

IMPACT SILVER CORP.

CONSOLIDATED FINANCIAL STATEMENTS

**For the Years ended
December 31, 2025 and 2024**



Independent auditor's report

To the Shareholders of IMPACT Silver Corp.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of IMPACT Silver Corp. and its subsidiaries (together, the Company) as at December 31, 2025 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statement of financial position as at December 31, 2025;
- the consolidated statement of loss and comprehensive loss for the year then ended;
- the consolidated statement of changes in shareholders' equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2025. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p>Impairment assessment of the property, plant and equipment of the Plomosas cash generating unit (CGU)</p> <p>Refer to note 3 – Material accounting policy information, note 4 – Estimates, assumptions and judgments, note 11 – Property, plant and equipment and note 23 – Segmented information to the consolidated financial statements.</p> <p>As at December 31, 2025, the total net book value of property plant and equipment (PP&E) in the Plomosas CGU was \$4.5 million.</p> <p>When impairment indicators of PP&E exist, an impairment assessment is conducted at a CGU level. An impairment loss is recognized if the carrying amount of a CGU exceeds its recoverable amount.</p> <p>In late 2025, the Company assessed the Plomosas CGU for impairment and identified an impairment indicator as the underground performance did not consistently meet internally established operating thresholds required for sustainable</p>	<p>Our approach to addressing the matter included the following procedures, among others:</p> <ul style="list-style-type: none">• Tested how management determined the recoverable amount of the Plomosas CGU, which included the following:<ul style="list-style-type: none">– Assessed the appropriateness of the method and discounted cash flow model used to determine the recoverable amount and tested its mathematical accuracy.– Tested underlying data used in the discounted cash flow model.– Evaluated the reasonableness of future production volumes, operating costs and commodity prices used in the discounted cash flow model by:<ul style="list-style-type: none">○ comparing future commodity prices to independent third-party forecasts, comparing future production volumes to third-party evidence supporting estimated ore deliveries and future

Key audit matter	How our audit addressed the key audit matter
<p>results, which required management to determine the recoverable amount of the Plomosas CGU.</p> <p>The recoverable amount of the Plomosas CGU was based on a fair value less cost of disposal method using an after-tax discounted cash flow model. The valuation incorporated key assumptions related to future production volumes, operating costs, commodity prices, and an after-tax discount rate. The determination of the recoverable amount is subject to risk, judgment and uncertainty.</p> <p>Based on the impairment assessment conducted, the Company recorded an impairment charge of \$8.8 million on its mining assets related to the Plomosas CGU.</p> <p>We considered this a key audit matter due to the significant audit effort and subjectivity in performing procedures to test the key assumptions used by management in determining the recoverable amount, which involved judgment by management. We were also assisted by professionals with specialized skill and knowledge in the field of valuation.</p>	<p>operating costs against the current and past performance of the Plomosas CGU; and</p> <ul style="list-style-type: none"> ○ assessing whether these assumptions were consistent with evidence obtained in other areas of the audit. • Professionals with specialized skill and knowledge in the field of valuation assisted us in assessing the reasonableness of the after-tax discount rate used within the model. • Tested the disclosures, including the sensitivity analysis, made in the consolidated financial statements with regard to the impairment assessment for the Plomosas CGU.

Comparative information

The consolidated financial statements of the Company for the year ended December 31, 2024 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on May 5, 2025.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Company as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Alejandra Glazebrook.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, British Columbia

April 15, 2026

IMPACT Silver Corp.
Consolidated Statements of Financial Position
(Canadian dollars)

