

IMPACT SILVER CORP.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2025 and 2024

NOTICE OF NO REVIEW BY AUDITOR

In accordance with National Instrument 51 – 102 *Continuous Disclosure Obligations* of the Canadian Securities Administrators **WE HEREBY GIVE NOTICE THAT** the condensed consolidated interim financial statements which follow this notice have not been reviewed by an auditor.

IMPACT Silver Corp.

Condensed Consolidated Statements of Financial Position

(Canadian dollars)

Unaudited

	June 30, 2025	December 31, 2024
ASSETS		
Current		
Cash	\$ 10,301,282	\$ 7,062,715
Trade and other receivables (Note 3)	3,057,212	3,448,289
Income taxes receivable	124,077	118,515
Inventories (Note 4)	2,276,396	2,004,245
Investments	1,219,440	179,009
	16,978,407	12,812,773
Value added taxes receivable (Note 3)	2,055,993	1,586,144
Right of use assets (Note 5)	278,429	248,213
Property, plant and equipment (Note 7)	35,405,241	34,108,064
Deferred income tax assets	-	2,398,889
	\$ 54,718,070	\$ 51,154,083
LIABILITIES		
Current		
Trade payables and accrued liabilities	\$ 3,533,478	\$ 3,695,960
Lease liabilities (Note 6)	138,718	163,652
	3,672,196	3,859,612
Lease liabilities (Note 6)	133,309	87,481
Reclamation provision (Note 8)	2,185,631	1,986,678
Deferred income tax liabilities	1,486,966	2,890,945
	7,478,102	8,824,716
SHAREHOLDERS' EQUITY		
Share capital	105,068,240	101,375,443
Warrants (Note 9 (c))	6,613,750	5,291,969
Contributed surplus	11,316,106	11,306,243
Accumulated other comprehensive loss	(3,225,471)	(5,220,576)
Accumulated deficit	(72,532,657)	(70,423,712)
	47,239,968	42,329,367
	\$ 54,718,070	\$ 51,154,083

Nature of operations (Note 1)

Contingency (Note 18)

ON BEHALF OF THE BOARD:

"F.W. Davidson", Director "J. Meiklejohn", Director

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

IMPACT Silver Corp.

Condensed Consolidated Statements of Loss and Comprehensive Loss

(Canadian dollars)

Unaudited

	Three months ended		Six Months ended	
	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
Revenues (Note 10)	\$ 9,799,370	\$ 7,721,918	\$ 20,519,396	\$ 13,068,863
Expenses				
Operating expenses (Note 11)	8,167,531	7,930,777	16,124,022	14,927,593
Amortization and depletion	609,715	742,534	1,218,619	1,476,661
	8,777,246	8,673,311	17,342,641	16,404,254
Mine operating income (loss)	1,022,124	(951,393)	3,176,755	(3,335,391)
General and administrative expenses (Note 13)	1,231,869	1,152,025	2,162,207	2,132,904
Exploration and project expenses (Note 12)	1,128,414	1,135,848	1,910,844	2,313,823
Accretion expense (Note 8)	52,781	24,054	105,048	48,128
Finance expense	28,258	7,313	34,071	18,677
Finance income	(55,867)	(63,318)	(92,442)	(111,900)
Foreign exchange loss	116,729	128,519	165,657	(137,031)
Other expense	-	11,342	-	15,229
	2,502,184	2,395,783	4,285,385	4,279,830
Loss before taxes	(1,480,060)	(3,347,176)	(1,108,630)	(7,615,221)
Current income tax expense	-	1,316	3,430	99,774
Deferred income tax expense	533,418	511,798	996,885	546,911
Net loss	\$ (2,013,478)	\$ (3,860,290)	\$ (2,108,945)	\$ (8,261,906)
Other comprehensive loss				
Items that may be subsequently reclassified to profit or loss				
Cumulative translation adjustment	720,658	(2,342,911)	1,252,101	(1,263,472)
Items that will not be subsequently reclassified to profit or loss				
Gain on investments	393,960	41,443	743,004	44,073
Comprehensive income (loss)	(898,860)	(6,161,758)	113,840	(9,481,305)
Loss per share – basic and diluted	\$ (0.01)	\$ (0.02)	\$ (0.01)	\$ (0.04)
Weighted average number of shares outstanding – basic and diluted	259,178,650	228,879,960	253,336,095	221,227,331

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

IMPACT Silver Corp.

