from 152 to 160 g/t silver.

### Alacran Gold-Silver Mine

The Alacrán Gold-Silver Mine, located three kilometres south of the Guadalupe mill, began production in March 2023. Production was temporarily suspended in late October 2023 for metallurgical studies aimed at improving gold recoveries, and restarted in Q2 2024. In Q4 2024, the Alacrán Mine contributed 6% of the feed to the Guadalupe mill, up from 4% in Q4 2023. The mine provides a gold-silver feed to the mill. Monthly average mining grades during the quarter ranged from 2.14 to 3.16 g/t gold and 42 to 70 g/t silver. Production during the quarter came from the San Margarito Vein on Levels 1 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*

In Q2 2024, IMPACT announced the discovery of the new Kena Vein South, located near the active underground workings in the Guadalupe Mine. Initial underground drilling results included 213 g/t silver over 17.30 metres, with a high-grade intercept of 1,400 g/t silver over 0.75 metres (see IMPACT news release dated May 6, 2024).

Subsequent to year-end, IMPACT reported additional drill results from Kena Vein South, including 597 g/t silver over 2.77 metres and 1,460 g/t silver over 0.55 metres (see IMPACT news release dated February 11, 2025). The Kena Vein South has been drill-tested over a 150-metre length from mine Level 140 and remains open for extension to the southeast, up-dip, and downdip. Drilling continues at Kena Vein South and other targets.

*Exploration Field Work*

IMPACT crews continue to explore over 5,000 old mine workings and prospects across the Zacualpan and Capire districts, while also investigating new areas to define drill targets. Exploration targets are identified and prioritized using an extensive computer database, compiled over many years from historical maps and other technical data related to the project. Surface drilling is planned for several new targets in 2025.

*Mining Plans:*

At Zacualpan in the near term, the Company is commencing production on the new Kena Vein South in the Guadalupe Mine, optimizing silver and gold production, and continuing evaluation of the potential restart of the Capire open pit silver 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.

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 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 a limited restart of operations for testing purposes and shipped the first concentrate. Work continued to ramp up production to the plant design capacity and there was an associated increase in revenue in 2024.

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 22,580 metres by the end of 2024 to outline mineral for mining operations.

**Plomosas Zinc Operation**

The Company resumed limited test production at Plomosas in October 2023, during a comprehensive rehabilitation program after acquiring the mine in April 2023. In Q4 2024, the Plomosas Mine continued its gradual ramp-up, processing 13,633 tonnes, up from 3,594 tonnes in Q1 2024. Total production for 2024 reached 39,169 tonnes. The average grades for 2024 were 12.2% zinc, 7.3% lead, and 47 g/t silver. Plomosas sales for the year included 569 tonnes of lead, 2,706 tonnes of zinc, and over 35,000 ounces of silver.

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

After nearly 18 months of rehabilitating mobile equipment, plant facilities, infrastructure, and the underground mine, production has significantly expanded. By the end of the year, production reached approximately 75% of mill capacity. As production increases, any limitations both underground and at the mill are quickly addressed. The Company is expanding the existing tailings pond, and a new, larger tailings pond is currently in the design phase. These efforts will provide additional capacity to re-establish and grow mill output while ensuring ample tailings capacity for future production increases.

While initial exploration and development focus on immediately accessible mineralization, longer-term projects are underway to assess the remaining property. This includes 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 "Mina Juárez" area, where the extension of a previous operator's efforts has been successfully defined.

The production ramp-up has been both successful and consistent. In Q1 2024, production was averaging approximately 39 tpd, and by December 2024, it averaged 148 tpd. The goal is to reach design capacity of 200 tpd mid-2025.

