

IMPACT Silver Corp.
Form 51-102F1
Management's Discussion and Analysis
For the Three and Twelve Months Ended December 31, 2025

INTRODUCTION

This Management's Discussion and Analysis ("MD&A") is for the three and twelve months ended December 31, 2025 of IMPACT Silver Corp. ("IMPACT" or the "Company") prepared as at April 13, 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. During the year ended December 31, 2024, the Company amended and restated certain of its financial information (see audited consolidated financial statements for the year ended December 31, 2024 posted on SEDAR+ for details). As a result, certain comparative quarterly amounts below have been restated to take these amendments and restatements into account. 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 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. The silver production in 2025 at Zacualpan was 635,778 ounces ("oz") of silver, a 7% increase over the previous year, and Q4 production reached 190,253 oz a 17% increase over the comparable quarter in 2024. Overall production since start up in 2006, Zacualpan has produced almost 14.0 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.

In April 2023, the Company acquired Plomosas, a Carbonate Replacement Deposit ("CRD") mine which was in an early stage of producing zinc (lead-silver) while offering exploration upside. After two years of ramping up production, the Company assessed the performance of the underground operations at Plomosas, and determined that continuing mining with the current mining plan was not expected to deliver sustainable economic results. As a result, subsequent to year end, the Company elected to temporarily suspend underground mining while it works toward a more efficient and sustainable operating plan.

In late Q4, the Company identified impairment indicators for the Plomosas cash generating unit ("Plomosas CGU"), as the underground performance did not consistently meet internally established operating thresholds required for sustainable results which required management to determine the recoverable amount of the Plomosas CGU. A \$8.8 million impairment loss was recognized.

The Company is in advanced-stage discussions with a nearby third-party mining company to utilize the Plomosas processing plant during the suspension period to generate cash flows. The suspension is also

expected to reduce operating costs, preserve capital and improve overall capital efficiency until Plomosas can be restarted under a new sustainable operating plan.

The Company maintains active exploration programs using its own diamond drills to continue to feed and expand its operations while providing shareholders with meaningful upside potential across the Company's projects. 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. However, the industry remains uncertain as to the impact of proposed Mexican legislation related to mining and its judicial system.

In a highly volatile commodity market, the recent financings and substantial working capital provide the opportunity to expand exploration programs, optimize production at the Zacualpan Mine, advance development at Plomosas and to actively look for new opportunities, primarily in the Mexican market.

Consolidated revenue for the twelve months ended December 31, 2025 was \$48.5 million, up 52% from 2024 of \$31.9 million, while Q4 2025 revenue was \$17.3 million up 70% from the comparative period in 2024 of \$10.2 million. The Company's year to date 2025 gross profit continued to be positive at \$10.4 million, compared to a loss of \$2.2 million in 2024.

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 produced almost 14.0 million ounces of silver, generated more than \$322 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. Drilling is carried out primarily with the Company's own drills, allowing for a cost-effective approach to exploration and mine development. During 2025, the Company continued to invest in exploration drill programs across both Zacualpan and Plomosas.

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 become a significant miner in Mexico.

Operating Highlights:

- Zacualpan processed 38,570 tonnes ("t") for the quarter up 5% from the prior year.
- 9% higher silver grades over the comparable period in 2024.
- Development and initial mining commenced at the new high grade Kena Vein South in the Guadalupe mine.
- The comprehensive infrastructure upgrade program continued at the Guadalupe mine at Zacualpan to improve production efficiency and costs.
- The Company completed over 18,000 metres of infill and exploratory diamond drilling across both properties during 2025, of which 4,600 metres was in Q4 2025.

- At Plomosas, with the latest results (Dec. 9, 2025) in the Santo Domingo Zone, the Company announced an intersection of 18.83% ZnEq over 4.95 metres (“m”) including 25.57% ZnEq over 1.33 metres, and (Nov. 20, 2025) in a separate drill hole in the Juarez zone 15.14% ZnEq over 3.07 metres including 24.69% ZnEq over 1.47 metres.
- Although there were a number of issues that impacted production at Plomosas, including equipment maintenance and difficult ground conditions and geology, mill throughput for the year was 46,875 tonnes a 20% increase over year to date (“YTD”) 2024 production.

