IMPACT SILVER CORP.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Three and Six Months ended
June 30, 2026 and 2025

Unaudited

IMPACT Silver Corp.

Condensed Consolidated Statements of Financial Position

(Canadian dollars)

ASSETS		June 30, 2026		December 31, 2025
Current				
Cash	$	**52,192,484**	$	23,699,168
Trade and other receivables *(Note 4)*		**4,198,624**		6,348,336
Income taxes receivable		**7,869,856**		182,015
Inventories *(Note 5)*		**2,196,484**		2,265,853
Investments *(Note 6)*		**783,390**		5,292,313
Prepaid expenses and deposits		**1,181,281**		820,187
		68,422,119		38,607,872
Value added taxes receivable *(Note 4)*		**3,198,930**		2,577,580
Right of use assets *(Note 7)*		**140,300**		194,797
Property, plant and equipment *(Note 9)*		**31,431,343**		28,921,482
Deferred income tax asset		**1,131,780**		1,060,539
	$	**104,324,472**	$	71,362,270
LIABILITIES				
Current				
Trade payables and accrued liabilities	**$**	**6,340,132**	$	5,393,914
Income taxes payable		**9,828,072**		1,478,942
Lease liabilities *(Note 8)*		**26,599**		84,412
		16,194,803		6,957,268
Lease liabilities *(Note 8)*		**109,290**		106,191
Reclamation provision *(Note 10)*		**3,430,130**		3,076,159
Deferred income tax liabilities		**1,949,199**		1,813,481
		21,683,422		11,953,099
SHAREHOLDERS' EQUITY				
Share capital		**126,632,321**		118,984,565
Warrants *(Note 11 (c))*		**6,582,974**		9,623,779
Contributed surplus		**14,328,511**		12,634,616
Accumulated other comprehensive income (loss)		**1,651,596**		(1,150,671)
Accumulated deficit		**(66,554,352)**		(80,683,118)
		82,641,050		59,409,171
	$	**104,324,472**	$	71,362,270

Nature of operations *(Note 1)*

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 Income (Loss) and Comprehensive Income (Loss)

For the Three and Six Months ended June 30

(Canadian dollars)

	Three Months ended		Six Months ended	
	June 30, 2026	June 30, 2025	**June 30, 2026**	June 30, 2025
Revenues *(Note 12)*	**$ 21,955,820**	$ 9,799,370	**$ 53,109,653**	$ 20,519,396
Cost of sales *(Note 13)*	**13,205,930**	8,777,246	**24,031,281**	17,342,641
Gross profit	**8,749,890**	1,022,124	**29,078,372**	3,176,755
General and administrative expenses *(Note 14)*	**1,282,147**	1,231,869	**2,669,728**	2,162,207
Exploration expenses *(Note 15)*	**1,646,662**	1,128,414	**2,678,047**	1,910,844
Operating income (loss)	5,821,081	(1,338,159)	**23,730,597**	(896,296)
Interest and finance income (expenses) *(Note 16)*	**195,190**	(25,172)	**360,169**	(46,677)
Foreign exchange (loss) gain	**(663,415)**	(116,729)	**45,143**	(165,657)
Income (loss) before income taxes	**5,352,856**	(1,480,060)	**24,135,909**	(1,108,630)
Current income tax expense	**3,180,460**	-	**10,000,478**	3,430
Deferred income tax (recovery) expense	**(671,486)**	533,418	**6,665**	996,885
Net income (loss)	**$ 2,843,882**	$ (2,013,478)	**$ 14,128,766**	$ (2,108,945)
Items that may be subsequently reclassified to profit or loss				
Cumulative translation adjustment	**2,842,469**	720,658	**3,325,793**	1,252,101
Items that will not be subsequently reclassified to profit or loss				
(Loss) gain on investments	**(266,836)**	393,960	**(523,526)**	743,004
Comprehensive income (loss)	**$ 5,419,515**	$ (898,860)	**$ 16,931,033**	$ (113,840)
Earnings (loss) per share				
Basic	**$ 0.01**	$ (0.01)	**$ 0.04**	$ (0.01)
Diluted	**$ 0.01**	$ (0.01)	**$ 0.04**	$ (0.01)
Weighted average number of shares outstanding				
Basic	**347,202,965**	259,178,650	**344,626,022**	253,336,095
Diluted	**350,606,902**	259,178,650	**350,122,691**	253,336,095

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

IMPACT Silver Corp.