ASSETS	December 31, 2025	December 31, 2024
Current		
Cash	\$ 23,699,168	\$ 7,062,715
Trade and other receivables (Note 6)	6,348,336	2,906,573
Income taxes receivable (Note 20)	182,015	118,515
Inventories (Note 7)	2,265,853	2,004,245
Prepaid expenses and deposits	820,187	541,716
Investments (Note 8)	5,292,313	179,009
	38,607,872	12,812,773
Value added taxes receivable (Note 6)	2,577,580	1,586,144
Right of use assets (Note 9)	194,797	248,213
Property, plant and equipment (Note 11)	28,921,482	34,108,064
Deferred income tax asset (Note 20)	1,060,539	2,398,889
	\$ 71,362,270	\$ 51,154,083
LIABILITIES		
Current		
Trade payables and accrued liabilities	\$ 5,393,914	\$ 3,590,358
Income taxes payable (Note 20)	1,478,942	105,602
Lease liabilities (Note 10)	84,412	163,652
	6,957,268	3,859,612
Lease liabilities (Note 10)	106,191	87,481
Reclamation provision (Note 12)	3,076,159	1,986,678
Deferred income tax liabilities (Note 20)	1,813,481	2,890,945
	11,953,099	8,824,716
SHAREHOLDERS' EQUITY		
Share capital	118,984,565	101,375,443
Warrants (Note 13 (c))	9,623,779	5,291,969
Contributed surplus	12,634,616	11,306,243
Accumulated other comprehensive loss	(1,150,671)	(5,220,576)
Accumulated deficit	(80,683,118)	(70,423,712)
	59,409,171	42,329,367
	\$ 71,362,270	\$ 51,154,083
Nature of operations (Note 1)		
Subsequent event (Note 26)		
Contingency (Note 25)		

ON BEHALF OF THE BOARD:

“F.W. Davidson” _____, Director

“J. Meiklejohn” _____, Director

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

IMPACT Silver Corp.

Consolidated Statements of Loss and Comprehensive Loss

(Canadian dollars)

	2025	2024
Revenues (Note 14)	\$ 48,517,985	\$ 31,901,378
Cost of sales (Note 15)	<u>38,162,980</u>	<u>34,092,383</u>
Gross profit (loss)	<u>10,355,005</u>	<u>(2,191,005)</u>
General and administrative expenses (Note 16)	4,526,542	4,162,325
Share based compensation expense	1,226,296	-
Exploration expenses (Note 17)	3,935,499	4,600,939
Impairment of property and equipment (Note 11)	8,762,705	-
Loss on disposal of equipment	<u>231,505</u>	<u>-</u>
Operating loss	<u>(8,327,542)</u>	<u>(10,954,269)</u>
Interest and finance income (expenses) (Note 18)	58,887	(15,026)
Foreign exchange (gain) loss	(2,485)	335,133
Gain on derecognition of financial liabilities and provisions	<u>-</u>	<u>349,419</u>
Loss before income taxes	<u>(8,271,140)</u>	<u>(10,284,743)</u>
Current income tax expense (Note 20)	1,723,552	130,206
Deferred income tax expense (recovery)(Note 20)	<u>264,714</u>	<u>(639,793)</u>
Net loss	<u>\$ (10,259,406)</u>	<u>\$ (9,775,156)</u>
Items that may be subsequently reclassified to profit or loss		
Cumulative translation adjustment	2,794,443	(3,754,662)
Items that will not be subsequently reclassified to profit or loss		
Gain on investments	<u>1,275,462</u>	<u>154,328</u>
Comprehensive loss	<u>(6,189,501)</u>	<u>(13,375,490)</u>
Loss per share – basic and diluted	<u>\$ (0.04)</u>	<u>\$ (0.04)</u>
Weighted average number of shares outstanding		
– basic and diluted	<u>279,270,159</u>	<u>234,399,565</u>

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

IMPACT Silver Corp.

Consolidated Statements of Changes in Shareholders' Equity

(Canadian dollars)