**PRODUCTION AND SALES: PLOMOSAS**

| | Q1 2024 | Q2 2024 | Q3 2024 | Q4 2024 | **YTD 2024** |
|---|---|---|---|---|---|
| Total tonnes milled | 3,594 | 9,256 | 12,686 | 13,633 | **39,169** |
| Tonnes produced per day | 39 | 102 | 138 | 148 | **107** |
| Average mill head grade | | | | | |
| Zinc (%) | 15.3 | 13.2 | 11.4 | 11.2 | **12.2** |
| Lead (%) | 10.5 | 7.5 | 7.1 | 6.2 | **7.3** |
| Silver (g/t) | 44.3 | 43.3 | 50.7 | 46.6 | **47.0** |
| Zinc production (t) - concentrate | 585 | 1,122 | 1,739 | 2,037 | **5,483** |
| Lead production (t) - concentrate | 76 | 226 | 335 | 437 | **1,074** |
| Zinc sales (t) – contained metal | 263 | 573 | 865 | 1,005 | **2,706** |
| Lead sales (t) – contained metal | 69 | 116 | 159 | 225 | **569** |
| Silver sales (oz) – contained metal | 5,121 | 6,766 | 10,347 | 12,776 | **35,010** |

**Plomosas Exploration**

The 3,019-hectare property encompasses extensive carbonate replacement deposit-type (CRD) 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) as at December 31, 2021 (*Footnote 2*). The exploration upside potential is exceptional.

During and after the quarter, the Company compiled and reinterpreted a series of geophysical studies, identifying several high-priority drill targets. A robust drilling program will continue throughout 2025, aimed at defining and expanding the historical resource and exploring potential new discovery targets. Mapping and sampling programs will also persist to assess the exploration potential of the property.

In the Q1 2024, IMPACT announced initial drill results from surface drilling at Plomosas, including 6.9 metres (true width) grading 10.22% zinc, 5.43% lead, and 27.7 g/t silver from the Tres Amigos Zone (see IMPACT news release dated January 17, 2024). A second Company-owned drill rig arrived at Plomosas in the first quarter and began drilling in late March 2024.

In the second quarter 2024, IMPACT announced additional drill results from the Tres Amigos Zone, including 8.6 metres (true width) grading 10.22% zinc, with a high-grade intercept of 1.1 metres (true width) grading 30.1% zinc (see IMPACT news release dated April 18, 2024).

In the fourth quarter 2024, further drill results from the Tres Amigos Zone were announced, including 5.6 metres (true width) grading 8.86% zinc, 2.65% lead, and 12 g/t silver, with a high-grade interval of 1.1 metres (true width) grading 27.5% zinc, 2.65% lead, and 12 g/t silver, as well as 2.5 metres (true width) grading 16.6% zinc, 8.04% lead, and 35 g/t silver (see IMPACT news release dated December 3, 2024).

Subsequent to year-end, IMPACT announced additional drill results from the Juarez Mine area, including 14.13% zinc, 1.59% lead, and 12 g/t silver over 2.2 metres (true width), with a high-grade interval of 26.06% zinc, 3.02% lead, and 23 g/t silver over 0.9 metres (see IMPACT news release dated January 16, 2025). The Juarez zone remains open for further exploration. Drilling is continuing in both the Juarez and Santo Domingo areas of the mine workings, as well as on other exploration targets across the property.

Exploration potential is exceptional along a 6 kilometre CRD structure with a number of historic mines and mineral prospects plus other exploration targets including untested copper-gold targets to the northwest. Regionally Plomosas lies in the same mineral belt as some of the largest CRD deposits in the world. (Reference to these nearby projects is for information purposes only and there are no assurances that Plomosas will achieve similar results.)

*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.*

*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.*

## 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 tailings 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 $CO_2$. They produce more biomass above and below ground than most other plant species. Estimates are they can absorb and store the dry weight equivalent of 30 to 60 tons of $CO_2$ 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 income 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, providing an opportunity for the community to generate employment. Discussions are ongoing as to opportunities to improve the local communities' infrastructure.

## 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

According to *The Silver Institute*, global silver demand in 2025 is projected to remain stable at approximately 1.2 billion ounces. This stability is attributed to a 3% growth in industrial applications, particularly in green technologies like photovoltaics and electric vehicles, which is expected to push industrial demand beyond 700 million ounces for the first time. Factors include:

- **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:** Silver remains a preferred choice for investors during economic uncertainties, especially during unpredictable geopolitical and economic environments that many believe will persist over the next several years.