Condensed Consolidated Statement of Changes in Shareholders' Equity

(Canadian dollars)

	Shares Outstanding	Share Capital ($)	Warrants ($)	Contributed Surplus ($)	Accumulated Other Comprehensive Loss ($)	Accumulated Deficit ($)	Total Shareholders' Equity ($)
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**
Balance at December 31, 2025	330,204,017	118,984,565	9,623,779	12,634,616	(1,150,671)	(80,683,118)	59,409,171
Net income for the period	-	-		-	-	14,128,766	14,128,766
Warrants exercised	19,327,081	7,647,756	(1,346,910)	-	-	-	6,300,846
Warrants expired	-		(1,693,895)	1,693,895	-	-	-
Cumulative translation adjustments	-	-	-	-	3,325,793	-	3,325,793
(Loss) on investments	-	-	-	-	(523,526)	-	(523,526)
Balance at June 30, 2026	**349,531,098**	**126,632,321**	**6,582,974**	**14,328,511**	**1,651,596**	**(66,554,352)**	**82,641,050**

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

IMPACT Silver Corp.

Condensed Consolidated Statements of Cash Flows
For the Three and Six Months ended June 30

(Canadian dollars)

Cash resources provided by (used in)	Three Months ended **June 30, 2026**	Three Months ended June 30, 2025	Six Months ended **June 30, 2026**	Six Months ended June 30, 2025
Operating activities				
Net income (loss)	**$ 2,843,882**	$ (2,013,478)	**$ 14,128,766**	$ (2,108,945)
Items not affecting cash				
Amortization and depletion	**622,737**	644,258	**1,205,416**	1,287,010
Deferred income tax (recovery) expense	**(671,486)**	533,418	**6,665**	996,885
Non-cash option payment received	**(240,000)**	-	**(240,000)**	(460,000)
Accretion expense	**72,145**	52,781	**142,886**	105,048
Interest on lease liabilities	**5,544**	28,257	**11,896**	34,071
Interest on investments	**-**	-	**(26,827)**	-
Unrealized foreign exchange (gain)	**(89,044)**	(303,863)	**(110,466)**	(308,044)
Changes in non-cash working capital				
Trade and other receivables	**3,217,293**	105,897	**2,104,892**	(5,506)
Income taxes receivable	**(7,557,033)**	-	**(7,384,238)**	(117)
Inventories	**744,830**	(372,359)	**227,513**	(177,663)
Prepaid expenses and deposits	**(23,774)**	234,011	**(303,590)**	(32,687)
Trade payables and accrued liabilities	**(802,091)**	52,497	**574,134**	(15,750)
Income taxes payable	**3,005,432**	-	**8,178,836**	(107,126)
	1,128,435	(1,038,581)	**18,515,883**	(792,824)
Investing activities				
Proceeds on the sale of investments	**32,924**	92,744	**199,634**	162,574
Proceeds on redemption of guaranteed investment certificates	**4,052,590**	-	**4,052,590**	-
Acquisition of property, plant and equipment	**(671,778)**	(311,140)	**(1,405,674)**	(1,032,380)
	3,413,736	(218,396)	**2,846,550**	(869,806)
Financing activities				
Repayment of lease liabilities	**(36,870)**	(138,964)	**(74,141)**	(233,574)
Proceeds from exercise of warrants	**1,368,355**	14,608	**6,300,846**	14,608
Proceeds from private placement, net	**-**	5,009,833	**-**	5,009,833
	1,331,485	4,885,477	**6,226,705**	4,790,867
Effect of exchange rates on cash	**978,253**	82,041	**904,178**	110,330
Net change in cash	**6,851,909**	3,710,541	**28,493,316**	3,238,567
Cash at the beginning of the period	**45,340,575**	6,590,741	**23,699,168**	7,062,715
Cash at the end of the period	**$ 52,192,484**	$ 10,301,282	**$ 52,192,484**	$ 10,301,282

Supplemental cash flow information *(Note 21)*

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

1. Nature of operations

IMPACT Silver Corp. and its subsidiaries ("IMPACT" or the "Company") are engaged in silver, gold, zinc and lead mining and related activities including exploration, development and mineral processing in Mexico. The Company's mining operations are located near Zacualpan in the State of Mexico and in Guerrero State, as well as in the State of Chihuahua. The Company produces silver, gold, zinc, and lead sold in the form of lead and zinc concentrates.