Financial Highlights

- At December 31, 2025, the Company had cash of \$23.7 million, and \$4.0 million invested in guaranteed investment certificates (“GICs”), compared to \$7.1 million in cash at December 31, 2024. Working capital was \$31.7 million up from \$9.0 million at December 31, 2024, and the Company has no long-term debt at December 31, 2025.
- During 2025, the Company completed two private placements for gross proceeds of \$21.2 million:
 - In Q2 2025, Company completed a non-brokered private placement for gross proceeds of \$5.2 million consisting of a LIFE offering with gross proceeds of \$1.8 million consisting of 8.8 million units at a price of \$0.20 per unit, and a standard offering with gross proceeds of \$3.5 million consisting of 19.2 million units at \$0.18 per unit.
 - In Q3 2025, the Company closed a private placement financing and issued 44.4 million units at a price of \$0.36 per unit for aggregate gross proceeds of \$16.0 million.
- Consolidated revenue for YTD was \$48.5 million, representing a 52% increase compared to revenue of \$31.9 million YTD 2024.
- Gross profit for the fourth quarter 2025 was \$6.6 million, and \$10.4 million YTD, compared to \$1.1 million in Q4 2024 and a loss YTD of \$2.2 million in 2024. Gross profit before amortization and depletion¹ for 2025 was \$12.9 million, compared to \$0.9 million in 2024.
- In Q4 2025, the Company spent \$0.7 million on exploration (Q4 2024 - \$0.5 million), and YTD 2025 spent \$3.9 million (YTD 2024 - \$4.6 million). This was split between Zacualpan and Plomosas.
- While revenue from Plomosas in Q4 2025 was \$2.2 million down from \$3.6 million in Q4 2024, revenue YTD in 2025 increased to \$10.0 million compared to \$9.0 million in 2024. Operating costs YTD 2025 were \$14.7 million (2024 - \$12.5 million).
- Zacualpan revenue was \$15.1 million in Q4 2025, up from \$6.6 million in Q4 2024. Revenue YTD 2025 was \$38.5 million on higher commodity prices (YTD 2024 - \$22.9 million).
- During the year ended December 31, 2025, the Company invested \$2.6 million in property, plant and equipment, including mining assets.

¹ Gross profit before amortization and depletion is a non-IFRS measure which the company believes provides meaningful information about the Company’s financial performance. See “Non-IFRS MEASURES”.

- The net loss YTD 2025 was \$10.3 million (the loss before income taxes was \$8.3 million), compared to a net loss of \$9.8 million in 2024. This includes the non-cash impairment write-down of \$8.8 million from Plomosas and \$1.2 million for share-based compensation expense.

Zacualpan Silver Operation

During Q4 2025, the Guadalupe mill processed 38,570 t of mill feed at the Zacualpan/Guadalupe complex, up from 36,582 t in Q4 2024. Production was up during the quarter despite one ball mill not operating due to a major repair.

Silver production from the Guadalupe complex in Q4 2025 was 190,253 oz, a 17% increase from 162,876 oz in Q4 2024. Silver sales increased by 25% over the same period in 2024 primarily owing to higher grades and mill throughput. The average mill head grade for silver in Q4 2025 was up by 9% to 179 grams per tonne (“g/t”) from 164 g/t in Q4 2024.

Revenue per tonne sold in Q4 2025 increased by 107% to \$391.27 from \$189.34 in Q4 2024 on higher commodity prices, while direct costs per tonne increased 7% to \$156.49. The increase in direct costs per tonne in Q4 2025 was due to several factors including inflationary pressure on operating costs as well as increased employee benefits and production taxes. As well, there were additional expenses associated with the extensive development and maintenance conducted during the period as the Company continues to optimize production and feed blend.

YTD revenue per tonne increased by 60% to \$269.58 compared to \$168.80 in the same period of 2024 while direct costs per tonne increased by 7% to \$153.87 from the same period in 2024. Silver sales increased by 7% over the same period in 2024 primarily owing to higher grades and mill throughput. The average mill head grade for silver in 2025 was up by 1% to 163 g/t from 161 g/t in 2024.

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 outline the structure. In Q2 2025, the Company commenced delivering development “muck” from Kena to the mill.

The Company began developing the Noche Buena/Carlos Pacheco mine with limited production in the H2 2025. The development is complemented by a surface drill program looking to delineate and extend current mineralized zones.

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

Looking ahead, mine management plans to shift the production mix toward higher-grade silver vein systems, including the new Kena vein, which was announced in 2024. 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 expected to provide additional feed from the San Ramon, Carlos Pacheco, Noche Buena and Guadalupe mines.

PRODUCTION AND SALES: ZACUALPAN - GUADALUPE MILL

	For the Three Months Ended			For the Twelve Months Ended		
	December 31			December 31		
	2025	2024	Change	2025	2024	Change
Total tonnes milled	38,570	36,582	+5%	143,192	136,280	+5%
Tonnes produced per day (“tpd”)	419	398	+5%	392	372	+5%
Silver production (oz)	190,253	162,876	+17%	635,778	595,264	+7%
Lead production (t)	58	53	+9%	222	215	+3%
Gold production (oz)	72	138	-48%	403	464	-13%
Silver sales (oz)	190,733	152,552	+25%	636,267	592,844	+7%
Lead sales (t)	57	52	+10%	223	215	+4%
Gold sales (oz)	63	135	-53%	393	460	-15%
Average mill head grade –silver g/t	179	164	+9%	163	161	+1%
Revenue per tonne sold ²	\$391.28	\$189.34	+107%	\$269.58	\$168.80	+60%
Direct costs per production tonne ²	\$156.49	\$146.09	+7%	\$153.87	\$143.80	+7%

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, resumed commercial production in 2018 after a five-year hiatus and is now the largest producing mine on the property. Production comes from multiple veins at various levels within the largest known vein cluster on the site. In Q4 2025, the Guadalupe Mine supplied 54% of the mill feed, of which 7% came from the new Kena Vein, compared to 46% in Q4 2024. Monthly average mining grades during the quarter ranged from 160 to 173 g/t silver, augmented by higher grades of 179 to 298 g/t silver from the Kena Vein. Production during the quarter was primarily sourced from the Kena, Delores, Santa Rosa and Rata veins on Levels 165, 175, 195 and 215. 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.