Condensed Consolidated Statements of Changes in Shareholders' Equity

(Canadian dollars)

Unaudited

	Shares Outstanding	Share Capital (\$)	Warrants (\$)	Contributed Surplus (\$)	Accumulated Other Comprehensive Income (loss) (\$)	Accumulated Deficit (\$)	Total Shareholders' Equity (\$)
Balance at December 31, 2023	213,574,696	94,947,950	2,980,914	11,306,243	(1,620,242)	(60,648,556)	46,966,309
Net loss for the period	-	-	-	-	-	(8,261,906)	(8,261,906)
Shares issued in relation to private placement	33,234,852	9,087,645	-	-	-	-	9,087,645
Share issue costs	-	(647,700)	-	-	-	-	(647,700)
Warrants issued in relation to private placement	-	(2,348,182)	2,509,567	-	-	-	161,385
Warrants exercised	619,074	183,226	(34,800)	-	-	-	148,426
Cumulative translation adjustments	-	-	-	-	(1,263,472)	-	(1,263,472)
Loss on investments	-	-	-	-	44,073	-	44,073
Balance at June 30, 2024	247,428,622	101,222,939	5,455,681	11,306,243	(2,839,641)	(68,910,462)	46,234,760
Balance January 1, 2025	247,428,622	101,375,443	5,291,969	11,306,243	(5,220,576)	(70,423,712)	42,329,367
Net loss for the period	-	-	-	-	-	(2,108,945)	(2,108,945)
Shares issued in relation to private placement	27,950,177	5,206,032	-	-	-	-	5,206,032
Share issue costs	-	(198,614)	(68,337)	-	-	-	(266,951)
Warrants issued in relation to private placement	-	(1,332,703)	1,403,455	-	-	-	70,752
Warrants exercised	66,400	18,082	(3,474)	-	-	-	14,608
Warrants expired	-	-	(9,863)	9,863	-	-	-
Cumulative translation adjustments	-	-	-	-	1,252,101	-	1,252,101
Gain on investments	-	-	-	-	743,004	-	743,004
Balance at June 30, 2025	275,445,199	105,068,240	6,613,750	11,316,106	(3,225,471)	(72,532,657)	47,239,968

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

IMPACT Silver Corp.

Condensed Consolidated Statements of Cash Flows

(Canadian dollars)

Unaudited

	Three Months ended		Six Months ended	
Cash resources provided by (used in)	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
Operating activities				
Net loss	\$ (2,013,478)	\$ (3,860,290)	\$ (2,108,945)	\$ (8,261,906)
Items not affecting cash				
Amortization and depletion	644,258	796,289	1,287,010	1,536,526
Deferred income tax (recovery) expense	533,418	511,798	996,885	546,911
Non-cash option payment received	-	-	(460,000)	-
Accretion expense	52,781	24,075	105,048	48,129
Changes in non-cash working capital				
Trade and other receivables	339,908	(297,270)	(38,193)	(492,100)
Income taxes receivable	-	10	(117)	(73,654)
Inventories	(372,359)	(293,133)	(177,663)	248,161
Trade payables and accrued liabilities	52,497	887,456	(15,750)	572,292
Income taxes payable	-	-	(107,126)	(1,742)
	(762,975)	(2,231,065)	(518,851)	(5,877,383)
Investing activities				
Proceeds on the sale of investments	92,744	48,584	162,574	61,016
Acquisition of property, plant and equipment	(311,140)	(424,795)	(1,032,380)	(1,169,052)
	(218,396)	(376,211)	(869,806)	(1,108,036)
Financing activities				
Repayment of lease liability	(110,707)	(93,128)	(199,503)	(141,792)
Proceeds from exercise of warrants	14,608	148,426	14,608	148,426
Proceeds from private placement, net	5,009,833	8,601,330	5,009,833	8,601,330
	4,913,734	8,656,628	4,824,938	8,607,964
Effect of exchange rates on cash	(221,820)	209,621	(197,714)	(38,694)
Net change in cash	3,710,543	6,258,973	3,238,567	1,583,851
Cash at the beginning of the period	6,590,739	3,604,078	7,062,715	8,279,200
Cash at the end of the period	\$ 10,301,282	\$ 9,863,051	\$ 10,301,282	\$ 9,863,051