IMPACT is incorporated under the laws of the Province of British Columbia, Canada. The Company's registered address is located at 303 – 543 Granville Street, Vancouver, British Columbia, V6C 1X8. The Company'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 Over-The-Counter Quality Best Market ("OTCQB") under the symbol "ISVLF".

2. Basis of Preparation

These condensed consolidated interim financial statements are prepared in accordance with International Financial Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards") applicable to the preparation of interim financial statements including International Accounting Standard ("IAS") 24, Interim Financial Reporting.

These unaudited condensed consolidated interim financial statements do not include all disclosures required by IFRS Accounting Standards for annual consolidated financial statements and accordingly should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2025 prepared in accordance with IFRS Accounting Standards.

These unaudited condensed consolidated interim financial statements were authorised for issue by the Board of Directors on August 20, 2026.

3. Material Accounting Policies, Estimates and Judgments

These unaudited condensed consolidated interim financial statements were prepared using the same accounting policies and methods of computation and are subject to the same use of estimates and judgments as the Company's consolidated annual financial statements for the year ended December 31, 2025.

The material accounting policies applied in these Interim Financial Statements are the same as those applied in the Company's Annual Financial Statements as at and for the year ended December 31, 2025. In preparing these Interim Financial Statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the Annual Financial Statements and should be read in conjunction with the Annual Financial Statements. The accounting policies applied in preparing these Interim Financial Statements have been applied consistently by the Company and by all subsidiaries in the group and are consistent with those disclosed in the Annual Financial Statements, except as described below:

a) Adoption of new accounting standards, interpretation or amendments

Classification and Measurement of Financial Instruments IFRS 9, IAS 7 and IFRS 7 (amendments)
During the three months ended March 31, 2026, the Company adopted amendments to IFRS 9 Financial Instruments, together with related amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures, relating to the settlement of financial assets and financial liabilities through electronic payment systems. These amendments clarify the timing of recognition and derecognition for electronically settled transactions and introduce an optional exception for certain electronic payment arrangements. The adoption of these amendments did not have a material impact the Company's Interim Financial Statement

(Canadian dollars)

4. Trade, value added taxes and other receivables

	June 30, 2026	December 31, 2025
Value added taxes receivable – current portion	**$ 19,209**	$ 15,282
Trade and other receivables	**4,179,415**	6,333,054
Total trade and other receivables	**$ 4,198,624**	$ 6,348,336
Value added taxes receivable – non-current portion	**$ 3,198,930**	$ 2,577,580

5. Inventories

	June 30, 2026	December 31, 2025
Materials and supplies	**$ 1,748,548**	$ 1,609,109
Stockpile inventory	**367,394**	177,924
Concentrate inventory	**80,542**	478,820
	$ 2,196,484	$ 2,265,853

The amount of inventories recognized as an expense in cost of sales during the six months ended June 30, 2026 was $23.0 million (June 30, 2025 - $15.9 million).

The amount of write-down of inventories to net realizable value during the six months ended June 30, 2026 was $0.3 million (June 30, 2025 - $0.04 million) relating to concentrate inventory.

6. Investments

	June 30, 2026	December 31, 2025
Marketable securities	**$ 783,390**	$ 1,266,550
Guaranteed investment certificates, including accrued interest	**-**	4,025,763
	$ 783,390	$ 5,292,313

7. Right of use assets

Balance at December 31, 2025	$ 194,797
Amortization	(62,534)
Foreign exchange movement	8,037
Balance at June 30, 2026	**$ 140,300**

(Canadian dollars)

8. Lease Liabilities

Balance at December 31, 2025	$	190,603
Interest		11,896
Repayments		(74,141)
Foreign exchange movement		7,531
Balance at June 30, 2026	**$**	**135,889**
Less: current portion	$	26,599
Non-current lease liabilities	$	109,290

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 15.2% (2025 – 13%).