*Straits Research* anticipates the market will grow from US$95.20 billion in 2025 to US$202.07 billion by 2033, reflecting a CAGR of 9.86% during the period 2025-2033.

**Zinc**

Global refined zinc demand is projected to grow by approximately 1.7% year-on-year in 2025, primarily driven by increased consumption in China's construction sector and enhanced public infrastructure spending in India *(Source: Mining Weekly)*.

Zinc's prominence is expanding in renewable 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 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 5.4%, potentially reaching a valuation of $78.2 billion by 2028, as industries focus on sustainability and technological advancements. *(Source: Lucintel Market Research)*

FINANCIAL DISCUSSION

In 2024, the Company changed its accounting policy for exploration and evaluation costs. Previously, the Company capitalized the exploration and evaluation costs until the property to which they relate was developed for production, determined to be commercially viable, sold, abandoned or subject to a condition of impairment. Expenditures were transferred to mining assets when the technical feasibility and commercial viability of a mineral resource was demonstrated, a development decision was made and all necessary mine development permits issued. The aggregate costs related to abandoned mineral claims were charged as an expense at the time of any abandonment or when it was determined that there was evidence of an impairment.

Effective January 1, 2024, the Company expensed exploration, development and field support costs directly related to mineral resources through the consolidated statements of income (loss) as they are incurred, until the technical feasibility and commercial viability of extracting a mineral resource has been established. The new policy is more prudent, better aligns with common industry practice, and makes the financial statements more relevant to the decision-making needs of the users.

This change in policy has been applied retroactively, resulting in a decrease in retained earnings. The prior period statements have been restated to reflect the new policy.

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 year ended December 31, 2024, as well as for Q4 2024, are not comparative with the prior year.

**Summary of Quarterly Results**

| In thousands except for earnings per share | Three months ended December 31 | | | |
|---|---|---|---|---|
| | | **2024** | | 2023 (restated) |
| Revenue | **$** | **10,187** | $ | 5,389 |
| Net income (loss) | **$** | **1,587** | $ | (9,563) |
| Earnings (loss) per share – basic and diluted | **$** | **0.01** | $ | (0.05) |

Net income for the fourth quarter of 2024 was impacted by the following factors:

- Net income for Q4 2024 was $1.6 million compared to a loss of $9.6 million in Q4 2023. During the quarter mine operating earnings increased by $3.6 million over Q4 2023 on higher revenue and production. In Q4 2023 Plomosas was in start up mode so had limited production.

- Consolidated revenue increased to 10.2 million in Q4 2024, up from $8.6 million in Q3 2024, and up $4.8 million from Q4 2023, due to increased production from Plomosas and higher commodity prices.

- In Q4 2024, production from Plomosas increased to 13,633 tonnes, up from 3,594 tonnes in Q1 2024, on grades of 11% zinc, 6% lead and 47 g/t silver. As a result of this increased throughput, as well as higher zinc prices, revenue from Plomosas reached $3.6 million, up from $1.0 million in Q1 2024. Revenue in Q4 2023 was nominal at $0.5 million as the mine was in start up mode.

- In Q4 2024, operating costs at Plomosas were $3.4 million up from $2.7 million in Q3 2024. During the quarter there were additional costs related to ongoing mine development and improvements, and from production levels increasing to 148 tpd from 138 tpd in Q3 2024.

- Revenue from the Zacualpan increased to $6.6 million ($189.34 per tonne sold) in Q4 2024 from $4.9 million in Q4 2023 ($135.80 per tonne sold), attributable to a 4% increase in silver production and 36% higher silver prices. Silver grades increased 2% to 164 g/t from 160 g/t in the comparative period in 2023.

- Operating costs at the Zacualpan decreased by $0.3 million in Q4 2024 over Q4 2023. Direct cost per tonne milled was lower by 4% to $146.09 from $152.58 in Q4 2023, as production increased to 36,582 tonnes from 35,825 tonnes in 2023.

- General and administrative costs in Q4 2024 were $1.0 million, $0.2 million less than Q4 2023 due primarily to a decrease in investor relations expenses and office salaries.