The following table details additional supplementary cash flow information at June 30:

	Three Months ended		Six Months ended	
	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
Cash received for interest income	\$ 55,867	\$ 63,318	\$ 92,442	\$ 111,900
Non-cash option payments	\$ -	\$ -	\$ 460,000	\$ -

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

IMPACT Silver Corp.

Notes to the Condensed Consolidated Financial Statements

(Canadian dollars)

Unaudited

1. Nature of operations

IMPACT Silver Corp. and its subsidiaries (collectively, “IMPACT” or the “Company”) are engaged in silver, zinc and lead mining and related activities including exploration, development and mineral processing in Mexico. The Company operates a series of mines near Zacualpan in the State of Mexico and in Guerrero State as well as a mine in the State of Chihuahua. The Company produces silver, lead, zinc and gold sold in the form of lead and zinc concentrates.

The registered address of the Company is 303 – 543 Granville Street, Vancouver, British Columbia. IMPACT’s common shares are publicly traded on the TSX Venture Exchange (“TSXV”) under the symbol of “IPT”, on the Frankfurt Stock Exchange (“FSE”) under the symbol “IKL” and on the OTCQB under the symbol “ISVLF”.

Going concern

The consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business as they come due into the foreseeable future.

During the six months ended June 30, 2025, the Company had mine operating income of \$3.2 million, a net loss of \$2.1 million, and cash outflows from operating activities of \$0.5 million. At June 30, 2025, IMPACT had unrestricted cash and cash equivalents of \$10.3 million. Internally generated cash flows may not be sufficient to cover the Company’s working capital and capital investment needs. These factors give rise to material uncertainties that may cast significant doubt about the Company’s ability to continue as a going concern. The Company is currently considering and pursuing various alternatives for future financing requirements, including but not limited to equity financing, debt financing or other means depending on market conditions and other relevant factors. This would enable the Company to ensure its ability to fund its committed capital investment, exploration programs and working capital requirements throughout 2025, as well as anticipated growth and development. The Company’s ability to continue as a going concern is dependent on its ability to secure additional financing and/or to generate cash flows from operations. While the Company has successfully obtained financing in the past, there is no assurance that it will be able to do so in the future, or that such financing will be on terms acceptable to the Company.

2. Basis of Preparation

a) Statement of compliance

These condensed consolidated financial statements have been prepared in accordance with IFRS Accounting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

During the year ended December 31, 2024, the Company amended and restated certain of its financial information (see audited consolidated financial statements for the year ended December 31, 2024 posted on SEDAR+ for details). As a result, certain comparative quarterly amounts below have been restated to take these amendments and restatements into account.

The consolidated financial statements were authorised for issue by the Board of Directors on August 21, 2025.

b) Basis of measurement

Certain comparative figures used in these financial statements have been reclassified in order to conform with the financial presentation adopted during the period.

IMPACT Silver Corp.

Notes to the Condensed Consolidated Financial Statements

(Canadian dollars)

Unaudited

3. Trade and other receivables

	June 30, 2025	December 31, 2024
Value added taxes receivable – current portion	\$ 110,045	\$ 860,011
Trade and other receivables	2,371,228	2,046,562
Prepays	575,939	541,716
Total trade and other receivables	<u>\$ 3,057,212</u>	<u>\$ 3,448,289</u>
Value added taxes receivable – non-current portion	\$ 2,055,993	\$ 1,586,144

4. Inventories

	June 30, 2025	December 31, 2024
Materials and supplies	\$ 1,595,028	\$ 1,399,773
Stockpile inventory	228,817	10,614
Concentrate inventory	452,551	593,858
Total inventories	<u>\$ 2,276,396</u>	<u>\$ 2,004,245</u>

The amount of inventories recognized as an expense during the six months ended June 30, 2025 was \$16,124,022 (June 30, 2024 - \$14,927,593).

