IMPACT Silver Corp.
Form 51-102F1
Management's Discussion and Analysis
For the Three and Six Months Ended June 30, 2026

INTRODUCTION

This Management's Discussion and Analysis ("MD&A") is for the six months ended June 30, 2026 of IMPACT Silver Corp. ("IMPACT" or the "Company") prepared as at August 20, 2026 and should be read in conjunction with the Company's annual audited consolidated financial statements for the year ended December 31, 2025 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 is recognized as an intermediate miner with strength across the value chain including production, growth and exploration activities. The Company has extensive land positions in Mexico with production and exploration potential at its flagship Royal Mines of Zacualpan Silver Gold District located southwest of Mexico City which includes the nearby Capire zinc-lead-silver mineral district. The Company also owns the Plomosas Zinc Mine, located in northern Mexico, 150 kilometres northeast of the city of Chihuahua.

The Company has been producing silver from epithermal veins at Zacualpan since 2006 with five mines feeding a central processing plant. Since production started, Zacualpan has produced approximately 14 million oz of silver. The Zacualpan district covers over 200 sq kilometres with numerous exploration targets which remain the focus of a long-term exploration program.

The Company maintains active exploration programs using its own diamond drills to continue to feed and expand its operations allowing for a cost-effective approach to exploration and mine development. Since 2006, the Company has conducted ongoing exploration programs that have led to meaningful development and production activities, with more than ten sites in the Zacualpan District having been developed into new mining operations since inception. Over that period, Zacualpan has generated more than $370 million in revenue, and contributed to the funding of capital expenditures, including property, plant and equipment, and mining assets, as well as exploration on both the Zacualpan and Plomosas properties.

IMPACT's performance is highly leveraged to silver prices and mining grades. Year-to-date 2026 reflected a positive combination of these two factors, most notably with increased production on the high-grade Kena vein in the Guadalupe mine.

FINANCIAL HIGHLIGHTS

Year-to-Date 2026

- Consolidated revenue for the first six months of 2026 was $53.1 million up from $20.5 million in 2025, of which $47.9 million was from Zacualpan on higher realized commodity prices and silver equivalent ounces ("AgEq")[1] sold.

- Year-to-date net income 2026 was $14.1 million compared to a loss of $2.1 million in the comparative period. Earnings per share to June 30, 2026 were $0.04.

- Net income from Zacualpan improved to $20.6 million up from $1.6 million in the comparative period in 2025, on higher revenue due to increased commodity prices and production. There was a net loss from Plomosas of $5.2 million compared to a net loss of $2.2 million in 2025 as mining operations were suspended during the period.

- Gross profit year-to-date 2026 was $29.1 million compared to $3.2 million in the comparative period in 2025, due to higher grades of and prices for silver along with increased tonnage throughput at Zacualpan. AgEq sales increased 53% to 503,835 oz compared to in 328,384 oz in 2025.

- During the six months ended June 30, 2026, 19.3 million warrants were exercised for proceeds of $6.3 million.

- Year-to-date 2026 the Company invested $2.7 million in exploration (2025 - $1.9 million).

At June 30, 2026, the Company had cash of $52.2 million, compared to $23.7 million in cash and $4.0 million invested in GICs at December 31, 2025. Working capital was $52.2 million up from $31.7 million at December 31, 2025. The Company had no long-term debt at June 30, 2026.

Q2 2026

- Consolidated revenue for Q2 2026 was $22.0 million, representing a 124% increase compared to revenue of $9.8 million Q2 2025.

- Gross profit for the Q2 2026 was $8.7 million, compared to $1.0 million in Q2 2025 on higher revenue and gross profit from Zacualpan.

- Consolidated net income in Q2 2026 improved to $2.8 million compared to net loss of $2.0 in Q2-2025 million. Earnings per share for Q2 2026 were $0.01.

- The temporary suspension of mining operations at Plomosas announced on March 20, 2026, was implemented in stages throughout Q2 2026. As a result, the second quarter absorbed the transition-related operating and administrative costs, and milled tonnage and metal sales declined significantly compared with the same period of 2025 with Plomosas processing approximately 2,670 tonnes of its own stockpiled ore, and 1,962 tonnes of gold-bearing ore from a third party on a test batch basis.

- During the quarter, 4.0 million warrants were exercised for proceeds of $1.4 million.

- In Q2 2026, the Company invested $1.6 million on exploration at Zacualpan and Plomosas (Q2 2025 - $1.1 million).

[1] Throughout this MD&A, silver equivalents production was calculated for the respective period based on metals production at average provisional silver, gold and lead prices before final price adjustments, treatment and refining charges.

In a highly volatile commodity market, the prior year's financings and current substantial working capital provide the opportunity to expand exploration programs, optimize production at the Zacualpan Mine, advance exploration at Plomosas, conduct a review of rehabilitating the Capire mill, and to actively look for new opportunities, primarily in the Mexican market. The Company has operated in Mexico for more than 20 years, and while mining legislation changes from time to time, the country remains a highly sought-after jurisdiction in which to operate.

The Company maintains strict cost controls and is focused on production efficiencies. Management regularly considers potential adjustments 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, and to test the potential of its current projects while maintaining leading Environmental, Social and Governance ("ESG") programs and standards.

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 Over-The-Counter Quality Best Market as ISVLF, and on the Frankfurt Stock Exchange under the symbol IKL.

We believe that our multi-decade experience building mines in Mexico, combined with our strong balance sheet, will allow IMPACT to continue significant growth in Mexico.