² Revenue per tonne sold and direct costs per production tonne are non-IFRS measures which the Company believes provides useful information on revenue and direct costs. See “NON-IFRS MEASURES”.

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 Q4 2025, the San Ramon South zone contributed 20% of the feed to the Guadalupe mill, compared to 21% in Q4 2024. Monthly average mining grades at San Ramon during the quarter ranged from 155 to 165 g/t silver. Production in Q4 2025 came from Levels 2 and 9 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 Q4 2025, the Veta Negra Mine supplied 8% of the feed to the Guadalupe mill compared to 11% in Q4 2024. Monthly average mining grades during the quarter ranged from 173 to 180 g/t silver.

Cuchara Silver Mine

The Cuchara Mine, located 2.5 kilometres east of the Guadalupe mill, began production in 2013. In Q4 2025, the Cuchara Mine supplied 15% of the feed to the Guadalupe mill compared to 16% in Q4 2024. 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 153 to 161 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 – Noche Buena, Carlos Pacheco and San Juan. The mine provides a gold-silver feed to the mill, with current production coming from the Carlos Pacheco Vein. In Q4 2025, the Noche Buena Mine-Carlos Pacheco Mine contributed 3% of the feed to the Guadalupe mill in its first full operating quarter. Monthly average mining grades during the quarter ranged from 2.2 to 2.7 g/t gold and 56 to 87 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. 2025 exploration highlights were as follows:

Drilling

In Q1 2025, IMPACT reported additional drill results from Kena Vein, including 597 g/t silver over 2.77 metres and 1,460 g/t silver over 0.55 metres (see IMPACT news release dated February 11, 2025).

In Q2 2025, IMPACT reported more drill results from Kena Vein, including 534 g/t silver over 8.50 metres including 2,320 g/t silver over 1.07 metres (see IMPACT news release dated June 9, 2025).

Exploration Field Work

IMPACT crews continue to explore over 5,000 old mine workings and prospects across the Zacualpan and Capire districts, while also investigating new areas to define drill targets. Exploration targets are identified and prioritized using an extensive computer database, compiled over many years from historical maps, current exploration, and other technical data related to the project. Surface drilling is currently testing the northwest extension of the Carlos Pacheco Vein to define additional mineral for that mine, and is planned for several other targets over the next year.

Mining Plans

At Zacualpan, the Company has commenced production on the new 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.

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 PROJECT

On April 3, 2023, IMPACT completed its acquisition of the Plomosas Zinc-(Lead-Silver) Mine located 150 kilometres northeast of Chihuahua City, northern Mexico. On October 23, 2023, after carrying out part of a program of extensive upgrading to mining equipment, and processing facilities as well as hiring of new technical and supervisory staff, IMPACT announced a limited restart of operations for testing purposes and shipped the first concentrate. Work then continued to ramp up production to the plant design capacity.

The district was discovered in 1832 and over the years has seen intermittent small-scale mining. Historical mining is reported in the global upper quartile for zinc grade with approximately 2.5 million tonnes mined between 1943-2022 grading 15-25% zinc, 2-7% lead and 40-60 g/t silver with low deleterious elements (*Footnote 1*).

The mine and mill were previously in production from September 2018 until late 2022. In 2021, the previous owner processed 31,695 tonnes producing 2,442 tonnes of zinc concentrate and 599 tonnes of lead concentrate (*Footnote 1*). Mine access is by a ramp reaching a depth of 250 m below surface and old shafts that potentially could be refurbished. Mineral is fed to a refurbished 200 tonne per day conventional flotation plant.

Following the acquisition of the Plomosas high grade zinc (lead-silver) mine in 2023, the Company commenced a substantial drill program both on surface and underground, and continues further exploration across the under explored 3,019 hectare property.

Plomosas Zinc Operation

In the first half of 2025, the mine reached production levels of approximately 75% of the mill's design capacity, however by the second half it had fallen to approximately 53% of capacity. With no significant improvement subsequent to the year end, the Company decided to suspend mining at Plomosas until mine development could effectively access an adequate underground resource that could maintain production at acceptable levels on a continuing basis. As a result, the Company wrote down the Plomosas mine by \$8.8 million to reflect the lost production.

In the first quarter of 2026, the Company entered into discussions with other mining companies where their mill feed could be processed in the Plomosas mill to generate cash flows. During the suspension period, the Company will focus on updating its geological model, as well as optimizing and redesigning the mine plan and development, and will continue exploration underground, as well as surface exploration on the balance of its property, pursuing a number of mineralized targets including Mina Juárez, Mine Mexico, Alfoncitos and the La Chona Au-Cu target.

Although the Company resumed limited test production at Plomosas in October 2023 as part of a comprehensive rehabilitation program, meaningful production did not occur until Q4 2024, when the mill processed 13,633 t. The H2 2025 decline in production was primarily attributed to underground development being unable to sustain previous inventory levels. Development and drilling costs per tonne continue to resist cost reductions until larger mineral stopes can be established. Initial exploration and development have focused on immediately accessible mineralization, and as a result in the second half exploration and development costs are significantly higher than anticipated per tonne of mined production.