5. Right of use assets

Balance at December 31, 2023	\$ 91,842
Additions	626,784
Amortization	(425,585)
Foreign exchange movement	<u>(44,828)</u>
Balance December 31, 2024	248,213
Additions	214,741
Amortization	(190,563)
Foreign exchange movement	<u>6,038</u>
Balance June 30, 2025	<u>\$ 278,429</u>

IMPACT Silver Corp.

Notes to the Condensed Consolidated Financial Statements

(Canadian dollars)

Unaudited

6. Lease Liabilities

Details are as follows:

Balance at December 31, 2023	\$	68,921
Additions		626,784
Interest		29,912
Repayments		(431,363)
Foreign exchange movement		(43,121)
Balance December 31, 2024		251,133
Interest		34,071
Additions		214,741
Repayments		(233,574)
Foreign exchange movement		5,656
Balance June 30, 2025		272,027
Less: current portion		138,718
Non-current lease liabilities	\$	133,309

The Company's leased assets are for land and buildings. The lease liabilities were discounted at the Company's incremental borrowing rate. The weighted average rate applied for leases was 11%.

The expected timing of undiscounted lease payments at June 30, 2025 is as follows:

Less than one year	\$	175,344
One to five years		207,831
	\$	383,175

IMPACT Silver Corp.

Notes to the Condensed Consolidated Financial Statements

(Canadian dollars)

Unaudited

7. Property, plant and equipment

	Plant and mine equipment (\$)	Office furniture and mobile equipment (\$)	Surface rights (\$)	Mining Assets (\$)	Total (\$)
Cost					
Balance at December 31, 2023	16,160,992	1,393,224	836,660	48,885,052	67,275,928
Additions	1,072,242	174,027	-	789,022	2,035,291
Change in reclamation provision	-	-	-	10,911	10,911
Foreign exchange movement	(2,004,710)	(167,173)	(95,138)	(4,739,262)	(7,006,283)
Balance at December 31, 2024	15,228,524	1,400,078	741,522	44,945,723	62,315,847
Additions	934,994	17,257	-	80,129	1,032,380
Foreign exchange movement	758,264	63,609	34,031	1,699,453	2,555,357
Balance at June 30, 2025	16,921,782	1,480,944	775,553	46,725,305	65,903,584
Accumulated amortization					
Balance at December 31, 2023	9,960,800	985,938	-	17,636,803	28,583,541
Amortization for the year	792,873	141,842	-	1,686,721	2,621,436
Foreign exchange movement	(1,217,123)	(114,358)	-	(1,665,713)	(2,997,194)
Balance at December 31, 2024	9,536,550	1,013,422	-	17,657,811	28,207,783
Amortization for the year	394,163	69,749	-	616,854	1,080,766
Foreign exchange movement	496,131	48,631	-	665,032	1,209,794
Balance at June 30, 2025	10,426,844	1,131,802	-	18,939,697	30,498,343
Net book value					
At December 31, 2024	5,691,974	386,656	741,522	27,287,912	34,108,064
At June 30, 2025	6,494,938	349,142	775,553	27,785,608	35,405,241

IMPACT Silver Corp.

Notes to the Condensed Consolidated Financial Statements

(Canadian dollars)

Unaudited

8. Reclamation provision

The Company's reclamation provision is an estimate of the environmental restoration obligations and closure costs associated with the Company's mines, processing facilities and development sites. The total undiscounted amount of the estimated costs required to settle the provision are \$3,882,644 (Q2 2024 – \$3,174,704). This obligation is updated annually for any changes to the life of mine.