- The Company recorded a provision for deferred income recovery of $1.6 million in Q4 2024 compared to an expense of $3.5 million in Q4 2023. This was largely due to the impact of retrospectively expensing exploration expenditures based on the Company's change in accounting policy implemented in 2024.

- There was a $0.1 million foreign exchange gain in Q4 2024, compared to a gain of $0.4 million in Q4 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 | Years ended December 31<br>**2024** | 2023 (restated) | 2022 (restated) |
|---|---|---|---|
| Revenue | **$ 31,901** | $ 20,762 | $ 16,336 |
| Mine operating loss | **$ (2,191)** | $ (2,479) | $ (169) |
| Net loss | **$ (9,775)** | $ (12,429) | $ (23,608) |
| Loss per share – basic and diluted | **$ (0.04)** | $ (0.07) | $ (0.16) |
| Total assets | **$ 51,154** | $ 56,890 | $ 45,184 |
| Total liabilities | **$ 8,825** | $ 9,924 | $ 3,796 |

Net loss for twelve months ended December 31, 2024 was impacted by the following factors:

- Revenue for the year ended December 31, 2024 was $31.9 million compared to $20.8 million in 2023 on higher commodity prices as well as production from Plomosas. The years are not comparative as Plomosas was in start up mode in 2023.

- During 2024, production at the Plomosas mine continued to increase over the period reaching 75% of mill capacity by year end, and is continuing to ramp up production to design levels which it anticipates to reach by mid-2025. Plomosas generated revenues of $9.0 million from 39,169 tonnes milled, with production of 5,483 tonnes of zinc and 1,074 of tonnes lead concentrate. The year to date grades were 12.2% zinc, 7.3% lead and 47.0 g/t silver.

- Operating costs at the Plomosas mine were $11.6 million for the twelve months in 2024. During the period, the Company expensed ongoing property upgrades and underground development required to bring the mine into full operating levels. As Plomosas was in start up mode in 2023 the revenue and costs are not comparable.

- Revenue from the Zacualpan mines to December 31, 2024 was $22.9 million up from $20.2 million from the same period in 2023, increasing to $168.80 from $136.62 per tonne on 8% lower production. The increase in revenue was primarily due to an increase of 22% in silver prices from 2023 as well as the influence of foreign exchange with revenue being paid in US$.

- Inflation pushed operating costs at Zacualpan higher to $19.6 million from $19.2 million in 2023. Direct costs per tonne increased 10% to $143.80 on 8% 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 $3.4 million in the year ended December 31, 2024, compared to $1.0 million in the same period of 2023.

- General and administrative costs were to $4.2 million (2023 - $4.2 million). While management and consulting fees were higher by $0.3 million over the comparative year, office salaries and services were $0.3 million lower as the Company shifted some of the increased regulatory requirements in Canada and Mexico to consultants.

- Income and deferred tax recovery was $0.5 million in 2024, compared to a deferred tax expense of $3.7 million in 2023. This difference was largely due to the tax effect of retrospectively expensing exploration expenditures based on the Company's change in accounting policy implemented in 2024.

- There was a nominal foreign exchange gain of $0.3 million in 2024 (2023 - $0.4 million).

- The net loss for 2024 was $9.8 million (2023 - $12.4 million). of which $4.6 million was from the exploration costs that were expensed during the year (2023-$2.8 million). Of this net loss, $6.1 million is attributable to Minera Latin American Zinc, due to lower revenue levels at the Plomosas mine as it continued to start up operations until Q4 2024. It is anticipated that the mine will achieve normalized levels of production in early 2025. The 2024 result is not comparative with 2023, as Minera Latin American Zinc was in start up mode.