In recent months, the Company assessed the performance of the underground operations, including accessibility, production rates and grades and determined that development intensity and variability in grade and tonnage was impacting cost efficiency and operational consistency. Under the current mine plan, continued mining was not expected to deliver sustainable economic results without requirements for additional development capital. As a result, the Company has elected to temporarily suspend underground mining while it works toward a more efficient and sustainable operating plan.

The mine successfully commissioned a new lead oxide recovery circuit following extensive metallurgical testing. This new system has been performing well, recovering up to 60% of lead oxide ("PbO") material which occurs locally in the mine that was previously unrecoverable by the prior operator. In 2026, the system was adapted to recover PbO in the tailings pond that was previously lost by the Company. The Company feels that the property itself and the underlying geology remains the prime asset. Besides a commitment to extend the exploration underground, longer-term projects are underway to assess the remaining property area which is under explored. This includes the re-interpretation of Induced Polarization, Magnetic, and Gravitational surveys, as well as a reconnaissance exploration program. As a result of earlier exploration success, the Plomosas team began mining the Mina Juárez area in 2025.

In the fourth quarter of 2025, despite a number of operating issues that impacted production including local poor ground conditions which caused the relocation of the mine's decline, the mine was able to produce 9,171 tonnes at an average grade of 8.3% Zn, 4.7% Pb and 34.0 g/t Ag, bringing the YTD mill throughput to 46,875 tons, representing a 20% increase over YTD 2024 production.

In the second and third quarters, local unfavourable ground conditions required driving a second access to level 8 where most of the immediate higher-grade mill feed is located. In the meantime, production was sourced from two lower grade stopes, as well as development muck. The resulting lower grades combined with lower zinc prices during the Q4 2025 reduced revenue per tonne to \$231.83/t from \$255.33/t in Q4 2024. The new development through more favourable ground was completed mid-third quarter and head grades in Q4 2025 rose to 8.3% zinc 4.7% Pb and 34.02 g/t Ag compared to 6.8% Zn, 2.9% Pb, and 19.9 g/t Ag in Q2 2025.

PRODUCTION AND SALES: PLOMOSAS

	For the Three Months ended			For the Twelve Months ended		
	December 31			December 31		
	2025	2024	Change	2025	2024	Change
Total tonnes milled	9,171	13,633	-33%	46,875	39,169	+20%
Tonnes produced per day	100	148	-32%	128	107	+20%
Average mill head grade						
Zinc (%)	8.3	11.2	-26%	9.1	12.2	-25%
Lead (%)	4.7	6.2	-24%	5.5	7.3	-25%
Silver (g/t)	34.0	46.6	-27%	34.8	47.0	-26%
Zinc production (t) - concentrate	943	2,037	-54%	5,575	5,483	+2%
Lead production (t) - concentrate	209	437	-52%	1,229	1,074	+14%
Zinc sales (t) – contained metal	458	1,005	-54%	2,735	2,706	+1%
Lead sales (t) – contained metal	114	225	-49%	671	569	+18%
Silver sales (oz) – contained metal	6,811	12,776	-47%	32,664	35,010	-7%
Revenue per tonne sold ³	\$231.83	\$255.33	-9%	\$211.02	\$232.42	-9%
Direct costs per production tonne ³	\$417.67	\$241.99	+73%	\$287.60	\$290.15	-1%

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 expanding the known mineralization and testing potential new discovery targets. Mapping and sampling programs are also continuing to assess the exploration potential of the property with the aim of identifying new drill targets.

Drilling

In Q1 2025, IMPACT announced additional drill results from the Juarez Mine area at Plomosas, including 14.13% zinc, 1.59% lead, and 12 g/t silver over 2.2 metres (true width), with a high-grade interval of 26.06% zinc, 3.02% lead, and 23 g/t silver over 0.9 metres (see IMPACT news release dated January 16, 2025).

³ Revenue per tonne sold and direct costs per production tonne are non-IFRS measures which the Company believes provides useful information on revenue and direct costs. See "NON-IFRS MEASURES".

During Q3 2025, IMPACT announced more drill results from the Juarez zone at Plomosas, including 10.38% zinc, 0.32% lead, and 7.5 g/t silver over 3.9 metres (true width), with a high-grade interval of 20.95% zinc, 0.15% lead, and 10.8 g/t silver over 1.7 metres (see IMPACT news release dated July 7, 2025).

During Q3 2025, IMPACT announced first drill results from the Santo Domingo zone at Plomosas, including 18.03% zinc equivalent (11.08% zinc, 9.24% lead, and 30 g/t silver) over 2.60 metres (true width), with a high-grade interval of 23.70% zinc equivalent (12.50% zinc, 15.55% lead, and 37 g/t silver) over 0.73 metres (see IMPACT news release dated July 29, 2025).

During Q4 2025, IMPACT announced more drill results from the Juarez zone at Plomosas, including 15.14% zinc equivalent (13.09% zinc, 2.63% lead, and 14 g/t silver) over 3.07 metres (true width), with a high-grade interval of 24.69% zinc equivalent (22.08% zinc, 3.27% lead, and 19 g/t silver) over 1.47 metres (see IMPACT news release dated November 20, 2025).