Movements in the reclamation provision were as follows:

	Guadalupe		Plomosas		Capire		Total
Balance, December 31, 2023	\$	1,030,527	\$	202,398	\$	805,812	\$ 2,038,737
Accretion		85,232		18,290		72,820	176,342
Changes in estimate		49,713		204,749		(243,551)	10,911
Foreign exchange movement		(117,550)		(24,444)		(97,318)	(239,312)
Balance, December 31, 2024	\$	1,047,922	\$	400,993	\$	537,763	\$ 1,986,678
Accretion		54,620		21,461		28,967	105,048
Foreign exchange movement		49,511		18,961		25,433	93,905
Balance, June 30, 2025	\$	1,152,053	\$	441,415	\$	592,163	\$ 2,185,631
	Guadalupe		Plomosas		Capire		
Anticipated settlement date		2033		2038		2040	
Undiscounted value	\$	1,656,564	\$	863,122	\$	1,362,958	
Estimated life of mine (years)		8.5		13.5		16.0	
Discount rate (%)		9.29		10.50		10.57	
Inflation rate (%)		4.40		4.37		4.25	

IMPACT Silver Corp.

Notes to the Condensed Consolidated Financial Statements

(Canadian dollars)

Unaudited

9. Equity

a) Share capital

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

On June 4, 2025, the Company closed a non-brokered private placement financing which was completed in two tranches:

- On May 20, 2025, a total of 20,916,177 units were issued for aggregate gross proceeds of \$3,930,712. The Company paid certain registered dealers a cash commission of \$49,696 and granted 359,423 broker warrants. Each broker warrant entitles the holder to purchase one common share at a price of \$0.24 until May 21, 2028.
- On June 4, 2025, a total of 7,034,000 units were issued for aggregate gross proceeds of \$1,275,320. The Company paid certain registered dealers a cash commission of \$62,899 and granted 349,440 broker warrants. Each broker warrant entitles the holder to purchase one common share at a price of \$0.24 until June 4, 2028.

Of the total units issued:

- 8,750,000 units consist of one common share and one-half warrant. Each whole warrant entitles the holder to purchase one common share at a price of \$0.26 per warrant share for a period of 24 months from the date of issuance.
- 19,200,177 units consist of one common share and one warrant. Each whole warrant entitles the holder to purchase one common share at a price of \$0.24 per warrant share for a period of 36 months from the date of issuance.

On June 7, 2024, the Company closed a non-brokered private placement financing which was completed in two 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.

b) Stock options

The Company has established a stock option plan whereby the board of directors may, from time to time, grant options to directors, officers, employees or consultants. Under the terms of the Company's fixed stock option plan, the maximum number of shares reserved for issuance is 10% of the issued shares of the Company or 12,936,917 shares. Options granted must be exercised no later than five years from date of grant or extension or such lesser period as determined by the Company's board of directors. The exercise price of an option is not less than the closing price on the TSX Venture Exchange on the last trading day preceding the grant.

IMPACT Silver Corp.

Notes to the Condensed Consolidated Financial Statements

(Canadian dollars)

Unaudited

9. Equity – continued

b) Stock options – continued

The expected volatility is based on the historical and implied volatility of the Company's common share price on the TSX Venture Exchange. The risk-free interest rate assumption is based on the Bank of Canada marketable bonds with a remaining term equal to the stock options' expected life. Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options.

The following summarizes the continuity of the stock options:

	Number	Weighted Average Exercise Price (\$)
Balance December 31, 2023	6,010,000	0.59
Expired	(1,750,000)	0.36
Forfeited	(325,000)	0.67
Balance June 30, 2025 and December 31, 2024	3,935,000	0.68

At June 30, 2025 the following stock options were outstanding:

Expiry Date	Exercise Price	Number of Options Outstanding	Weighted Average Remaining Life (Years)	Number of Options Exercisable
January 18, 2026	\$0.90	1,860,000	0.80	1,860,000
October 8, 2026	\$0.48	2,075,000	1.52	2,075,000
		3,935,000	1.18	3,935,000

c) Warrants

The following summarizes the continuity of share purchase warrants:

	Number	Weighted Average Exercise Price (\$)
Balance December 31, 2023	44,815,930	0.32
Issued	28,855,487	0.34
Expired	(619,074)	0.24
Balance December 31, 2024	73,052,343	0.33
Issued	24,284,040	0.24
Exercised	(66,400)	0.22
Expired	(803,411)	0.35
Balance June 30, 2025	96,466,572	0.31

IMPACT Silver Corp.