The expected timing of undiscounted lease payments at June 30, 2026 is as follows:

Less than one year	$	45,077
More than one year		179,436
	$	224,513

9. Property, plant and equipment

	Plant and mine equipment ($)	Office furniture and equipment ($)	Surface rights ($)	Mining Assets ($)	**Total ($)**
Cost					
Balance at December 31, 2025	17,104,321	1,285,840	815,685	40,648,032	59,853,878
Additions	1,319,958	85,716	-	-	1,405,674
Foreign exchange movement	1,250,689	107,276	54,793	2,800,063	4,212,821
Balance at June 30, 2026	**19,674,968**	**1,478,832**	**870,478**	**43,448,095**	**65,472,373**
Accumulated amortization					
Balance at December 31, 2025	9,406,304	986,172	-	20,539,920	30,932,396
Amortization for the period	539,919	58,318	-	544,646	1,142,883
Foreign exchange movement	699,162	88,617	-	1,177,972	1,965,751
Balance at June 30, 2026	**10,645,385**	**1,133,107**	**-**	**22,262,538**	**34,041,030**
Net book value					
At December 31, 2025	7,698,017	299,668	815,685	20,108,112	28,921,482
At June 30, 2026	**9,029,583**	**345,725**	**870,478**	**21,185,557**	**31,431,343**

(Canadian dollars)

10. 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 $4,811,058.

Movements in the reclamation provision were as follows:

	Guadalupe	Plomosas	Capire	Total
Balance at December 31, 2025	$ 1,250,726	$ 577,973	$ 1,247,460	$ 3,076,159
Accretion	57,171	27,397	58,318	142,886
Foreign exchange movement	85,795	39,678	85,612	211,085
Balance at June 30, 2026	**$ 1,393,692**	**$ 645,048**	**$ 1,391,390**	**$ 3,430,130**

	Guadalupe	Plomosas	Capire
Anticipated settlement date	2034	2038	2036
Undiscounted value	$ 1,809,372	$ 1,006,206	$ 1,995,480
Estimated life of mine (years)	9.0	12.5	11.0
Discount rate (%)	8.83%	9.16%	9.03%
Inflation rate (%)	4.10%	4.16%	4.18%

11. Equity

a) Share capital

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

b) Share-based payments

On August 1, 2025, the Company's shareholders approved an omnibus equity incentive plan, whereby options, performance share units, restricted share units or deferred share units may be granted to directors, officers, consultants or employees at the discretion of the Company's board of directors, and vest immediately upon grant. The omnibus plan provides for the issuance of common shares from treasury with a maximum of 10% of the outstanding shares.

The following summarizes the continuity of the stock options:

	Number	Weighted Average Exercise Price ($)
Balance at December 31, 2025	8,530,000	0.53
Expired	(1,770,000)	0.90
Balance at June 30,2026	**6,760,000**	**0.43**

(Canadian dollars)

At June 30, 2026 the following stock options were outstanding:

Expiry Date	Exercise Price	Number of Options Outstanding	Weighted Average Remaining Life (Years)	Number of Options Exercisable
October 8, 2026	$0.48	1,965,000	0.27	1,965,000
December 24, 2030	$0.41	4,795,000	4.49	4,795,000
		6,760,000	**3.26**	**6,760,000**

c) Warrants

The following summarizes the continuity of share purchase warrants:

	Number	Weighted Average Exercise Price ($)
Balance at December 31, 2025	133,261,684	0.36
Exercised	(19,327,081)	0.33
Expired	(20,289,305)	0.34
Balance at June 30, 2026	**93,645,298**	**0.38**

As at June 30, 2026 the following share purchase warrants were outstanding:

Expiry Date	Weighted Average Exercise Price	Warrants Outstanding	Remaining Outstanding Life (Years)
October 19, 2026	0.35	26,224,765	0.30
November 3, 2026	0.35	1,898,092	0.35
June 4, 2027	0.26	230,000	0.93
September 17, 2027	0.45	46,338,834	1.22
May 20, 2028	0.24	12,030,167	1.89
June 4, 2028	0.24	6,923,440	1.93
		93,645,298	**1.08**

12. Revenues

The disaggregated information is as follows:

	Three Months ended		**Six Months ended**	
	June 30, 2026	June 30, 2025	**June 30, 2026**	June 30, 2025
Zinc-silver concentrate	**$ 863,845**	$ 1,919,280	**$ 2,194,884**	$ 5,000,934
Lead-silver concentrate	**20,645,927**	7,427,020	**49,103,161**	15,197,602
Gold concentrate	**2,107,764**	-	**2,107,764**	-
Provisional pricing adjustments	**(1,661,716)**	453,070	**(296,156)**	320,860
Total revenue	**$ 21,955,820**	$ 9,799,370	**$ 53,109,653**	$ 20,519,396

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

(Canadian dollars)