During Q4 2025, IMPACT announced more drill results from the Santo Domingo zone at Plomosas, including 18.83% zinc equivalent (13.83% zinc, 7.43% lead, and 23 g/t silver) over 4.95 metres (true width), with a high-grade interval of 25.57% zinc equivalent (18.25% zinc, 11.30% lead, and 29 g/t silver) over 1.33 metres (see IMPACT news release dated December 9, 2025).

The Juarez and Santo Domingo zones remain open for further exploration. Drilling is continuing and planned in both areas as well as on other exploration targets across the property.

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

Footnotes:

1. Reference: Alexandri, A. Gonzalez, H., & Salas, H. (2022). *Plomosas Project (CZL), Field Visit Report*. IMPACT Silver Corp. private report on field visits and compilation of historic and recent data, 56 pages.

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 and the report is available on the Company's website.

The Company has social, environmental, and other policies related to its operations and promotes a culture for working safely. It has established an effective relationship with the mine's workers, as well as local contractors and personnel. Work conducted by or on behalf of the Company is planned with a focus on safety and concern for the environment and the effect on local communities. The mining operations employ safety officers to implement and supervise the safety programs and first aid and emergency facilities at the mines.

The exploration surface drills used and owned by IMPACT are modular diamond drill rigs which minimize the area of disturbance due to their small size and mobility. These drills rigs require little in the way of drill pads or access trails, which minimizes surface disturbances, and the Company engages the local community for logistical support and assistance as part of the drill crews. All drill sites are reclaimed after use. Besides increasing our flexibility while keeping environmental disturbances to a minimum, the drill programs, utilizing Company-owned drills have proved to be very cost effective and 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. Recently, as part of a periodic review, the Company engaged independent engineers to conduct a study on the structural status of the Guadalupe (Zacualpan) tailings impoundment and are continuing to follow their recommendations.

Further work on tailings pond facility #3 was initiated late in 2025 anticipating a need for extra tailings capacity in 2027 and 2028. This facility is projected to accommodate approximately nine years of production tailings from the Guadalupe mill complex in the future. The site has now been fully permitted and cleared and construction of water diversion channels has commenced.

From 2022 onward, trees have been planted as part of permitting for the new tailing's facility #3, and as part of a larger program to improve areas of historical mining activity. In conjunction with the municipality and the Technological Baccalaureate Center, the Company has planted more than 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 CO₂. They produce more biomass above and below ground than most other plant species. Estimates are they can absorb and store the dry weight equivalent of 30 to 60 tons of CO₂ per hectare per year. Once established, they do not require regular irrigation and are relatively insensitive to rising global temperatures and drought. From an economic standpoint, these agave plants have helped provide a source of 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 train 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 approximately 25 minutes drive away 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 institutional presentations and attending investment and mining related conferences. With dynamic changes occurring in the marketplace and the economy, the Company continues to also strengthen its presence via social media and other online marketing.

The Company is continually in the process of enhancing its website to assist stakeholders in understanding its activities and the potential of the entire Royal Mines of Zacualpan and Plomosas districts. The Company has a variety of investor resources available for viewing on its website www.IMPACTSilver.com. Investors are also encouraged to reach out to management using the contact information located on its website.

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 Quarterly Results

In thousands except for earnings per share	Three months ended December 31	
	2025	2024
Revenue	\$ 17,318	\$ 10,187
Net(loss) income	\$ (7,546)	\$ 1,587
(Loss) earnings per share – basic and diluted	\$ (0.02)	\$ 0.01

Net loss for the fourth quarter of 2025 was impacted by the following factors:

- There was a significant improvement in the consolidated gross profit in Q4 2025 to \$6.6 million from \$1.1 million in Q4 2024. This was primarily due to revenue increasing by \$7.1 million in Q4 2025 over the comparable period in 2024. Cost of sales also increased by \$1.5 million over Q4 2024 on higher production and operating costs at both mines.
- Revenue from Zacualpan increased to \$15.1 million (\$391.27 per tonne sold) in Q4 2025 from \$6.6 million in Q4 2024 (\$189.34 per tonne sold), on a 73% increase in the price of silver over the comparative period in 2024. Silver grades were 9% higher at 179 g/t from 164 g/t in Q4 2024.

Cost of sales at Zacualpan was \$6.6 million in Q4 2025 up from \$5.5 million in Q4 2024. Direct cost per tonne milled increased 7% to \$156.49 from \$146.09 in Q4 2024. The increased operating costs was due to inflationary factors as well as higher provisions for employee profit sharing and production taxes in Q4 2025 over Q4 2024.

The gross profit (revenue less cost of sales) from Zacualpan in Q4 2025 increased to \$8.6 million from \$1.1 million in Q4 2024.