ZACUALPAN SILVER OPERATION

- During Q2 2026, the Guadalupe mill processed 36,908 t of mill feed at the Zacualpan/Guadalupe complex, up 8% from 34,173 t in Q2 2025.

- AgEq production from the Guadalupe complex in Q2 2026 was 221,385 oz, a 39% increase from 159,298 oz in Q2 2025. AgEq silver sales increased by 43% over the same period in 2025 primarily on higher grades and mill throughput. The average mill head grade for silver in Q2 2026 was up by 31% to 207 grams per tonne from 158 g/t in Q2 2025, but down from 251 g/t in Q1 2026. Silver currently comprises approximately 97% of the production value at Zacualpan.

- The realized price of silver per ounce in Q2 2026 increased by 95% to $67.91 from $34.83 in Q2 2025. Operating expenses increased to $7.4 million from $4.9 million in Q2 2025, increasing 9% per AgEq oz over Q2 2025. This was due to inflationary factors and ongoing development costs as the Company continued to optimize production and feed blend.

- During Q2 2026, IMPACT reported initial drill results from the north extension of the Carlos Pacheco Vein, including 114.5 g/t gold, 1,295 g/t silver and 1.10% copper over 0.61 metres within 9.79 g/t gold, 212 g/t silver and 0.29% copper over 9.49 metres (see IMPACT news release dated April 21, 2026). In June, IMPACT reported additional drill results including 1.3 g/t Silver over 5.72 m on the Carlos Pacheco Vein (see IMPACT news release dated June 15, 2026).

Zacualpan - Guadalupe Production Complex

The Company remains committed to its strategy of increasing grade, optimizing production, and controlling costs at the Guadalupe processing plant. During the last several months it has been undertaking extensive rehabilitation of the Guadalupe mine shaft and track system, as well as conducting development and exploration programs at the recently discovered Kena Vein to further outline the structure. In Q2 2025, the Company commenced delivering development "muck" from Kena to the mill. The Kena vein is now being explored and developed and mined on multiple levels. Over the last year, as the percentage of processed ore from Kena rises, there has been a significant increase in overall mill feed grade.

The Company restarted and began developing the Noche Buena/Carlos Pacheco mine with limited production in 2025. The development was complemented by a surface drill program which extended the Carlos Pacheco veins by 150m to the north (see IMPACT news release dated April 21, 2026 and IMPACT news release dated June 15, 2026) and is continuing.

At San Ramon, development is moving forward to test the new San Ramon South Deeps area with underground drilling which is a potential fourth stope in the mine.

Looking ahead, mine management is planning to shift the production mix toward higher-grade silver vein systems, including the new Kena vein complemented by gold veins at Carlos Pacheco. With the recent increase in the price of silver, the Company is also reviewing areas of slightly lower grades to incrementally add to production. Additionally, a focused program of definition and step-out drilling is ongoing with the goal expected to outline additional feed from the San Ramon, Carlos Pacheco, Noche Buena and Guadalupe mines.

PRODUCTION AND SALES: ZACUALPAN - GUADALUPE MILL

	Three Months Ended			**Six Months Ended**		
	June 30, 2026	June 30, 2025	Change	**June 30, 2026**	June 30, 2025	Change
Total tonnes milled	**36,908**	**34,173**	**+8%**	**74,830**	**69,185**	**+8%**
Tonnes produced per day ("tpd")	**406**	**376**	**+8%**	**413**	**382**	**+8%**
Average mill head grade – silver g/t	**207**	**158**	**+31%**	**229**	**158**	**+46%**
Silver produced (oz)	**214,728**	**145,682**	**+47%**	**483,188**	**295,131**	**+64%**
Lead produced (t)	**64**	**58**	**+11%**	**133**	**116**	**+15%**
Gold produced (oz)	**75**	**108**	**-31%**	**171**	**237**	**-28%**
AgEq produced (oz) [1.]	**221,385**	**159,298**	**+39%**	**497,416**	**324,003**	**+54%**
Silver sold (oz)	**218,387**	**143,517**	**+52%**	**489,918**	**299,640**	**+64%**
Lead sold (t)	**63**	**58**	**+8%**	**134**	**118**	**+13%**
Gold sold (oz)	**77**	**113**	**-32%**	**166**	**234**	**-29%**
AgEq sold(oz)	**225,095**	**157,599**	**+43%**	**503,835**	**328,384**	**+53%**
Realized silver price per oz [2.]	**$67.91**	**$34.83**	**+95%**	**$73.73**	**$33.29**	**+122%**
Realized gold price per oz [2.]	**$4,283.48**	**$3,317.15**	**+29%**	**$4,559.01**	**$3,106.42**	**+47%**
Realized lead price per pound [2.]	**$0.87**	**$0.90**	**-3%**	**$0.87**	**$0.89**	**-2%**
Operating expenses per AgEq oz [3.]	**$33.34**	**$30.65**	**+9%**	**$28.25**	**$29.75**	**-5%**

1. Silver equivalents are calculated using a 63.56:1(Ag/Au), and a 0.013:1(Ag/Pb) ratio for Q2 2026, and for Q2 2025 using a 95.29:1 (Ag/Au), and a 0.026:1 (Ag/Pb) ratio. Silver equivalents to June 30 are calculated using a 62.35:1(Ag/Au), and a 0.012:1(Ag/Pb) ratio for 2026, and for 2025 using a 92.89:1 (Ag/Au), and a 0.027:1 (Ag/Pb) ratio. Ratios are based on average silver, gold and lead prices during the respective period.
2. Based on realized sales prices and provisional sales prices before final adjustment and settlement, excluding treatment and refining charges.
3. Operating costs include mining, processing and direct overhead costs.