13. Cost of sales

	Three Months ended		Six Months ended	
	June 30, 2026	June 30, 2025	**June 30, 2026**	June 30, 2025
Raw materials and consumables	**$ 5,287,667**	$ 4,139,027	**$ 10,507,754**	$ 7,727,104
Purchase of third party ore	**1,822,055**	-	**1,822,055**	-
Salaries and employee benefits	**3,857,465**	2,812,876	**7,541,966**	5,353,524
Transportation	**1,111,160**	1,493,440	**2,767,774**	3,093,065
Depreciation and depletion	**588,137**	609,715	**1,138,111**	1,218,619
Change in inventories	**539,446**	(277,812)	**253,621**	(49,671)
	$ 13,205,930	$ 8,777,246	**$ 24,031,281**	$ 17,342,641

14. General and administrative expenses

	Three Months ended		Six Months ended	
	June 30, 2026	June 30, 2025	**June 30, 2026**	June 30, 2025
Accounting, audit & legal	**$ 419,971**	$ 212,363	**$ 756,334**	$ 374,039
Amortization	**34,599**	34,543	**67,305**	68,391
Investor relations, promotion & travel	**69,458**	95,631	**161,652**	185,879
Management fees & consulting	**476,864**	237,062	**811,260**	527,867
Office & sundry	**164,652**	152,565	**342,816**	282,416
Office salaries & services	**116,603**	499,705	**530,361**	723,615
	$ 1,282,147	$ 1,231,869	**$ 2,669,728**	$ 2,162,207

15. Exploration expenses

	Three Months ended		Six Months ended	
	June 30, 2026	June 30, 2025	**June 30, 2026**	June 30, 2025
Labour	**$ 745,745**	$ 327,532	**$ 1,205,348**	$ 653,825
Permits & Fees	**249,576**	173,197	**439,753**	361,645
Drilling	**560,940**	408,320	**679,521**	860,805
Supplies & Other	**330,401**	219,365	**593,425**	494,569
Option Payments	**(240,000)**	-	**(240,000)**	(460,000)
	$ 1,646,662	$ 1,128,414	**$ 2,678,047**	$ 1,910,844

(Canadian dollars)

16. Interest and finance income

	Three Months ended		Six Months ended	
	June 30, 2026	June 30, 2025	**June 30, 2026**	June 30, 2025
Interest income	**$ 272,880**	$ 55,867	**$ 514,952**	$ 92,442
Interest (expense)	**(5,544)**	(28,258)	**(11,897)**	(34,071)
Accretion (expense)	**(72,146)**	(52,781)	**(142,886)**	(105,048)
	$ 195,190	$ (25,172)	**$ 360,169**	$ (46,677)

17. Key management personnel compensation

Key management include persons having the authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The key management personnel of the Company are the members of the Company's executive management team and Board of Directors. Compensation provided to key management personnel is as follows:

	Three Months ended		Six Months ended	
	June 30, 2026	June 30, 2025	**June 30, 2026**	June 30, 2025
Salaries, bonus and benefits	**$ 232,925**	$ 407,775	**$ 470,250**	$ 596,550
Consulting fees (1)	**168,750**	31,250	**262,500**	62,500
	$ 401,675	$ 439,025	**$ 732,750**	$ 659,050

(1) Consulting fees were paid to VSBL Consulting, a company controlled by Jerry Huang, the VP Finance and former CFO of the Company, and to DPEK Consulting, a company controlled by Fernando Montoya, CFO of the Company since December 12, 2025.

At June 30, 2026 the total payable was $166,300, and was $80,417 at December 31, 2025.

18. 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.

To effectively manage the entity's capital requirements, the Company has a process in place 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.

(Canadian dollars)

19. Financial instruments and risk management

June 30, 2026	Amortized cost $	FVTPL $	FVOCI $	Total $
Financial assets				
Cash	52,192,484	-	-	**52,192,484**
Investments	-	-	783,390	**783,390**
Trade and other receivables	23,466	4,175,158	-	**4,198,624**
	52,215,950	4,175,158	783,390	**57,174,498**
Financial liabilities				
Trade payables and accrued liabilities	6,340,132	-	-	**6,340,132**

December 31, 2025				
Financial assets				
Cash and cash equivalents	23,699,168	-	-	23,699,168
Investments	4,025,763	-	1,266,550	5,292,313
Trade and other receivables	40,300	6,308,036	-	6,348,336
	27,765,231	6,308,036	1,266,550	35,339,817
Financial liabilities				
Trade payables and accrued liabilities	5,393,914	-	-	5,393,914

The categories of the fair value hierarchy that reflect the inputs to valuation techniques used to measure fair value are as follows:

Level 1 – quoted prices in active markets for identical assets or liabilities

Level 2 – inputs other than quoted prices include in Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3 – inputs for the asset or liability that are not based on observable market data

As at June 30, 2026, investments are measured as fair value using Level 1 inputs. The fair value of marketable securities is measured based on the quoted market price of the related common shares at each reporting date, and changes in fair value are recognized in accumulated other comprehensive income or loss.