	Shares Outstanding	Share Capital (\$)	Warrants (\$)	Contributed Surplus (\$)	Accumulated Other Comprehensive Loss (\$)	Accumulated Deficit (\$)	Total Shareholders' Equity (\$)
Balance at December 31, 2023	213,574,696	94,947,950	2,980,914	11,306,243	(1,620,242)	(60,648,556)	46,966,309
Net loss for the year	-	-	-	-	-	(9,775,156)	(9,775,156)
Shares issued in relation to private placement	33,234,852	9,087,645	-	-	-	-	9,087,645
Share issue costs	-	(658,908)	-	-	-	-	(658,908)
Warrants issued in relation to private placement	-	(2,184,470)	2,345,855	-	-	-	161,385
Warrants exercised	619,074	183,226	(34,800)	-	-	-	148,426
Cumulative translation adjustments	-	-	-	-	(3,754,662)	-	(3,754,662)
Gain on investments	-	-	-	-	154,328	-	154,328
Balance at December 31, 2024	247,428,622	101,375,443	5,291,969	11,306,243	(5,220,576)	(70,423,712)	42,329,367
Net loss for the year	-	-	-	-	-	(10,259,406)	(10,259,406)
Shares issued in relation to private placements	72,394,623	21,206,032	-	-	-	-	21,206,032
Share issue costs	-	(1,393,204)	(437,996)	-	-	-	(1,831,200)
Warrants issued in relation to private placements	-	(5,111,817)	5,432,705	-	-	-	320,888
Warrants exercised	10,380,772	2,908,111	(560,822)	-	-	-	2,347,289
Warrants expired	-	-	(102,077)	102,077	-	-	-
Share-based compensation expense	-	-	-	1,226,296	-	-	1,226,296
Cumulative translation adjustments	-	-	-	-	2,794,443	-	2,794,443
Gain on investments	-	-	-	-	1,275,462	-	1,275,462
Balance at December 31, 2025	330,204,017	118,984,565	9,623,779	12,634,616	(1,150,671)	(80,683,118)	59,409,171

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

IMPACT Silver Corp.
Consolidated Statements of Cash Flows
(Canadian dollars)

Cash resources provided by (used in)	2025	2024
Operating activities		
Net loss	\$ (10,259,406)	\$ (9,775,156)
Items not affecting cash		
Amortization and depletion	2,722,252	3,234,130
Gain on derecognition of financial liabilities and provisions <i>(Note 5)</i>	-	(349,419)
Share based compensation expense	1,226,296	-
Deferred income tax (recovery) expense	264,714	(639,793)
Impairment on property and equipment	8,762,705	-
Non-cash option payment received	(460,000)	(240,000)
Accretion expense	216,669	176,342
Interest on lease liabilities	49,736	29,912
Interest on investments	(25,763)	-
Loss on disposal of assets	231,505	-
Unrealized foreign exchange (gain) loss	(612,173)	(29,470)
Changes in non-cash working capital		
Trade and other receivables	(4,109,891)	(1,523,125)
Income taxes receivable	(181,927)	(16,666)
Inventories	(35,711)	(138,524)
Prepaid expenses and deposits	(276,875)	-
Trade payables and accrued liabilities	1,615,829	363,330
Income taxes payable	1,494,586	104,318
	622,546	(8,804,121)
Investing activities		
Due on the acquisition of Minera Latin American Zinc <i>(Note 5)</i>	-	1,113,779
Proceeds on the sale of investments	647,922	305,318
Purchase of investments	(4,000,000)	-
Acquisition of property, plant and equipment	(2,604,056)	(2,035,290)
	(5,956,134)	(616,193)
Financing activities		
Repayment of lease liabilities	(337,090)	(431,363)
Proceeds from exercise of warrants	2,347,290	148,426
Proceeds from private placement, net	19,695,720	8,590,124
	21,705,920	8,307,187
Effect of exchange rates on cash	264,121	(103,358)
Net change in cash	16,636,453	(1,216,485)
Cash at the beginning of the year	7,062,715	8,279,200
Cash at the end of the year	\$ 23,699,168	\$ 7,062,715

Supplemental cash flow information *(Note 24)*

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

IMPACT Silver Corp.

Notes to the Consolidated Financial Statements

(Canadian dollars)

1. Nature of operations

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

IMPACT is incorporated under the laws of the Province of British Columbia, Canada. The Company’s registered address is located at 303 – 543 Granville Street, Vancouver, British Columbia, V6C 1X8. The Company’s common shares are publicly traded on the TSX Venture Exchange (“TSXV”) under the symbol of “IPT”, on the Frankfurt Stock Exchange (“FSE”) under the symbol “IKL” and on the Over-The-Counter Quality Best Market (“OTCQB”) under the symbol “ISVLF”.

2. Basis of Preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS Accounting Standards”). The material accounting policies, estimates and judgments applied in preparing these consolidated financial statements are summarized in Note 3 of the consolidated financial statements and have been consistently applied throughout the periods presented.