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 500+ tonnes per day. Upgrading operations, enhancing production and expanding the tailings capacity is an ongoing process. Additional work on a third tailings dam continues; it will add a provisional life of nine years of operations at the Guadalupe mill complex.

Guadalupe Silver Mine

The Guadalupe Mine, located adjacent to the Guadalupe mill, is 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 Q2 2026, the Guadalupe Mine supplied 50% of the mill feed, of which 31% came from the new Kena Vein, compared to 50% in Q2 2025. Monthly average mining grades during the quarter ranged from 148 to 195 g/t silver, augmented by higher monthly grades of 195 to 202 g/t silver from the Kena Vein. Production during the quarter was primarily sourced from the Kena, Rata and Delores veins on Levels 165, 170, 175 and 195. With its cost-efficient infrastructure and the discovery of the new Kena Vein, the Company is upgrading infrastructure within the mine for more efficient production going forward.

San Ramon Silver Mine

The San Ramon 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 Ramon Deeps zone and shifted focus to the San Ramon South zone, which was discovered in early 2021. In Q2 2026, the San Ramon South zone contributed 19% of the feed to the Guadalupe mill, compared to 17% in Q2 2025. Monthly average mining grades at San Ramon during the quarter ranged from 170 to 180 g/t silver. Production in Q2 2026 came from Levels 2, 9 and 10 in the San Ramon South zone.

Veta Negra Silver Mine

The Veta Negra Mine is a small open-pit operation that began production in 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 Q2 2026, the Veta Negra Mine supplied 11% of the feed to the Guadalupe mill compared to 13% in Q2 2025. Monthly average mining grades during the quarter ranged from 179 to 183 g/t silver.

Cuchara Silver Mine

The Cuchara Mine, located 2.5 kilometres east of the Guadalupe mill, began production in 2013. In Q2 2026, the Cuchara Mine supplied 15% of the feed to the Guadalupe mill compared to 15% in Q2 2025. 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 149 to 166 g/t silver.

Noche Buena-Carlos Pacheco Gold-Silver Mine

The Noche Buena-Carlos Pacheco Mine is located four kilometres southwest of the Guadalupe mill. The mine last produced between 2010-2014 and in August 2025 production restarted. Previous mine production came from three different sets of veins – the silver rich Noche Buena and San Juan Veins, and the gold-silver rich Carlos Pacheco Vein. In Q2 2026, the Noche Buena-Carlos Pacheco Mine contributed 5% of the feed to the Guadalupe mill in its third full operating quarter. Monthly average mining grades from both veins during the quarter ranged from 1.32 to 1.64 g/t gold and 140 to 166 g/t silver.

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), Veta Negra open pit mine (currently in operation), the Noche Buena-Carlos Pacheco Mine (currently in operation), Alacran Gold-Silver Mine (operated March 2023-July 2025), Chivo Silver Mine (operated 2007-2012), San Patricio (Chivo) Silver Mine (operated 2017-2018), 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. Exploration highlights were as follows:

Drilling

During the quarter, IMPACT reported initial drill results from the north extension of the Carlos Pacheco Vein, including 114.5 g/t gold, 1,295 g/t silver and 1.10% copper over 0.61 metres within 9.79 g/t gold, 212 g/t silver and 0.29% copper over 9.49 metres (see IMPACT news release dated April 21, 2026).

Later in the quarter, IMPACT reported additional drill results from the north extension of the Carlos Pacheco Vein, including 1,333 g/t silver over 5.72 metres (see IMPACT news release dated June 15, 2026).

Surface drilling is currently testing the new El Hueso target west of the Noche Buena Mine with plans to return to the Carlos Pacheco Vein north extension area in the coming months. Underground drilling is currently testing the updip extension of the Kena Vein in the Guadalupe Mine and a new underground drill station is being excavated in the San Ramon Mine to test the new San Ramon South Deeps area below current mining workings.

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 greenfields areas to define drill targets. Exploration targets are identified and prioritized using an extensive computer database, compiled over many years from historical maps, current exploration, and other technical data related to the project. Current surface mapping is focused on the Noche Norte area, north of Noche Buena-Carlos Pacheco Mine operations with the goal to define new drill targets.

Mining Plans

At Zacualpan, the Company has commenced production on the new high-grade Kena Vein in the Guadalupe Mine as well as other veins in the Pachuqueno area, while optimizing silver production. In August 2025, the Company restarted the Noche Buena-Carlos Pacheco gold-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.

With the recent good exploration drilling results on the Carlos Pacheco Vein, IMPACT is considering processing that material at the Capire mill instead of the Guadalupe mill, prior to the processing of the Capire open pit mineral resource. The Carlos Pacheco material appears to require a different process to achieve optimum gold and silver recoveries, and by dedicating the Capire mill, it may result in additional and superior returns while not interrupting the Guadalupe mill operations in processing its normal feed of silver/lead material.

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/t 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 tonne per day ("tpd") 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 at Zacualpan. The Company's long-term vision sees potential for establishing multiple mills throughout the districts, each fed by multiple mines producing silver, lead and zinc, as well as gold.