- Plomosas revenue in Q4 2025 decreased to \$2.2 million, down from \$3.6 million in Q4 2024. During the quarter, challenging ground conditions limited access to the higher-grade stopes. As a result, production was reduced to 9,171 tonnes, down 33% from 13,633 tonnes in Q4 2024 and revenue per tonne in Q4 2025 decreased to \$231.83 per tonne sold from \$255.33 per tonne sold in Q4 2024, on grades of 8.3% zinc, 4.7% lead and 34.0 g/t silver.

Cost of sales at Plomosas was \$4.1 million up from \$3.7 million in Q4 2024 despite production levels decreased to 100 tpd in Q4 2025 compared to 148 tpd in Q4 2024. In Q4 2025 the mine continued to require additional development to access economic stopes which resulted in elevated unit costs, and production tonnage and grade variability reduced operational predictability. Direct cost per tonne was \$417.67 compared to \$241.99 in Q4 2024 on lower throughput.

The gross loss (revenue less cost of sales) from Plomosas in Q4 2025 was \$2.0 million compared to \$0.01 million in Q4 2024.

- At December 31, 2025, the Company conducted an impairment assessment of the Plomosas cash generating unit (“CGU”) based on the lack of performance and operating issues from the mine. The Company determined that impairment indicators existed for the Plomosas CGU and a \$8.8 million impairment loss was recognized in Q4 2025 as a result of the impairment test performed. There was no comparable impairment loss in 2024.
- On December 24, 2025, the Company issued 4,795,000 stock options to directors, officers, consultants and employees and recorded share-based compensation expense of \$1.2 million in Q4 2025. There was no comparable amount recorded in 2024.
- General and administrative costs in Q4 2025 were \$1.4 million compared for \$1.0 million in Q4 2024. Accounting, audit and legal fees increased by \$0.1 million, and office salaries and services increased by \$0.3 million over the same quarter in 2024.
- In Q4 2025, the Company expensed \$0.7 million in exploration costs (Q4 2024 - \$0.5 million).
- The Company recorded \$0.2 million in interest income in Q4 2025 (Q4 2024 - \$0.1 million), and interest expense and accretion of \$0.1 million (Q4 2024 - \$0.1 million).
- In Q4 2025, the Company recorded a provision for deferred income tax expense of \$0.1 million (Q4 2024 – recovery of \$1.6 million) and income tax expense of \$1.7 million (Q4 2024 - \$nil).
- There was a loss on disposal of equipment of \$0.2 million in Q4 2025 (2024 – \$nil) and a foreign exchange loss of \$0.2 million (Q4 2024 - \$0.1 million).
- The net loss for Q4 2025 was \$7.5 million compared to net loss of \$1.6 million in Q4 2024. The loss was comprised of losses from Plomosas of \$10.2 million and corporate of \$2.6 million, and net income from Zacualpan of \$5.3 million after income taxes of \$1.8 million. The loss from Plomosas included an impairment provision of \$8.8 million and the corporate loss included \$1.2 million for share based compensation expense.

Summary of Year to Date Results

All figures are in thousands of Canadian dollars except earnings per share.

In thousands except for earnings per share	Years ended December 31		
	2025	2024	2023
Revenue	\$ 48,518	\$ 31,901	\$ 20,762
Gross profit (loss)	\$ 10,355	\$ (2,191)	\$ (2,479)
Net loss	\$ (10,259)	\$ (9,775)	\$ (12,429)
Loss per share – basic and diluted	\$ (0.04)	\$ (0.04)	\$ (0.07)
Total assets	\$ 71,362	\$ 51,154	\$ 56,890
Total liabilities	\$ 11,953	\$ 8,825	\$ 9,924

Net loss for the year ended December 31, 2025 was impacted by the following factors:

- Consolidated revenue for the year ended December 31, 2025 was \$48.5 million, up from \$31.9 million in 2024 on higher silver prices as well as increased production from Zacualpan. The consolidated cost of sales rose to \$38.2 million up from \$34.1 in 2024 on higher throughput. Consolidated gross profit was \$10.4 million in 2025, an improvement of \$12.6 million from the loss of \$2.2 million in 2024.
- Revenue from Zacualpan increased to \$38.5 million (\$269.58 per tonne sold) in 2025 from \$22.9 million in 2024 (\$168.80 per tonne sold), on 41% higher silver prices. Silver grades increased 1% to 163 g/t from 161 g/t in the comparative period in 2024.

Cost of sales at Zacualpan was \$23.5 million in 2025 compared to \$21.6 million in 2024 on 5% higher production during the period. Direct costs per tonne milled increased 7% to \$153.87 from \$143.80 in 2024, due to inflationary pressures, as well as higher production taxes and employee profit sharing expense due to increased income from Zacualpan. During 2025, the Company continued with ongoing development and operational improvements at Zacualpan, most of which was expensed.

The gross profit from Zacualpan in 2025 increased to \$15.0 million from \$1.3 million in 2024.

- Revenue from Plomosas was \$10.0 million compared to \$9.0 million in 2024, on increased production of 46,875 tonnes, up from 39,169 tonnes in 2024, and grades of 9.1% zinc, 5.5% lead and 34.8 g/t silver. From Q2 through Q4 2025, production was sourced from lower grade mineral due to challenging ground conditions that limited access to higher grade stopes. Consequently, revenue per tonne for the year ended December 31, 2025 decreased to \$211.02 per tonne sold in 2025 from \$232.42 per tonne sold in 2024.