Notes to the Condensed Consolidated Financial Statements

(Canadian dollars)

Unaudited

9. Equity – continued

c) Warrants - continued

As at June 30, 2025 the following share purchase warrants were outstanding:

Expiry Date	Weighted Average Exercise Price	Warrants Outstanding	Remaining Outstanding Life (Years)
December 22, 2025	0.22	10,044,015	0.48
May 17, 2026	0.34	21,928,657	0.88
June 7, 2026	0.34	6,926,830	0.94
October 19, 2026 ¹	0.35	30,828,938	1.30
November 3, 2026 ²	0.35	2,454,092	1.35
May 20, 2027	0.26	4,145,000	1.89
June 4, 2027	0.26	230,000	1.93
May 20, 2028	0.24	12,985,600	2.89
June 4, 2028	0.24	6,923,440	2.93
	0.31	96,466,572	1.45

Footnotes:

1. 30,828,938 share purchase warrants with an original expiry date of April 19, 2025 were extended to October 19, 2026

2. 2,454,092 share purchase warrants with an original expiry date of May 3, 2025 were extended to November 3, 2026.

In determining the fair value of the warrants issued, the Company used the Black-Scholes option pricing model to establish the fair value of warrants granted by applying the following assumptions:

	Six months ended June 30, 2025	Year ended Dec 31, 2024
Issued:		
Risk-free interest rate	2.60-2.63%	4.03-4.31%
Expected dividend yield	Nil	Nil
Expected share price volatility	75.59-77.38%	75.02-75.35%
Expected warrant life	2-3 years	2 years

Pricing models require the input of highly subjective assumptions including the expected share price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate.

IMPACT Silver Corp.

Notes to the Condensed Consolidated Financial Statements

(Canadian dollars)

Unaudited

10. Revenues

The disaggregated revenue information is as follows:

	Three Months ended		Six Months ended	
	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
Lead-silver concentrate	\$ 7,826,526	\$ 6,255,715	\$ 15,630,421	\$ 10,816,281
Zinc-silver concentrate	1,972,844	1,466,203	4,888,975	2,252,582
	<u>\$ 9,799,370</u>	<u>\$ 7,721,918</u>	<u>\$ 20,519,396</u>	<u>\$ 13,068,863</u>

The Company sells 100% of its concentrate to one customer in Mexico.

11. Operating expenses by nature

	Three Months ended		Six Months ended	
	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
Production costs	\$ 3,746,168	\$ 3,263,265	\$ 7,520,708	\$ 6,487,546
Environmental tax	115,419	30,028	157,097	48,080
Transportation	1,494,120	1,443,589	3,093,745	2,361,708
Wages and salaries	2,811,824	3,193,895	5,352,472	6,030,259
	<u>\$ 8,167,531</u>	<u>\$ 7,930,777</u>	<u>\$ 16,124,022</u>	<u>\$ 14,927,593</u>

12. Exploration and project expenses

	Three Months ended		Six Months ended	
	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
Labour	\$ 327,532	\$ 381,350	\$ 653,825	\$ 754,044
Permits & Fees	173,197	480	361,645	299,746
Drilling	408,320	545,034	860,805	876,887
Supplies & Other	219,365	208,984	494,569	383,146
Option Payments	-	-	(460,000)	-
	<u>\$ 1,128,414</u>	<u>\$ 1,135,848</u>	<u>\$ 1,910,844</u>	<u>\$ 2,313,823</u>

IMPACT Silver Corp.