## 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)

| | | | | | Restated | Restated | Restated | Restated |
|---|---|---|---|---|---|---|---|---|
| | Dec 31 2024 | Sept 30 2024 | Jun 30 2024 | Mar 31 2024 | Dec 31 2023 | Sept 30 2023 | June 30 2023 | Mar 31 2023 |
| Revenue | 10,187 | 8,645 | 7,722 | 5,347 | 5,389 | 4,767 | 5,492 | 5,114 |
| Net income (loss) | 1,587 | (3,101) | (3,860) | (4,402) | (9,563) | (1,548) | (921) | (398) |
| Earnings (loss) per share – Basic and Diluted* | 0.01 | (0.01) | (0.02) | (0.02) | (0.05) | (0.01) | (0.00) | (0.00) |
| Total assets | 51,154 | 51,189 | 57,158 | 53,927 | 56,890 | 62,001 | 63,895 | 46,938 |
| Total liabilities | 8,825 | 10,518 | 10,806 | 10,279 | 9,924 | 6,829 | 6,892 | 1,897 |

---

## Liquidity, Financial Position and Capital Resources

### Working Capital and Cash Flow

At December 31, 2024 the Company had cash of $7.1 million compared to $8.3 million at December 31, 2023. Working capital was $9.0 million compared to $5.8 million at December 31, 2023.

During the twelve months ended December 31, 2024:

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

  i. 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.

  ii. 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 twelve months ended December 31, 2024, the Company used cash flows from operating activities of $8.8 million compared to $8.6 million in 2023 when Plomosas was not in operation. The operating cash flows in both 2023 and 2024 were impacted by the change in policy to expense exploration expenditures rather than capitalize them.

- In the twelve months ended December 31, 2024, the Company invested $2.0 million (2023 - $5.7 million) in long-lived assets which included property, plant and equipment and mining assets. Of the 2024 totals, $0.9 million was spent at Plomosas, with the balance at Zacualpan.

- During 2024, the Company received net proceeds of $8.6 million from a non-brokered private placement, compared to $12.0 million in 2023. In 2024, the Company also received proceeds of $0.1 million on the exercise of warrants.

- During 2024, a liability of US$1.1 million (Cdn$1.4 million) that was recorded in Minera Latin American Zinc at the date of acquisition was resolved in the Company's favour, and a contingent liability of US$0.8 million (Cdn$1.0 million) was settled. As a result, the Company recovered a total of US$1.9 million (Cdn$2.4 million) which was applied against the working capital adjustment due from the vendor of Minera Latin American Zinc. On December 15, 2024, an agreement to settle the working capital adjustment between the vendor of Minera Latin American Zinc and the Company was signed which extinguished the long-term receivable of US$2.6 million (Cdn$3.5 million) along with all claims, counterclaims and related liabilities. As part of the settlement the Company received US$0.8 million (Cdn$1.1 million).

- During 2023, the Company paid cash of US$3.0 million (Cdn$4.0 million) for the acquisition of MLAZ (Plomosas) and acquired cash of $0.2 million on the acquisition.

- In 2024 the Company realized $0.3 million on the sale of investments and paid $0.4 million for leases (2023 - $0.1 million).

During the three months ended December 31, 2024:

- During the three months ended December 31, 2024, the Company had cash flows from operating activities of $0.6 million compared to a decrease of $2.2 million in 2023. This increase in cash flows was primarily due to the improved operating results from both the Plomosas and Guadalupe mines compared to 2023 when Plomosas was in start up mode.

- On December 15, 2024, an agreement to settle the working capital adjustment between the vendor of Minera Latin American Zinc and the Company was signed which extinguished the long-term receivable of US$2.6 million along with all claims, counterclaims and related liabilities. As part of the settlement the Company received US$0.8 million.

- In Q4 2024, the Company invested $1.0 million (2023 - $0.3 million) in long-lived assets.

- The Company realized $0.1 million on the sale of investments in Q4 2024 and paid $0.1 million for leases.

**Outstanding Share Data**

The following common shares and convertible securities were outstanding at May 5, 2025:

| | # of Shares | Exercise Price | Expiry Date |
|---|---|---|---|
| Issued and outstanding common shares | 247,428,622 | | |
| Stock options | 1,860,000 | $0.90 | January 18, 2026 |
| Stock options | 2,075,000 | $0.48 | October 8, 2026 |
| Warrants | 31,543,399 | $0.35 | April 19, 2025 – (Note 1) |
| Warrants | 2,543,042 | $0.35 | May 3, 2025 – (Note 2) |
| 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 | 324,415,965 | | |

All of the 3,935,000 stock options outstanding have vested.