PLOMOSAS ZINC OPERATION

The temporary suspension of mining operations at Plomosas announced on March 20, 2026 was implemented progressively through the second quarter rather than as an immediate stoppage. Ore already broken and stockpiled continued to be processed early in the period, so the operation recorded a reduced level of zinc, lead and silver production during Q2 2026. The underground workforce was reduced in stages, while plant and administrative personnel were largely retained in order to wind down mining in an orderly manner, close out outstanding matters, keep the asset and its permits in good standing, and direct the continuing exploration and geological work. As a result, the second quarter absorbed the transition-related operating and administrative costs, and milled tonnage and metal sales declined significantly compared with the same period of 2025, with the Plomosas mill processing approximately 2,670 tonnes of the mine's own ore during the quarter.

During the suspension, and in order to keep the processing plant and surface infrastructure productive, the Company continued its discussions with a nearby third-party operator regarding the processing of external feed through the Plomosas plant. To advance these discussions and give both parties greater confidence in the arrangement under negotiation, the parties agreed to carry out an industrial test through the Company's flotation circuit, on a basis substantially similar to the counterparty's existing operation. Under the test, the Company processed approximately 1,962 tonnes of gold-bearing ore at an average head grade of 8.71 grams per tonne gold, achieving a flotation recovery of approximately 75%; the resulting gold-bearing concentrate was sold by the Company on its own account. The test allowed both parties to validate grades, metallurgical recovery and operating parameters under actual processing conditions, supporting the ongoing negotiations toward a potential longer-term feed arrangement.

Throughout the quarter, the Company maintained Plomosas in good operating and regulatory standing, including the continued recovery of lead oxide from the tailings pond through the oxide circuit, and preserved the mill and surface infrastructure so that Plomosas can operate as a flexible processing centre capable of handling multiple feed sources under a future restart.

Plomosas Exploration

The Plomosas property encompasses extensive carbonate replacement deposit-type (CRD) zinc (-lead-silver) mantos (beds) and chimneys with exploration upside along a prospective 6-kilometre structure. During 2025, the Company compiled and reinterpreted historical geophysical studies, identifying several drill targets on the property. A surface and underground drilling program is continuing aimed at extensions of the known mineralization including historic mine sites, and testing potential new discovery targets. Mapping, IP geophysics and sampling programs are also continuing to assess the exploration potential of the property with the aim of identifying new greenfields drill 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.)

During the quarter, the Company continued its exploration program at Plomosas, spending $0.7 million. Combined with the closure expenses during the period, this contributed to costs remaining elevated in Q2 2026. Consistent with the suspension framework, resources were reallocated toward geological reinterpretation and targeted drilling. During the quarter, the Company completed approximately 2,986 metres of surface drilling and 1,907 metres of underground drilling, with drilling and related exploration activities representing an aggregate cost of approximately $1.2 million CAD, and with activity increasing toward the end of the period. This work advanced a revised structural interpretation in which high-grade mineralization is understood to be controlled by a reactivated fault corridor and associated brecciation and dilation, rather than by the previously interpreted lithological contact. The objective is to better delineate the known ore bodies and to identify additional mineralized zones along the trend — including the Mina Juárez, Alfoncitos, Dipolo and La Chona (gold-copper) targets — in support of a more robust and better-defined restart of mining.

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.

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 cited 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 formal reporting on those activities in 2022 with reports available on the Company's website.

The Company has social, environmental, and other policies related to its operations and promotes a culture of 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 drill 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 proven to be very cost effective and flexible, 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 relatively benign and 100% of tailings water is either recycled or lost to evaporation. As part of a regular process of periodic reviews independent engineers conduct studies on operations and management regularly follows their recommendations.

Further work on tailings pond facility #3 was initiated late in 2025 anticipating a need for extra tailings capacity in 2027. This facility is projected to accommodate approximately nine years of production tailings from the Guadalupe mill complex in the future with construction having commenced.

Over the course of the last five years, trees have been planted as part of the permitting process for the new tailings 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 23,671 trees of various indigenous species to date. A further 10,000 trees are expected to be planted over the next few years.

In areas surrounding the mine's property, tailings facilities and the complex's support facilities, the Company, collaborating with local farmers, have planted over 4,000 agave plants. The Company maintains a greenhouse for nurturing the initial plants before being transferred to the field. Plans are in place for further agave plants to be planted over the next few 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 in conjunction with the respective communities, new schools and modern health clinics. 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.

The Company employs a medical team to administer vaccines and conduct weekly health inspections of all its employees. The fully equipped ambulance on site, services the mine and the local communities when required.

The mine has a dedicated mine rescue team, who regularly trains for emergencies both underground and for local disasters.

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 requires a sensitive program to enhance the environmental and social situation. Distribution of water from the mine is carefully monitored and located where local ranchers can potentially source it for their animals etc. Water in the tailings pond remaining after evaporation is recycled. The Company continues to conduct studies for reducing fuel used in power generation.

While operating in a relatively remote location, the Company uses the closest town located approximately 25 minutes drive away in order to accommodate its workers. In addition to engaging local suppliers, local personnel are hired and trained whenever possible, providing an opportunity for the community to generate employment. Discussions are ongoing as to opportunities to help improve the local communities' infrastructure.

INVESTOR RELATIONS

The Company builds investor awareness and shareholder value by conducting virtual and in-person institutional and retail investor presentations and attending investment and mining-related conferences. With dynamic changes occurring in the marketplace and the economy, the Company also continues to strengthen its presence via social media and other online marketing channels.