These audited consolidated financial statements have been prepared on an historical cost basis except for certain items that are measured at fair value such as other financial assets (*Note 22*). All dollar amounts presented are in thousands of Canadian dollars unless otherwise specified.

The audited consolidated financial statements were authorised for issue by the Board of Directors on April 15, 2026.

IMPACT Silver Corp.

Notes to the Consolidated Financial Statements

(Canadian dollars)

3. Material Accounting Policy Information

a) Basis of consolidation

The consolidated financial statements include the accounts of the Company and its controlled subsidiaries. Subsidiaries are fully consolidated from the date on which control is transferred to the Company and are deconsolidated from the date that control ceases. Control is achieved when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. This control is generally evidenced through owning more than 50% of the voting rights or currently exercisable potential voting rights of a company's share capital. These consolidated financial statements include the accounts of the Company and all of its wholly owned subsidiaries, comprising:

Subsidiary ^(1, 2)	Ownership interest	Location	Nature of operations
Minera Aguila Plateada, S.A. de C.V. ("MAP")	100%	Mexico	Mining/Exploration
Minera El Porvenir de Zacualpan, S.A. de C.V. ("MPZ")	100%	Mexico	Mining/Exploration
Minera Latin American Zinc, S.A.P.I. de C.V. ("MLAZ")	100%	Mexico	Mining/Exploration

1. On August 31, 2024 Minera Laureles, S.A. de C.V. was amalgamated with Minera Aguila Plateada, S.A. de C.V.

2. On January 31, 2025 Minera Impact Silver de Mexico, S.A. de C.V. was amalgamated with Minera Aguila Plateada, S.A. de C.V.

MAP operates the Guadalupe Production Centre. MAP also owns the Capire Production Centre, which is currently on care and maintenance. MLAZ operates the Plomosas Production Centre.

b) Basis of measurement

These consolidated financial statements have been prepared on an historical cost basis except for certain financial assets and liabilities which are measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

c) Presentation and functional currency

The functional currency for each of the Company's subsidiaries and associates is the currency of the primary economic environment in which the entity operates. Transactions in foreign currencies are translated to the functional currency of the entity at the exchange rate in existence at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are retranslated at the period end date exchange rates. Non-monetary items which are measured using historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currency of IMPACT Silver Corp., the parent entity, is the Canadian dollar, which is also the presentation currency of the consolidated financial statements. The functional currency for the Mexican subsidiaries is the Mexican peso.

Foreign operations are translated from their functional currencies into Canadian dollars on consolidation as follows:

- (i) Assets and liabilities are translated at the closing rate at the date of the statement of financial position;
- (ii) Revenue and expenses are translated at an average exchange rate (unless this rate is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- (iii) All resulting exchange differences are recognized in other comprehensive income as cumulative translation adjustments.

IMPACT Silver Corp.

Notes to the Consolidated Financial Statements

(Canadian dollars)

d) Business combinations

Acquisitions of business are accounted for using the acquisition method. The consideration of each business combination is measured, at the date of the exchange, as the aggregate of the fair value of assets given, liabilities incurred or assumed and equity instruments issued by the Company to the former owners of the acquiree in exchange for control of the acquiree. Acquisition-related costs incurred for the business combination are expensed. The acquiree's identifiable assets, liabilities and contingent liabilities are recognized at their fair value at the acquisition date.

Goodwill arising on acquisition is recognized as an asset and initially measured at cost, being the excess of the consideration over the fair value of the net identifiable assets and liabilities recognized. If the Company's interest in the fair value of the acquiree's net identifiable assets and liabilities exceeds the cost of the acquisition, the excess is recognized in income or loss immediately as gain on acquisition. An exploration and evaluation asset may also arise as a result of the requirement under IFRS Accounting Standards to record a deferred tax liability on the excess of the fair value of the acquired assets over their correspondence tax bases, with the corresponding offset recorded as an exploration and evaluation asset.

e) Inventories

Ore in mineral concentrate and stockpile inventories are valued at the lower of weighted average production cost and estimated net realizable value ("NRV"). Production costs allocated to mineral concentrates and stockpiled ore include direct mining costs, direct labour and material costs, mine site overhead, depletion and amortization. NRV is calculated as the estimated price at the time of sale based on prevailing and future metal prices, and forecasted exchange rates, less estimated future costs to convert the inventories to saleable form.