Cost of sales at Plomosas was \$14.7 million up from \$12.5 million in 2024 as production levels increased to 128 tpd in 2025 compared to 107 tpd in 2024. Direct cost per tonne was slightly lower at \$287.60 compared to \$290.15 in 2024 on higher throughput, but the mine continued to require additional development to access economic stopes resulting in ongoing elevated unit costs, and production tonnage and grade variability reduced operational predictability.

The gross loss from Plomosas in 2025 increased to \$4.6 million from \$3.5 million in 2024.

- General and administrative costs in 2025 were \$4.5 million (2024 - \$4.2 million), the majority of the increase was from office salaries and services.
- At December 31, 2025, the Company conducted an impairment assessment of the Plomosas cash generating unit based on the losses and operating issues from the mine. The Company determined that impairment indicators existed for the Plomosas CGU and a \$8.8 million impairment loss was recognized in 2025. There was no comparable impairment loss in 2024.
- On December 24, 2025, the Company issued 4,795,000 stock options to directors, officers, consultants and employees and recorded share-based compensation expense of \$1.2 million in 2025. There was no comparable amount recorded in 2024.
- In 2025 the Company expensed \$3.9 million in exploration costs (net of an option payment received of \$0.5 million), compared to \$4.6 million in 2024 (net of an option payment received of \$0.2 million).
- There was a loss on disposal of equipment of \$0.2 million in 2025 (2024 - \$nil). There was a foreign exchange gain in 2024 of \$0.3 million with no comparable amount for 2025.
- During the current year, the Company recorded \$0.3 million in interest income (2024 - \$0.2 million), and interest expense and accretion of \$0.3 million (2024 - \$0.3 million).

- The Company recorded a provision for deferred income tax expense of \$0.3 million in 2025 compared to a recovery of \$0.6 million in 2024. The Company also recorded income tax expense of \$1.7 million for operations in Mexico in 2025 (2024 – \$0.1 million).
- In 2024 the Company recorded a gain on derecognition of financial liabilities and provisions resulting from the settlement of the working capital provision recorded on acquisition of Minera Latin American Zinc.
- The net loss in 2025 before income taxes was \$8.3 million (2024 - \$10.3 million). After tax the net loss for 2025 was \$10.3 million (2024 - \$9.8 million). The loss was comprised of losses from Plomosas of \$14.5 million and Corporate of \$4.8 million, and net income from Zacualpan of \$9.0 million after income taxes of \$1.9 million. The loss from Plomosas included an impairment provision of \$8.8 million and the Corporate loss included \$1.2 million for share-based compensation expense.

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)

	Dec 31 2025	Sep 30 2025	June 30 2025	Mar 31 2025	Dec 31 2024	Sept 30 2024	Jun 30 2024	Mar 31 2024
Revenue	17,318	10,681	9,799	10,720	10,187	8,645	7,722	5,347
Net (loss) income	(7,546)	(604)	(2,013)	(95)	1,587	(3,101)	(3,860)	(4,402)
(Loss) earnings per share – Basic and Diluted	(0.02)	(0.00)	(0.01)	(0.00)	0.01	(0.01)	(0.02)	(0.02)
Total assets	71,362	72,303	54,718	52,130	51,154	51,189	57,158	53,927
Total liabilities	11,953	8,781	7,478	9,016	8,825	10,518	10,806	10,279

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 financing 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 December 31, 2025, the Company had cash of \$23.7 million, and \$4.0 million invested in GICs, compared to \$7.1 million in cash at December 31, 2024. Working capital was \$31.7 million up from \$9.0 million at December 31, 2024. The Company had no long-term debt at December 31, 2025.

During the three months ended December 31, 2025:

- In Q4 2025, cash decreased \$1.5 million compared to an increase of \$0.6 million in Q4 2024. This decrease in cash is after allocating \$4.0 million as investments in GICs. Cash flows from operating activities in 2025 were \$1.7 million up from \$0.6 million in the comparative period in 2024 on improved operating results.
- During the three months ended December 31, 2025, 6.7 million share purchase warrants were exercised for proceeds of \$1.5 million.
- In Q4 2025, the Company invested \$1.0 million (Q4 2024 - \$1.0 million) in property, plant and equipment, of which \$0.3 million was invested at Plomosas and \$0.7 million invested at Zacualpan.
- The Company realized \$0.3 million on the sale of investments in Q4 2025 and paid \$0.1 million for leases.

During the year ended December 31, 2025:

- In the year ended December 31, 2025, there was a net increase in cash of \$16.6 million compared to decrease of \$1.2 million in 2024. This increase in cash is after allocating \$4.0 million as investments in GICs. While cash flows from operating activities in 2025 improved by \$9.4 million over 2024, the increase in cash was primarily due to funds received from two private placements and the exercise of warrants during the year.
- The Company completed two private placements in the year ended December 31, 2025 for gross proceeds of \$21.2 million:
 1. In Q2 2025, the Company completed a non-brokered private placement for gross proceeds of \$5.2 million consisting of a LIFE offering with gross proceeds of \$1.8 million consisting of 8.8 million units at a price of \$0.20 per unit, and a standard offering with gross proceeds of \$3.5 million consisting of 19.2 million units at \$0.18 per unit.
 2. In Q3 2025, the Company closed a private placement financing and issued 44.4 million units at a price of \$0.36 per unit for aggregate gross proceeds of \$16.0 million.