The Company is continually enhancing its website and investor materials to assist stakeholders in understanding its activities and the potential of the entire Royal Mines of Zacualpan and Plomosas districts, as well as ongoing communication of exploration and production plans. 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 information located on its website or press releases.

METALS MARKET OVERVIEW

Silver

According to *The Silver Institute*, global silver demand in 2026 is expected to remain near 1.2 billion ounces, supported by sustained strength in industrial applications. Industrial demand is projected to remain close to 650–680 million ounces, continuing to represent the largest segment of silver consumption. Factors include:

- Rapid growth in solar photovoltaic installations, where silver is a critical component in conductive pastes used in solar cells.
- Rising electric vehicle production and electrification trends, which require significantly higher silver content for advanced electronics and power systems.
- Expanding global electrification and grid infrastructure, increasing demand for silver's superior electrical conductivity.
- Constrained mine supply growth, as a large portion of global silver production is derived as a by-product of lead, zinc, and copper mining.

Long-term industry forecasts indicate that the silver market is expected to continue expanding through the next decade, with global market growth projected at approximately 4–5% annually through 2034, reflecting the metal's increasing role in global electrification and energy transition technologies.

Zinc

According to the *International Lead and Zinc Study Group*, global refined zinc demand has increased by approximately 1.1% in 2025 to 13.71 million tonnes and a further 1.0% in 2026 to about 13.86 million tonnes.

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 electric vehicles has driven higher demand for zinc alloys due to their strength and lightweight properties.

The global zinc market is expected to grow at a compound annual growth rate of 5.0%, potentially reaching a valuation of $90.0 billion by 2030, as industries focus on sustainability and technological advancements. *(Source: Lucintel Market Research).*

FINANCIAL DISCUSSION

Summary of Q2 Results

In thousands except for earnings per share		Three months ended **June 30, 2026**		June 30, 2025
Revenue	**$**	**21,956**	$	9,799
Net income (loss)	**$**	**2,844**	$	(2,013)
Earnings (loss) per share – basic and diluted	**$**	**0.01**	$	(0.01)

Net income for the second quarter of 2026 was impacted by the following factors:

- The net income in Q2 2026 improved to $2.8 million from a net loss of $2.0 million in Q2 2025 on higher revenue driven by increased commodity prices and production at Zacualpan.

- There was an improvement in the consolidated gross profit in Q2 2026 to $8.7 million from $1.0 million in Q2 2025, with revenue increasing by $12.1 million in Q2 2026 over the comparable period in 2025. Cost of sales increased $4.4 million over Q2 2025 to $13.2 million.

- Revenue from Zacualpan increased to $18.5 million in Q2 2026 from $7.4 million in Q2 2025 as the price of silver realized increased 95% to $67.91, but down from $77.91 in Q1 2026. Silver grades improved 31%. $77.91 in Q1 2026. The total AgEq sold in Q2 2026 increased 43% to 225,095 oz over the comparative period in 2025.

- Operating expenses at Zacualpan were $7.4 million in Q2 2026 up from $4.9 million in Q2 2025, due primarily to inflationary and foreign exchange pressures combined with additional salary payments to union employees, as well as increased underground development. As a result, the cost per AgEq oz produced increased 9% to $33.34 from $30.65 in Q2 2025.

- The gross profit (revenue less cost of sales) from Zacualpan in Q2 2026 increased to $10.8 million from $2.0 million in Q2 2025.

- On March 20, 2026, the Company announced a temporary suspension of underground mining at Plomosas following a review of operating performance and cost structure, including a detailed assessment of underground operations, production rates, grade and cost performance. The suspension was implemented throughout Q2 2026, with the underground workforce and operations reduced in stages.

- Plomosas revenue in Q2 2026 was $3.4 million compared to $2.4 million in Q2 2025. The revenue was generated from 2,670 tonnes of Plomosas ore stockpiled prior to the suspension, 1,962 tonnes of gold bearing ore from a third party mine, as well as lead oxide recovered from the tailings pond.

- Operating expenses at Plomosas were $5.2 million in Q2 2026 up from $3.3 million in Q2 2025, due to employee severance and other closure costs, as well as the purchase of third party ore for $1.8 million which was processed and sold during the quarter.

- The gross loss (revenue less cost of sales) from Plomosas in Q2 2026 was $2.0 million compared to $1.0 million in Q2 2025.

- General and administrative costs in Q2 2026 were marginally higher at $1.3 million compared to $1.2 million in Q2 2025.

- In Q2 2026, the Company expensed $1.6 million in exploration costs (Q2 2025 - $1.1 million), of which $0.9 million was at Zacualpan and $0.7 million at Plomosas.

- The Company recorded $0.3 million in interest income in Q2 2026 (Q2 2025 - $0.06 million), and interest expense and accretion of $0.1 million (Q2 2025 - $0.07 million).

- In Q2 2026, the Company recorded a provision for deferred income tax recovery of $0.7 million (Q2 2025 –$0.5 million loss) and income tax expense of $3.2 million (Q2 2025 - $nil).

- There was a foreign exchange loss of $0.7 million in Q2 2026 (Q2 2025 –$0.1 million loss).