If the carrying amount exceeds the NRV, a write-down is recognized. The write-down may be reversed in a subsequent period if the circumstances which caused the write-down no longer exist to the extent that the related inventory has not been sold.

Materials and supplies inventories are valued at the lower of average cost and NRV. Costs include acquisition, freight, and other directly attributable costs.

f) Exploration and evaluation expenditures

Exploration and evaluation activities involve the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource. Exploration and evaluation activities include:

- acquiring the rights to explore;
- researching and analyzing historical exploration data;
- gathering exploration data through topographical, geological, geochemical and geophysical activities;
- exploratory drilling, trenching and sampling;
- determining and interpreting the tonnage and grade of the resource;
- surveying transportation and infrastructure requirements; and,
- compiling pre-feasibility and feasibility studies.

IMPACT Silver Corp.

Notes to the Consolidated Financial Statements

(Canadian dollars)

Exploration expenditures are expensed as incurred. Evaluation expenditures are capitalized when management determines there is a high degree of confidence that future economic benefits will flow to the Company.

When it has been determined that a mineral property can be economically developed as a result of establishing proven and probable reserves, the costs incurred to develop such property, including costs relating to the construction, installation, completion of a mine, or costs to further delineate the ore body prior to the start of mining operations, are capitalized.

From time to time, the Company may acquire or dispose of properties pursuant to the terms of option agreements. Option payments are recorded as resource property expenses or recoveries when the payments are made or received.

g) Property, plant and equipment ("PPE")

On initial acquisition, PPE is valued at cost, being the purchase price and directly attributable costs to bring the assets to the location and condition necessary to operate in the manner intended by management. Subsequent costs, including major repairs or rebuilds, are recognized in the asset's carrying amount or as a separate asset, as appropriate, when the cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the Company and the cost of the item can be measured reliably. All other costs, including repairs and maintenance, are recognized in the consolidated statement of income (loss) as an expense as incurred.

The carrying value of a PPE item, or any significant part, is derecognized upon disposal or when no future economic benefits are expected from its continued use. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in the consolidated statement of income (loss).

Buildings, plant and equipment are recorded at cost less accumulated depreciation and applicable impairment losses, while land is stated at cost less any impairment in value and not depreciated. Depreciation is provided using the declining-balance method and straight-line method at 10% to 33 1/3% per annum. Depreciation methods, useful lives and residual values are reassessed each reporting date, and any changes arising from the assessment are applied prospectively.

Mineral properties are depleted on a unit of production basis over the economic life of the ore body and commences when the asset is available for use. The economic life is based on the current reserves and resources for the property and therefore involves significant judgment by the Company's qualified persons.

h) Impairment of long-lived assets

The Company assesses the carrying value of its property, plant and equipment at each reporting date or when events or changes in circumstances indicate that the related carrying amounts may not be recoverable. When impairment indicators of property, plant and equipment exist, an impairment assessment is conducted at a cash-generating unit ("CGU") level. Where an asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the CGU to which the asset belongs. The recoverable amount is the higher of fair value less costs of disposal and value in use.

IMPACT Silver Corp.

Notes to the Consolidated Financial Statements

(Canadian dollars)

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount, and an impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount and is recorded as an expense in the profit or loss in the fiscal year in which this is determined.

An impairment loss recognized in prior years for long-lived assets shall be reversed only if there has been a significant change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. This reversal is recognized in the consolidated statement of income (loss) and is limited to the carrying amount that would have been determined, net of amortization, had no impairment loss been recognized for the asset in prior years. After such a reversal, any amortization charge is adjusted prospectively.

i) Leases

At inception of a contract, the Company assesses whether a contract is or contains a lease. A contract is or contains a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company recognizes a right-of-use asset and a lease liability at the commencement date of a lease. The right-of-use asset is measured at cost, which is comprised of:

- The initial measurement of the lease liability
- Lease payments made at or before the commencement date less lease incentives
- Initial direct costs incurred

The right-of-use asset is amortized using the straight-line method over the earlier of the term of the lease or the useful life of the asset determined on the same basis as the Company's property, plant and equipment.