Trade receivables are measured at fair value using Level 2 inputs. The fair value of trade receivables is measured based on inputs other than quoted prices for the underlying commodity prices (silver, gold, lead, zinc) to which the receivable relates as the trade receivables are provisionally priced at the time of sale. The majority of the Company's trade receivables arose from provisional concentrate sales and are valued using quoted market prices based on the forward London Metal Exchange for silver, gold, lead and zinc.

The carrying value of cash, other receivables, and trade payables and accrued liabilities approximate their fair values because of their short-term nature.

(Canadian dollars)

The methodology and assessment of inputs for determining the fair value of financial assets and liabilities as well as the hierarchy for the Company's financial assets and liabilities measured at fair value remains unchanged from that at December 31, 2025.
Credit risk

As at June 30, 2026, the Company's maximum exposure to credit risk at the reporting date is the carrying value of its cash, trade and other receivables. 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.

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. Management monitors and assesses the credit risk resulting from its concentrate sales, and believe it is not exposed to any significant credit risk.

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, 2026 of $52.2 million, and current assets exceeded current liabilities by $52.2 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 Company's current contractual obligations are summarized in the following table:

	Year 1	Years 2-4	After 5 years	Total
Trade payables and accrued liabilities	$ 6,340,132	$ -	$ -	$ 6,340,132
Current income taxes	9,828,072	-	-	9,828,072
Operating leases	26,599	37,295	71,995	135,889
Total contractual obligations	$ 16,194,803	$ 37,295	$ 71,995	$ 16,304,093

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. The Company performs sensitivity tests each year on the interest rate and a 10% change had no material impact to the Company's net income for the six months ended June 30, 2026.

Market risk

Market risk includes currency, price and commodity risk.

The Company's operations in foreign countries are subject to currency fluctuations and such fluctuations may materially affect the Company's financial position and results. 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, 2026, the Company is exposed to currency risk through the cash, trade and other receivables, and trade payables held in currencies other than the functional currencies of the Company and its subsidiaries. Based on these foreign currency exposures at June 30, 2026, a 10% depreciation or appreciation of these currencies against the Canadian dollar would result in an approximate $2.8 million decrease or increase in the Company's net income for the six months ended June 30, 2026.

The Company has shares in a publicly traded company that are measured at FVOCI which are exposed to 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, 2026 by $0.3 million (December 31, 2025 - $0.6 million).

20. 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.

As at June 30, 2026:

	Total Assets	Property, plant & equipment
Zacualpan (Mexico)	$ 59,817,453	$ 25,664,933
Plomosas (Mexico)	10,735,173	5,009,225
Corporate (Canada)	33,771,846	757,185
Total	**$ 104,324,472**	**$ 31,431,343**

As at December 31, 2025:

	Total Assets	Property, plant & equipment
Zacualpan (Mexico)	$ 36,179,906	$ 23,617,374
Plomosas (Mexico)	8,376,907	4,524,117
Corporate (Canada)	26,805,457	779,991
Total	**$ 71,362,270**	**$ 28,921,482**

(Canadian dollars)

For the three months ended June 30, 2026:

	Zacualpan (Mexico)	Plomosas (Mexico)	Corporate (Canada)	Total
Revenues	$ 18,538,170	$ 3,417,650	$ -	$ 21,955,820
Operating expenses	(7,380,767)	(5,237,026)	-	(12,617,793)
Amortization and depletion	(403,495)	(184,642)	-	(588,137)
Gross profit (loss)	**10,753,908**	**(2,004,018)**	**-**	**8,749,890**
General and administrative expenses	271,943	148,119	862,085	1,282,147
Exploration expenses	929,990	716,672	-	1,646,662
Operating income (loss)	9,551,975	(2,868,809)	(862,085)	5,821,081
Interest and finance income (expenses)	30,284	(13,833)	178,739	195,190
Foreign exchange gain (loss)	(1,073,340)	311,082	98,843	(663,415)
Income (loss) before income taxes	8,508,919	(2,571,560)	(584,503)	5,352,856
Current income tax expense	3,016,658	-	163,802	3,180,460
Deferred income tax expense	(671,486)	-	-	(671,486)
Net income (loss)	**$ 6,163,747**	**$ (2,571,560)**	**$ (748,305)**	**$ 2,843,882**