In the comparative period in 2024 the Company received gross proceeds of \$9.1 million on the completion of a private placement.

- During the year ended December 31, 2025, 10.4 million share purchase warrants were exercised for proceeds of \$2.3 million.
- In the year ended December 31, 2025, the Company invested \$2.6 million (2024 - \$2.0 million) in property, plant and equipment. Of this, \$1.3 million was incurred for Plomosas and \$1.3 million was incurred for Zacualpan.
- The Company realized \$0.6 million on the sale of investments to December 31, 2025 and paid \$0.3 million for leases.
- At December 31, 2025, the Company had marketable securities valued at \$1.3 million and had invested \$4.0 million in GICs.

Outstanding Share Data

The following common shares and convertible securities were outstanding at April 13, 2026:

	# of Shares	Exercise Price	Expiry Date
Issued and outstanding common shares	345,506,524		
Stock options	1,965,000	\$0.48	October 2, 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	20,773,769	\$0.34	May 17, 2026
Warrants	3,540,110	\$0.34	June 7, 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	<u>46,338,834</u>	\$0.45	September 17, 2027
Fully diluted	<u>470,225,701</u>		

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.

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 ("GICs") 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 22 of the Company's consolidated financial statements for the year ended December 31, 2025, which are available on the Company's website and www.sedarplus.ca

Credit risk

As at December 31, 2025, 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 December 31, 2025 of \$23.7 million, and current assets exceeded current liabilities by \$31.7 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 year ended December 31, 2025.

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 December 31, 2025, 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 December 31, 2025, a 10% depreciation or appreciation of these currencies against the Canadian dollar would result in an approximate \$1.2 million decrease or increase in the Company's net income for the year ended December 31, 2025.

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 December 31, 2025 by \$0.6 million (December 31, 2024 - \$0.2 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 our 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 labor 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 year ended December 31, 2025, that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

SUPPLEMENTARY INFORMATION

NON-IFRS 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:

Gross profit before amortization and depletion is a measure that the Company believes provides additional information regarding how the Company's operations are performing. This measure is calculated as revenue less operating expenses, excluding amortization and depletion.

These measures are calculated as follows:

	For the Three Months Ended December 31		For the Years ended December 31	
	2025	2024	2025	2024
Revenue	\$ 17,317,834	\$ 10,187,155	\$ 48,517,985	\$ 31,901,378
Cost of sales	10,677,643	9,170,190	38,162,980	34,092,383
Less: amortization and depletion	(649,378)	(692,755)	(2,583,589)	(3,107,070)

Gross profit (loss) before amortization and depletion	\$ 7,289,569	\$ 1,709,720	\$ 12,938,594	\$ 916,065
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Revenue per tonne sold and direct costs per tonne produced are measures that the Company believes are key indicators of performance and allow for more direct comparison of revenue and costs than comparing gross amounts.

These measures are calculated as follows for Zacualpan:

	For the Three Months ended December 31		For the Years ended December 31	
	2025	2024	2025	2024
Cost of sales	\$ 6,554,225	\$ 5,462,283	\$ 23,483,862	\$ 21,585,962
Less: amortization and depletion	(415,060)	(367,616)	(1,555,256)	(2,042,599)
Add (deduct) inventory	(103,480)	249,724	104,971	53,033
Direct costs	\$ 6,035,685	\$ 5,344,391	\$ 22,033,577	\$ 19,596,396
Tonnes milled	38,570	36,582	143,192	136,280
Direct costs per tonne	\$ 156.49	\$ 146.09	\$ 153.87	\$ 143.80
Revenue	\$ 15,146,561	\$ 6,602,574	\$ 38,469,825	\$ 22,925,354
Tonnes sold	38,710	34,871	142,703	135,816
Revenue per tonne sold	\$ 391.28	\$ 189.33	\$ 269.58	\$ 168.80

These measures are calculated as follows for Plomosas:

	For the Three Months ended December 31		For the Years ended December 31	
	2025	2024	2025	2024
Cost of sales	\$ 4,123,419	\$ 3,667,511	\$ 14,679,118	\$ 12,506,521
Less: amortization and depletion	(234,318)	(284,743)	(1,028,333)	(1,064,571)
Add (deduct) inventory	(58,657)	(83,764)	(169,448)	(77,115)
Direct costs	\$ 3,830,444	\$ 3,299,004	\$ 13,481,337	\$ 11,364,835
Tonnes milled	9,171	13,633	46,875	39,169
Direct costs per tonne	\$ 417.67	\$ 241.99	\$ 287.60	\$ 290.15
Revenue	\$ 2,171,273	\$ 3,584,581	\$ 10,048,160	\$ 8,976,024
Tonnes sold	9,366	14,039	47,617	38,620
Revenue per tonne sold	\$ 231.83	\$ 255.33	\$ 211.02	\$ 232.42

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

April 15, 2026