The lease liability is initially measured at the present value of lease payments remaining at the lease commencement date, discounted using the Company's incremental borrowing rate. Lease payments included in the measurement of the lease liability are comprised of:

- Fixed payments
- Variable payments linked to an index or rate
- Expected payments for residual value guarantee
- Purchase option, extension option or termination option when the Company is reasonably certain to exercise

The lease obligation is subsequently measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset.

The Company has elected not to recognize right-of-use assets or lease obligations for short-term leases that have a lease term of twelve months or less or for leases with low-value assets. Payment associated with these leases are recognized as an operating expense on the consolidated statement of income (loss).

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j) Reclamation provisions

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of property, plant and equipment, and past exploration and development activities, when those obligations result from the acquisition, construction, development or normal operation of assets. Initially, a provision for a decommissioning liability is recognized at its present value in the period in which it occurred, which is generally when an environmental disturbance occurs, or a constructive obligation is determined. Upon initial recognition of the liability, a corresponding amount is added to the carrying value of the related assets and the cost is amortized over the economic life of the asset.

Following the initial recognition of a reclamation and rehabilitation liability, the carrying value of the liability is increased for the passage of time and adjusted for changes in the estimated provision resulting from revisions to the estimated timing and amount of cash flows, or changes in the discount rate. Changes to the estimated future costs are recognized in the statement of financial position by either increasing or decreasing the decommissioning liability and the decommissioning asset, unless there is not future benefit, in which case they are expensed.

k) Share capital

The Company records proceeds from share issuances, net of issue costs, in equity. Common shares issued for consideration other than cash are valued based on their fair value on the date of issuance. Professional, consulting, regulatory, and other costs directly attributable to equity transactions are recorded as share issuance costs.

The Company uses a pro-rata method with respect to the measurement of shares and warrants issued as private placement equity units. The pro-rata method values the fair value of warrants issued in the unit using Black-Scholes valuation model and the fair value of the shares is determined by the closing bid price on the closing date of the private placement. The unit price in the private placement is then allocated between warrants and shares pro-rata on the basis of the fair value of warrants and shares. The value attributed to the warrants is recorded in the warrants reserve in equity. Upon exercise of warrants, the value attributable to the warrants exercised is transferred to share capital. If warrants expired unexercised, the value attributable to the warrants expired is transferred to contributed surplus.

l) Share based payments

The Company grants stock options to buy common shares of the Company to directors, officers, employees and consultants. The directors, subject to regulatory requirements, may determine and impose terms upon how each grant of options shall become vested.

The fair value of the options is measured at grant date, using the Black-Scholes option pricing model based on the market value of the Company's common shares on that date. The fair value is recognized as an expense over the vesting period with a corresponding increase in the equity reserves in the consolidated statements of financial position. On exercise by the employees, the associated option value in the equity reserve is classified to share capital.

m) Revenue recognition

The Company generates revenue from the sale of silver, lead, zinc and gold in the form of lead and zinc concentrates. The Company satisfies its performance obligation and revenue net of smelter costs is recognized at a point in time when control of the concentrate is transferred to the customer. This occurs when the product is delivered, typically once the concentrate arrives and is accepted by the customer at the agreed upon location. The Company considers that control has passed when there is a present obligation to pay from the customer's perspective; physical possession of the concentrate, and the legal title and the risks and rewards of ownership have all passed to the customer, and the customer has accepted the concentrate.

In order to determine the transaction price, revenue from contracts with customers is measured by reference to the forward price for the commodities for the expected quotation period and the Company's best estimate of contained metal at the date revenue is recognized. Concentrate is provisionally priced whereby the selling price is subject to final

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adjustment at the end of a period normally being 30 to 60 days after delivery to the customer as defined in the sales contract. The final price is based on the market price at the relevant quotation point stipulated in the contract.

At each reporting date, the trade receivable is marked to fair value based on the forward selling price for the quotation period stipulated in the contract. The change in fair value of the receivable subsequent to the date of revenue recognition is recognized within revenue on the consolidated statements of income (loss), and is shown separately in the notes to the consolidated financial statements.

n) Income taxes

Provision for income taxes consists of current and deferred tax expense. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for tax payable with regard to previous years.