For the three months ended June 30, 2025:

	Zacualpan (Mexico)	Plomosas (Mexico)	Corporate (Canada)	Total
Revenues	$ 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)
Gross profit (loss)	**2,037,562**	**(1,015,438)**	**-**	**1,022,124**
General and administrative expenses	214,452	131,454	885,963	1,231,869
Exploration expenses	749,104	379,310	-	1,128,414
Operating income (loss)	1,074,006	(1,526,202)	(885,963)	(1,338,159)
Interest and finance (expenses) income	(60,696)	(11,180)	46,704	(25,172)
Foreign exchange gain (loss)	(259,413)	192,101	(49,417)	(116,729)
Income (loss) before income taxes	753,897	(1,345,281)	(888,676)	(1,480,060)
Current income tax expense	-	-	-	-
Deferred income tax expense	533,418	-	-	533,418
Net income (loss)	**$ 220,479**	**$ (1,345,281)**	**$ (888,676)**	**$ (2,013,478)**

(Canadian dollars)

For the six months ended June 30, 2026:

	Zacualpan (Mexico)	Plomosas (Mexico)	Corporate (Canada)	Total
Revenues	$ 47,877,815	$ 5,231,838	$ -	$ 53,109,653
Operating expenses	(14,052,967)	(8,840,203)	-	(22,893,170)
Amortization and depletion	(778,519)	(359,592)	-	(1,138,111)
Gross profit (loss)	**33,046,329**	**(3,967,957)**	**-**	**29,078,372**
General and administrative expenses	576,553	431,575	1,661,600	2,669,728
Exploration expenses	1,740,271	937,776	-	2,678,047
Operating income (loss)	30,729,505	(5,337,308)	(1,661,600)	23,730,597
Interest and finance (expenses) income	34,917	(27,397)	352,649	360,169
Foreign exchange gain (loss)	(294,382)	148,221	191,304	45,143
Income (loss) before income taxes	30,470,040	(5,216,484)	(1,117,647)	24,135,909
Current income tax expense	9,836,676	-	163,802	10,000,478
Deferred income tax expense	6,665	-	-	6,665
Net income (loss)	**$ 20,626,699**	**$ (5,216,484)**	**$ (1,281,449)**	**$ 14,128,766**

For the six months ended June 30, 2025:

	Zacualpan (Mexico)	Plomosas (Mexico)	Corporate (Canada)	Total
Revenues	$ 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)
Gross profit (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 expenses	846,440	1,064,404	-	1,910,844
Operating income (loss)	2,996,425	(2,332,897)	(1,559,824)	(896,296)
Interest and finance (expenses) income	(101,676)	(22,513)	77,512	(46,677)
Foreign exchange gain (loss)	(298,540)	184,030	(51,147)	(165,657)
Income (loss) before income taxes	2,596,209	(2,171,380)	(1,533,459)	(1,108,630)
Current income tax expense	3,430	-	-	3,430
Deferred income tax expense	996,885	-	-	996,885
Net income (loss)	**$ 1,595,894**	**$ (2,171,380)**	**$ (1,533,459)**	**$ (2,108,945)**

(Canadian dollars)

21. Supplemental cash flow information

The following table details additional supplementary cash flow information at:

	Three Months ended				Six Months ended			
		June 30, 2026		June 30, 2025		**June 30, 2026**		June 30, 2025
Cash received for interest income	**$**	**355,772**	$	46,842	**$**	**514,952**	$	80,803
Cash paid for income taxes	**$**	**-**	$	-	**$**	**1,649,236**	$	-

The following are the significant non-cash financing and investing transactions during the three months ended:

	Three Months ended				Six Months ended			
		June 30, 2026		June 30, 2025		**June 30, 2026**		June 30, 2025
Fair value of shares received	**$**	**240,000**	$	-	**$**	**240,000**	$	460,000
Imputed interest on lease liabilities	**$**	**5,544**	$	28,257	**$**	**11,896**	$	34,071