Summary of Year-to-Date Results

In thousands except for earnings per share		**Six months ended June 30, 2026**		June 30, 2025
Revenue	**$**	**53,110**	$	20,519
Net income (loss)	**$**	**14,129**	$	(2,109)
Earnings (loss) per share – basic and diluted	**$**	**0.04**	$	(0.01)

Net income for the first six months of 2026 was impacted by the following factors:

- The net income for the six months ended June 30, 2026 improved to $14.1 million from a net loss of $2.1 million in Q2 2025 on higher revenue from Zacualpan.

- There was improvement in the consolidated gross profit in 2026 to $29.1 million from $3.2 million in 2025, primarily due to revenue increasing by $32.6 million in 2026 over the comparable period in 2025. Cost of sales increased to $24.0 million from $17.3 million in Q2 2025.

- Revenue from Zacualpan was $47.9 million in the six months ended June 30, 2026, compared to $14.6 million in 2025, as the price of silver realized increased 122% to $73.73, and silver grades improved 46% over the comparative period in 2025. The total AgEq sold during the period increased 53% to 503,835 from 328,384 in 2025.

- Operating expenses at Zacualpan were $14.1 million in 2026 up from $9.6 million in 2025. The increase in operating costs was due to inflationary factors and a higher Mexican peso to Canadian dollar exchange rate during the period, combined with additional salary payments to union employees, as well as increased production and development. However, the cost per AgEq oz produced decreased 5% to $28.25 in 22026 from $29.75 in 2025 on higher AgEq production.

- The gross profit (revenue less cost of sales) from Zacualpan in 2026 increased to $33.0 million from $4.2 million in 2025.

- Plomosas revenue in 2026 decreased to $5.2 million, from $5.9 million in 2025. During Q1 2026, revenue of $1.8 million was sourced from processing and selling Plomosas ore. However, in Q2 2026, the Company implemented a temporary suspension of underground mining operations at Plomosas based on a review of operating performance and costs. As a result, and the revenue in Q2 2026 of $3.4 million was generated from 2,670 tonnes of Plomosas ore stockpiled prior to the suspension, 1,962 tonnes of gold bearing ore from a third party mine, as well as lead oxide recovered from the tailings pond.

- Operating expenses at Plomosas were $8.8 million up from $6.5 million in 2025 which included additional costs for severance and other closure expenses, as well as the purchase of third party ore for $1.8 million in Q2 2026.

- The gross loss (revenue less cost of sales) from Plomosas in 2026 was $4.0 million compared to $1.0 million in 2025.

- General and administrative costs in 2026 were $2.7 million compared to $1.9 million in 2025. Accounting, audit and legal fees increased by $0.4 million on additional regulatory requirements, and office salaries and services decreased by $0.1 million over the same period in 2025.

- Year-to-date 2026, the Company spent $2.7 million in exploration costs (2025 - $1.9 million), of which $1.7 million was at Zacualpan and $1.0 million was at Plomosas.

- The Company recorded $0.5 million in interest income in 2026 (2025 - $0.1 million), and interest expense and accretion of $0.1 million (2025 - $0.1 million).

- In 2026, the Company recorded a provision for deferred income and current income tax expense of $10.0 million based on the estimated taxable income from Zacualpan (Q2 2025 - $1.0 million).

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)

	June 30 2026	Mar 31 2026	Dec 31 2025	Sep 30 2025	June 30 2025	Mar 31 2025	Dec 31 2024	Sept 30 2024
Revenue	21,956	31,154	17,318	10,681	9,799	10,720	10,187	8,645
Net income (loss)	2,844	11,285	(7,546)	(604)	(2,013)	(95)	1,587	(3,101)
Earnings (loss) per share – Basic and Diluted	0.01	0.03	(0.02)	(0.00)	(0.01)	(0.00)	0.01	(0.01)
Total assets	104,324	95,122	71,362	72,303	54,718	52,130	51,154	51,189
Total liabilities	21,683	19,268	11,953	8,781	7,478	9,016	8,825	10,518

* *Loss per share numbers have been rounded to two decimal places*

Liquidity, Financial Position and Capital Resources

Working Capital and Cash Flow

The Company's objective when managing capital is to maintain adequate levels of funding to support the acquisition, exploration and development of resource properties and maintain the necessary corporate and administrative functions to facilitate these activities. This is done primarily through equity financings and funds generated from operations. Future financings are dependent on market conditions and there can be no assurance the Corporation will be able to raise funds in the future. The Company invests all capital that is surplus to its immediate operational needs in interest bearing accounts in USD or CAD based on future spending requirements and consensus foreign exchange estimates.

At June 30, 2026, the Company had cash of $52.2 million (December 31, 2025 - $23.7 million, plus $4.0 million in GICs). Working capital was $52.2 million, up from $31.7 million at December 31, 2025. The Company had no long-term debt at June 30, 2026.

During the three months ended June 30, 2026:

- In Q2 2026, cash increased $6.9 million compared to $3.7 million in Q2 2025. This increase included proceeds on the redemption of GICs in the amount of $4.0 million.

- Cash flows from operating activities in 2026 were $1.2 million up from a decrease of $1.0 million in the comparative period in 2025 on net income of $2.8 million in Q2-2026 (Q2 2025 - loss of $2.0 million). During the quarter, the Company paid $7.6 million (Q2-2025 – nil) in income tax installments for 2026.

- During the three months ended June 30, 2026, 4.0 million share purchase warrants were exercised for proceeds of $1.4 million. In Q2-2025 the Company received net proceeds of $5.0 million from a private placement.

- In Q2 2026, the Company invested $0.7 million (Q2 2025 - $0.3 million) in property, plant and equipment, of which $0.1 million was invested at Plomosas and $0.6 million invested at Zacualpan.