Deferred tax is recognized for deferred tax consequences attributable to unused tax loss carry forwards, unused tax credits, and differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis ("temporary differences"). Deferred taxes are measured using the enacted tax rates or expected tax rates expected to be applied to temporary differences when they reverse, based on tax rates and tax laws that have been enacted or substantially enacted at the reporting date.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is reduced. Deferred tax assets and liabilities are offset only when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority on the same taxable entity.

o) Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing the net income (loss) available to common shareholders of the Company, by the weighted average number of shares outstanding during the year. Diluted earnings (loss) per share is calculated using the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted earnings (loss) per share assumes that the proceeds to be received on the exercise of dilutive stock options and warrants are used to repurchase common shares at the average market price during the period. When a loss is incurred during the year, diluted and basic loss per share are the same because the effect on loss per share of potential issuance of shares under options and warrants would be anti-dilutive.

p) Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. All financial assets and liabilities are initially recorded at fair value, net of attributable transaction costs, except for financial assets and liabilities classified as at fair value through profit or loss ("FVTPL"). Subsequent measurement of financial assets and liabilities depends on the classifications of such 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 and loss ("FVTPL"). 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 accruals are measured at amortized cost.

A financial asset is derecognized when the contractual right to the asset's cash flows expires or if the Company transfers the financial asset and all risks and rewards of ownership to another entity. A financial liability is derecognized when the obligation under the liability is discharged, canceled or expired. Gains or losses on financial assets classified as FVOCI remain within accumulated other comprehensive income (loss).

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Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

q) New IFRS accounting standards and amendments effective for the current year

In August 2023, the IASB issued Amendments to IAS 21 – Lack of Exchangeability. The amendments were effective for annual reporting periods beginning on or after January 1, 2025, and did not have a material impact on the Company's consolidated financial position.

r) New accounting standards issued but not yet effective

In April 2024, the IASB issued IFRS 18 – Presentation and Disclosure of Financial Statements, which replaces IAS 1 – Presentation of Financial Statement. While carrying forward many of the requirements of IAS 1, IFRS 18 introduces new requirements including: presenting specified categories and defined subtotals in the statement of earnings, providing disclosures on management defined performance measures (“MPM’s”) in the notes to the financial statements, and improving aggregation and disaggregation in the financial statements. The new standard is effective for reporting periods beginning on or after January 1, 2027 and requires retrospective application.

On May 30, 2024, the IASB issued targeted amendments to IFRS 9 and IFRS 7 to respond to recent questions arising in practice, and to include new requirements not only for financial institutions but also for corporate entities. These amendments:

- clarify the date of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system;
- clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (“SPPI”) criterion;
- add new disclosures for certain instruments with contractual terms that can change cash flows (such as some financial instruments with features linked to the achievement of environment, social and governance targets); and
- update the disclosures for equity instruments designated at fair value through other comprehensive income.

The Company is in the process of assessing the impact of these new standards in the consolidated financial statements.

4. Estimates, assumptions and judgments

The preparation of these consolidated financial statements requires management to make judgments and estimates in its process of applying the Company's policies that affect the amounts reported. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, revenue and expenses. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and further periods if the revision affects both current and future periods. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates.

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Actual outcomes may differ from these estimates under different assumptions and conditions. Significant areas requiring the use of management estimates include, but are not limited to the following:

a) Value-added tax (“VAT”) receivable

Timing of collection of VAT receivables is uncertain as VAT refund procedures require a significant amount of information and follow up. The collection of VAT is subject to risk due to the complex application and collection process and, therefore, risk related to the collectability and timing of payment from the Mexican government. The Company uses the facts known at the time, including the status of discussions with the tax authorities, and current interpretation of relevant tax legislation, as well as its historical experience to determine its best estimate of the collectability and timing of these recoveries.