Notes to the Condensed Consolidated Financial Statements

(Canadian dollars)

Unaudited

13. General and administrative expenses

	Three Months ended		Six Months ended	
	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
Accounting, audit & legal	\$ 212,363	\$ 175,031	\$ 374,039	\$ 393,439
Amortization	34,543	53,755	68,391	59,865
Investor relations, promotion & travel	95,631	238,455	185,879	444,873
Management fees & consulting	237,062	301,939	527,867	516,132
Office, rent, insurance & sundry	152,565	112,791	282,416	228,769
Office salaries & services	499,705	270,054	723,615	489,826
	\$ 1,231,869	\$ 1,152,025	\$ 2,162,207	\$ 2,132,904

14. Key management personnel compensation

Key management includes the Chief Executive Officer, Chief Financial Officer, Vice-President Exploration and Board of Directors and Audit Committee members. The remuneration of directors and other members of key management personnel is as follows:

	Three Months ended		Six Months ended	
	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
Salaries, bonus and consulting fees	\$ 439,025	\$ 309,125	\$ 659,050	\$ 522,250
Amounts payable at June 30, 2025	\$ 67,625	\$ 178,233	\$ 67,625	\$ 178,233

15. Capital management

The Company considers items included in shareholders' equity as capital. The Company's objectives when managing capital are to safeguard its ability to continue as a going concern, to continue to explore financing opportunities, to provide an adequate return to shareholders and to support any growth plans.

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To effectively manage the entity's capital requirements, the Company has in place a process to help determine the funds required to ensure the Company has the appropriate liquidity to meet its operating and growth objectives. The Company ensures that there is sufficient cash to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

The Company is not subject to externally imposed capital requirements. There was no change in the Company's approach to capital management for the years presented.

IMPACT Silver Corp.

Notes to the Condensed Consolidated Financial Statements

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16. Financial instruments

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 (\$10.3 million) and trade and other receivables (\$2.9 million), VAT and income taxes receivable (\$2.3 million).

Interest rate risk

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

Currency risk

Foreign exchange rate fluctuations may affect the costs that the Company incurs in its operations. Silver, lead, zinc and gold are sold in U.S. dollars and the Company's costs are principally in Mexican pesos and Canadian dollars. At June 30, 2025, the Company is exposed to currency risk through the cash, trade and other receivables, and trade payables held in U.S. dollars and Mexican pesos. Based on these foreign currency exposures at June 30, 2025, a 10% depreciation or appreciation of all the above currencies against the Canadian dollar would result in an approximate \$0.4 million decrease or increase in the Company's net income for the three months ended June 30, 2025.

IMPACT Silver Corp.

Notes to the Condensed Consolidated Financial Statements

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16. Financial instruments - continue

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 would have increased or decreased the Company's trade accounts receivable balance as at June 30, 2025 by \$0.2 million (June 30, 2024 - \$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 June 30, 2025 of \$10.3 million, and current assets exceeded current liabilities by \$13.3 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.

17. Segmented information

The Company has a corporate head office in Canada and two reportable operating segments in Mexico. The operating segments are determined based on the reports reviewed by the Chief Executive Officer (who is considered the Chief Operating Decision Maker) to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

The Zacualpan segment includes mines from the Guadalupe and Capire production centres in the State of Mexico and neighbouring Guerrero state, Mexico. The Plomosas segment includes the mine located in the State of Chihuahua, Mexico.

IMPACT Silver Corp.

Notes to the Condensed Consolidated Financial Statements

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17. Segmented information - continued

As at June 30, 2025:

	Total Assets	Property, plant & equipment
Zacualpan (Mexico)	\$ 29,542,406	\$ 22,543,365
Plomosas (Mexico)	16,370,670	12,836,018
Corporate (Canada)	8,804,994	25,858
Total	\$ 54,718,070	\$ 35,405,241

As at June 30, 2024:

	Total Assets	Property, plant & equipment
Zacualpan (Mexico)	\$ 29,496,306	\$ 22,053,670
Plomosas (Mexico)	15,674,426	12,024,199
Corporate (Canada)	5,983,351	30,195
Total	\$ 54,154,083	\$ 34,108,064

For the three months ended June 30, 2025:

	Zacualpan (Mexico)	Plomosas (Mexico)	Corporate (Canada)	Total
Revenue	\$ 7,359,956	2,439,414	-	\$ 9,799,370
Operating expenses	(4,881,728)	(3,285,803)	-	(8,167,531)
Amortization and depletion	(440,666)	(169,049)	-	(609,715)
Mine operating income (loss)	2,037,562	(1,015,438)	-	1,022,124
General and administrative expenses	(214,452)	(131,454)	(885,963)	(1,231,869)
Exploration and project expense	(749,104)	(379,310)	-	(1,128,414)
Other income (expense)	(320,109)	180,921	(2,713)	(141,901)
Current and deferred income tax expense	(578,392)	-	44,974	(533,418)
Net income (loss)	\$ 175,505	(1,345,281)	(843,702)	\$ (2,013,478)

IMPACT Silver Corp.

Notes to the Condensed Consolidated Financial Statements

(Canadian dollars)

Unaudited

17. Segmented information - continued

For the six months ended June 30, 2025:

	Zacualpan (Mexico)	Plomosas (Mexico)	Corporate (Canada)	Total
Revenue	\$ 14,578,147	5,941,249	-	\$ 20,519,396
Operating expenses	(9,639,082)	(6,484,940)	-	(16,124,022)
Amortization and depletion	(713,893)	(504,726)	-	(1,218,619)
Mine operating income (loss)	4,225,172	(1,048,417)	-	3,176,755
General and administrative expenses	(382,307)	(220,076)	(1,559,824)	(2,162,207)
Exploration and project expense	(846,440)	(1,064,404)	-	(1,910,844)
Other income (expense)	(400,216)	161,517	26,365	(212,334)
Current and deferred income tax expense	(1,045,289)	-	44,974	(1,000,315)
Net income (loss)	\$ 1,550,920	(2,171,380)	(1,488,485)	\$ (2,108,945)

For the three months ended June 30, 2024:

	Zacualpan (Mexico)	Plomosas (Mexico)	Corporate (Canada)	Total
Revenue	\$ 5,897,091	1,824,827	-	\$ 7,721,918
Cost of Sales	(5,310,411)	(2,620,366)	-	(7,930,777)
Amortization	(491,600)	(271,487)	20,553	(742,534)
Mine Operating Loss	95,080	(1,067,026)	20,553	(951,393)
General and administrative expenses	(228,265)	(170,625)	(753,135)	(1,152,025)
Exploration and project expense	(350,893)	(784,955)	-	(1,135,848)
Other income (expense)	72,759	(244,586)	63,917	(107,910)
Current and deferred income tax expense	(513,114)	-	-	(513,114)
Net loss	\$ (924,433)	(2,267,192)	(668,665)	\$ (3,860,290)

IMPACT Silver Corp.

Notes to the Condensed Consolidated Financial Statements

(Canadian dollars)

Unaudited

17. Segmented information - continued

For the six months ended June 30, 2024:

	Zacualpan (Mexico)	Plomosas (Mexico)	Corporate (Canada)	Total
Revenue	\$ 10,233,781	2,835,082	-	\$ 13,068,863
Operating expenses	(9,526,843)	(5,400,749)	-	(14,927,593)
Amortization and depletion	(982,058)	(494,603)	-	(1,476,661)
Mine operating income (loss)	(275,120)	(3,060,270)	-	(3,335,391)
General and administrative expenses	(405,440)	(276,032)	(1,451,432)	(2,132,904)
Exploration and project expense	(956,134)	(1,357,689)	-	(2,313,823)
Other income (expense)	116,568	(69,162)	119,491	166,897
Current and deferred income tax expense	(548,227)	-	(98,458)	(646,685)
Net income (loss)	\$ (2,068,353)	(4,763,153)	(1,430,399)	\$ (8,261,906)

18. Contingency

A former employee of MLAZ is claiming unjustified dismissal in a legal action against that company. The total amount of the claim is Mexican Pesos 1.4 million of which approximately one-half has been accrued in MLAZ at June 30, 2025.