During the six months ended June 30, 2026:

- For the six months ended June 30, 2026 cash increase $28.5 million compared to $3.2 million in 2025, of which $4.0 million was from the redemption of GICs.

- Cash flows from operating activities improved to $18.5 million from a loss of $0.8 million in 2025, on net income of $14.1 million compared to a net loss of $2.1 million in 2025. During the period, the Company paid $9.2 million of income taxes (2025 – nil), composed of $1.6 million for 2025 income taxes, and $7.6 million for 2026 income tax installments.

- In the six months ended June 30, 2026, the Company received proceeds on the sale of investment of $0.2 million (2025 - $0.2 million), and paid $0.1 million (2025 - $0.2 million) on leases.

- During the six months ended June 30, 2026, 19.3 million share purchase warrants were exercised for proceeds of $6.3 million. In 2025 ,the Company received net proceeds of $5.0 million from a private placement.

- In 2026, the Company invested $1.4 million (2025 - $1.0 million) in property, plant and equipment, of which $0.2 million was invested at Plomosas and $1.2 million invested at Zacualpan.

Outstanding Share Data

The following common shares and convertible securities were outstanding at August 20, 2026:

	# of Shares	Exercise Price	Expiry Date
Issued and outstanding common shares	349,531,098		
Stock options	1,965,000	$0.48	October 8, 2026
Stock options	4,795,000	$0.41	December 24, 2030
Warrants	26,224,765	$0.35	October 19, 2026
Warrants	1,898,092	$0.35	November 3, 2026
Warrants	12,030,167	$0.24	May 20, 2028
Warrants	230,000	$0.26	June 4, 2027
Warrants	6,923,440	$0.24	June 4, 2028
Warrants	46,338,834	$0.45	September 17, 2027
Fully diluted	449,936,396		

All of the 6,760,000 stock options outstanding have vested.

OFF BALANCE SHEET ARRANGEMENTS

At the date of this document, the Company had no off balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

During the three and six months ended June 30, 2026 and 2025, the compensation provided to directors, officers, and other members of key management of the Company was 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,

CRITICAL ACCOUNTING ESTIMATES AND CHANGE IN ACCOUNTING POLICIES

The preparation of the consolidated financial statements requires the Company's management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Judgment is used mainly in determining whether a balance or transaction should be recognized in the consolidated financial statements. Estimates and assumptions are used mainly in determining the measurement of recognized transactions and balances. However, judgments and estimates are often interrelated. Actual results may differ from these estimates.

Estimates and judgments are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected. Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements, as well as estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are detailed in Note 4 of the Company's consolidated financial statements for the year ended December 31, 2025, which are available on the Corporation's website and www.sedarplus.ca.

FINANCIAL INSTRUMENTS AND MANAGEMENT OF FINANCIAL RISK

Financial assets and liabilities

The Company's financial instruments consist of cash, trade and other receivables, investments, and trade payables and accrued liabilities. Cash and other receivables are measured at amortized cost. Trade receivables are measured at fair value through profit or loss. Investments are comprised of guaranteed investments certificates and marketable securities. GICs are classified as financial assets measured at amortized cost, as they are held to collect contractual cash flows that represent payments of principal and interest. Marketable securities are designated at fair value through other comprehensive income (loss) ("FVOCI") and measured at fair value as determined by reference to quoted market prices. Trade payables and accrued liabilities 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.

The Company is exposed to a number of risks and uncertainties that are common to other mineral exploration and development companies. The mining industry is capital intensive at all stages and is subject to variations in commodity prices, market sentiment, exchange rates for currency, inflation and other risks.

Details of the Company's financial risks and financial instruments are detailed in Note 18 of the Company's condensed consolidated financial statements for the six months ended June 30, 2026, which are available on the Company's website and www.sedarplus.ca.

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.

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 period 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).

POLITICAL, REGULATORY, SECURITY AND OTHER 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.

Changes in climate conditions, such as increased temperatures, shifting precipitation patterns, and more frequent extreme weather events (e.g., hurricanes, floods, wildfires) pose potential operational and financial risks. These events may disrupt supply chains, damage facilities, and increase costs related to repairs, insurance, and business continuity planning. In addition, changes in regulatory requirements regarding climate impacts could result in additional compliance costs and potential penalties.

The Company's operations rely on natural resources, including water, energy, and raw materials. Resource scarcity, resulting from overuse, pollution, or environmental degradation, could increase procurement costs, constrain production, or reduce the Company's competitive advantage. Additionally, any inability to secure sustainable resource sources could impact our long-term business sustainability.

The Company has identified a variety of additional risks and uncertainties including, but not limited to, (i) mineral resources and reserves estimates and replacement of depleted reserves, (ii) production estimates, (iii) development, capital projects and operations of mines, (iv) competition, (v) acquisitions and divestitures, (vi) title matters, (vii) water supply, (viii) regulatory and other risks, (ix) permits, (x) environmental, health and safety regulations, (xi) political and related risks, (xii) insurance, (xiii) reliance on key personnel and labour relations, (xiv) community relations and license to operate, (xv) litigation, (xvi) conflicts of interest, (xvii) controlling shareholder, and (xviii) share trading volatility.

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.