Note 1: Expiry date extended to October 19, 2026

Note 2: Expiry date extended to November 3, 2026

## FINANCIAL INSTRUMENTS AND MANAGEMENT OF FINANCIAL RISK

### Financial assets and liabilities

The Company's financial instruments consist of cash, trade receivables, other receivables, investments, trade payables, and lease obligations. Cash and other receivables are measured at amortized cost. Trade receivables are measured at fair value through profit or loss. Investments are designated as fair value though 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 taxes receivable. 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 Mexican 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 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 an adequate credit rating as determined by Standard and Poor's. The Company has not recorded any allowance against its trade receivables because to date all balances owed have been settled in full when due (typically within 60 days of submission), and because of the nature of the counterparty.

The Company's maximum exposure to credit risk at the reporting date is the carrying value of its cash ($7.1 million) and trade and receivables ($3.4 million), VAT and income taxes receivable ($1.7 million).
Interest rate risk

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

Currency risk

Foreign exchange rate fluctuations may affect the costs that the Company incurs in its operations. Silver, lead, zinc, and gold are sold in US dollars and the Company's costs are principally in Mexican pesos and Canadian dollars. 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 December 31, 2024, a 10% depreciation or appreciation of all the above currencies against the Canadian dollar would result in an approximate $0.3 million decrease or increase in the Company's net income for the period ended December 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 December 31, 2024 by $0.2 million (2023 - $0.1 million).

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages its liquidity risk through its planning and budgeting process to determine the cash flows required to meet its operating and growth objectives. The Company has cash at December 31, 2024 of $7.1 million, and current assets exceeded current liabilities by $9.0 million, in order to meet short-term business requirements. Trade payables have contractual maturities of approximately 30 to 90 days, or are due on demand and are subject to normal trade terms. The current portions of lease obligations are due within 12 months of the consolidated statement of financial position date.

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, exploration expenses, 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 December 31 | | For the Twelve Months Ended December 31 | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| Operating expenses | **$ 5,094,667** | $ 5,403,066 | **$ 19,543,363** | $ 19,229,194 |
| Add : inventory | **249,724** | 63,262 | **53,033** | 58,658 |
| Direct costs | **$ 5,344,391** | $ 5,466,328 | **$ 19,596,396** | $ 19,287,852 |
| Tonnes milled | **36,582** | 35,825 | **136,280** | 147,444 |
| Direct costs per tonne | **$ 146.09** | $ 152.58 | **$ 143.80** | $ 130.81 |
| | | | | |
| Revenue | **$ 6,602,574** | $ 4,854,945 | **$ 22,925,354** | $ 20,227,554 |
| Tonnes sold | **34,871** | 35,751 | **135,816** | 148,060 |
| Revenue per tonne sold | **$ 189.34** | $ 135.80 | **$ 168.80** | $ 136.62 |

## 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:

| | For the Three Months Ended December 31 | | For the Twelve Months Ended December 31 | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| Revenue | **$ 6,602,574** | $ 4,854,945 | **$ 22,925,354** | $ 20,227,554 |
| Operating expenses | **5,094,667** | 5,403,066 | **19,543,363** | 19,229,194 |
| Mine operating earnings (loss) before amortization and depletion | **$ 1,507,907** | $ (548,121) | **$ 3,381,991** | $ 998,360 |

These measures are calculated as follows for Plomosas:

| | For the Three Months Ended December 31 | | For the Twelve Months Ended December 31 | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| Revenue | **$ 3,584,581** | $ 534,080 | **$ 8,976,024** | $ 534,080 |
| Operating expenses | **3,382,768** | 2,124,209 | **11,441,950** | 2,124,209 |
| Mine operating earnings (loss)before amortization and depletion | **$ 201,813** | $ (1,590,129) | **$ (2,465,926)** | $ (1,590,129) |

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

May 2, 2025