DISCLOSURE CONTROLS AND PROCEDURES

The Company's management is responsible for establishing and maintaining adequate internal controls over financial reporting ("ICFR") and disclosure controls and procedures ("DC&P") in accordance with the requirements of National Instrument 52-109. ICFR is a framework designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS Accounting Standards. DC&P are designed to provide reasonable assurance that material information required to be disclosed by the Company under securities legislation is recorded, processed, summarized and reported within the applicable time periods and to ensure that required information is gathered and communicated to the Company's management, including the Chief Executive Officer (CEO) and Chief Financial Officer (CFO) as is appropriate to permit timely decisions regarding public disclosure. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives.

There have been no significant changes in the Company's internal controls over financial reporting in the period ended June 30, 2026, that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

SUPPLEMENTARY INFORMATION

NON-IFRS ACCOUNTING STANDARDS MEASURES

The non-IFRS Accounting Standards measures presented do not have any standardized meaning prescribed by IFRS Accounting Standards 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 Accounting Standards. The Company uses both IFRS Accounting Standards and non-IFRS Accounting Standards measures to assess performance and believes the non-IFRS Accounting Standards measures provide useful information to investors to help in evaluating the Company's performance. Following are the non-IFRS Accounting Standards measures the Company uses in assessing performance:

Working capital

Working capital is a non-IFRS measure that is a common measure of liquidity but does not have any standardized meaning. Working capital is calculated by deducting current liabilities from current assets as follows:

		June 30, 2026		December 31, 2025
Current assets	**$**	**68,422,119**	$	38,607,872
Current liabilities		**16,194,803**		6,957,268
Working capital	**$**	**52,227,316**	$	31,650,604

Operating cost per AgEq

Commencing Q1 2026, the Company improved its production disclosure by reporting silver equivalent ("AgEq") for production, sales and operating costs per AgEq produced. The Company considers AgEq ounces to be a useful supplemental production metric which is commonly used in the mining industry as a reference metric to facilitate period over-period comparisons. This should be viewed as supplemental to, and not a substitute for, the actual metal production volumes disclosed on a metal-by-metal basis.

AgEq ounces is calculated by applying conversion factors that normalizes the value of each non-reference metal to the selected reference metal. For AgEq ounces, the values of gold and lead are converted into silver equivalent ounces. Each conversion factor is derived from the ratio of the in-situ metal value of the contained fine metal to the price of the reference metal used in the equivalency calculation. The denominator used to calculate AgEq ounces is the silver price. This methodology expresses multi-metal production in a common unit of measure. Since the silver price is the denominator in each metric, price variations can significantly affect the result, especially when one metal price changes significantly relative to the other metal prices.

This measure is calculated as follows for Zacualpan:

	Three Months Ended				**Six Months Ended**			
		June 30, 2026		June 30, 2025		**June 30, 2026**		June 30, 2025
Cost of sales	**$**	**7,784,261**	$	5,322,395	**$**	**14,831,486**	$	10,352,975
Less: amortization and depletion		**(403,495)**		(440,666)		**(778,519)**		(713,893)
Operating expenses	**$**	**7,380,766**	$	4,881,728	**$**	**14,052,967**	$	9,639,082
Divided by silver equivalent produced (oz)		**221,385**		159,298		**497,416**		324,003
Operating expenses/AgEq oz produced	**$**	**33.34**	$	30.65	**$**	**28.25**	$	29.75

The Company's method of calculating these non-IFRS accounting standards 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 ACCOUNTING STANDARDS as an indicator of the Company's performance.

CAUTIONARY NOTE REGARDING FORWARD–LOOKING STATEMENTS

This MD&A contains forward-looking statements or forward-looking information relating to IMPACT (collectively, "forward-looking information"). Forward-looking information is often, but not always, identified by the use of words such as "plan", "expect", "project", "predict", "potential", "targeting", "intend", "believe", "potential", and similar expressions, or describes a "goal", or variation of such words and phrases or state that certain actions, events or results "may", "should", "could", "would", "might" or "will" be taken, occur or be achieved. Forward-looking information in this MD&A includes information concerning, among other things, strategies, plans and expectations concerning the Company's, business and operations, including those in respect of the Zacualpan, Plomosas, Capire and other projects, and the anticipated outcomes thereof; the status and potential outcomes of discussions with third parties regarding potential operational arrangements on nearby mining projects and the Company's outlook in respect of the metals market, including the demand for silver and zinc. 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 forward-looking information in this MD&A is based on the beliefs and assumptions of IMPACT management considered reasonable as of the date hereof, including but not limited to the assumption that the temporary suspension and continued exploration work at Plomosas will produce the expected results; that the Company's development, exploration and other business activities will not be adversely disrupted or impeded by regulatory, political, community, economic, environmental and/or health and safety risks; that management's projections will be validated over time; and general business and economic conditions will not change in a materially adverse manner. Should any one or more risks or uncertainties materialize or change, or should any underlying assumptions prove incorrect, actual results and forward-looking statements may vary materially from those described herein.

Factors that could cause actual results to differ materially include, but are not limited to, the following: unfavorable economic conditions; changes in financial markets; the impact of exchange rate fluctuations; unstable 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 and epidemics; the ability to properly and efficiently staff the Company's operations; the sufficiency of current working capital; the estimated cost and availability of funding for the continued exploration and development of the Company's exploration properties; and other risks and uncertainties involved in the mineral exploration and development industry. 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.

APPROVAL

The Board of Directors of IMPACT have approved the disclosure contained in this MD&A.

On behalf of the Board of Directors,

"Frederick W. Davidson" - President and Chief Executive Officer

August 20, 2026