The Company assesses the recoverability of the VAT receivable and its classification as current or non-current at each reporting date. Changes in these estimates can materially affect the valuation and classification of VAT receivable.

b) Inventories

Stockpiled ore and concentrate inventory are valued at the lower of cost and net realizable value (“NRV”). The calculation of the NRV relies on forecasted metal prices, forecasted exchange rates, estimated costs to convert inventory into saleable form, and assumptions on the timing of future metal production from inventory which requires significant assumptions that may impact the stated value of the Company’s inventory.

c) Assessment of indicators of impairment and impairment assessment of property, plant and equipment

There is significant judgment involved in assessing indications of impairment of property, plant and equipment, with consideration given to both external and internal sources of information. The information the Company considers include changes in the market, economic and legal environment, that affect the recoverable amount of its property, plant and equipment. The determination of fair value less cost of disposal and value in use requires management to make estimates and assumptions about expected production, sales volumes, commodity prices, grade and tonnage estimates, operating costs, taxes, reclamation costs and future capital expenditures. The estimates and assumptions are subject to risk, judgment and uncertainty; hence, there is the possibility that changes in circumstances will alter these projections, which may impact the recoverable amount of the assets. In such circumstances some or all of the carrying value of the assets may be further impaired or a previous impairment charge may be reversed with the impact recorded in the consolidated statements of income (loss).

d) Estimated reclamation provisions

The Company’s provision for reclamation is based on management’s best estimate of the present value of the future cash outflows required to settle the liability. In determining the liability, management makes estimates about future costs, inflation, foreign exchange rates, risks associated with the cash flows, and the applicable risk-free rates for discounting future cash flows. Changes in any of these estimates could result in a change in the provision recognized by the Company. In addition, the ultimate costs of environmental disturbance are uncertain and cost estimates can vary in response to many factors including changes to relevant legal requirements and the emergence of new restoration techniques.

Changes in reclamation and closure costs obligations are recorded with a corresponding change to the carrying amounts of the assets to which they relate. Adjustments made to the carrying amounts of the asset can result in a change to the depreciation charged in the consolidated statement of income (loss).

As the Company’s obligations are dependent on Mexican laws and regulations under which mines operate, the requirements could change as a result of amendments in the laws and regulations relating to environmental protection and other legislation affecting resource companies.

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e) Fair value of stock options and warrants

Determining the fair value of warrants and stock options requires estimates related to the choice of a pricing model, the estimation of stock price volatility, the expected forfeiture rate and the expected term of the underlying instruments. Any changes in the estimates or inputs utilized to determine fair value could result in a significant impact on the Company's future operating results or on the components in equity.

f) Revenue recognition

The Company's sales of metal in concentrates to independent smelters allow for price adjustments based on the market price at the end of the relevant quotational period ("QP") stipulated in the contract. These are referred to as provisional pricing arrangements and are such that the selling price for metal in concentrate is based on the prevailing price on a specific future date. At each balance sheet date, the Company estimates the fair value of the trade receivable using forward metal prices.

Adjustments to the sale price are based on movements in quoted market prices up to the end of the QP. The period between provisional invoicing and the end of the QP is generally 30 to 60 days. Any future changes over the QP are embedded within the provisionally priced trade receivable.

g) Income taxes

Management judgment is required in determining whether deferred tax assets are recognized on the statement of financial position. Deferred tax assets, including those arising from tax loss carry-forwards, capital losses and temporary differences are recognized only where it is considered probable that they will be recovered, which is dependent on the generation of sufficient taxable profits. Assumptions about the future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future production and sales volumes, mineral prices, reserves, operating costs, restoration and rehabilitation costs, capital expenditures and other capital management transactions.

Judgments are also required in determining the application of income tax legislation. These judgments and assumptions are subject to risk and uncertainty, which could alter expectations, impacting the amount of deferred tax assets and deferred tax liabilities recognized on the statement of financial position and the amounts of other tax losses and temporary differences not yet recognized. As a result, some or all of the carrying amount of recognized deferred tax assets and liabilities may be subject to adjustment with a corresponding adjustment to the statement of income (loss).

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5. Acquisition of Minera Latin American Zinc

On April 3, 2023, the Company completed a Share Purchase Agreement to purchase all the outstanding shares of Minera Latin American Zinc, S.A.P.I., which holds 100% interest in the Plomosas zinc-lead-silver mine in the state of Chihuahua, northern Mexico.

In relation to the acquisition, an agreement to settle the working capital adjustment between the vendor and the Company was signed December 15, 2024, which extinguished the long-term receivable of US\$2.6 million (Cdn\$3.5 million) along with all the claims, counterclaims and related liabilities. As part of the settlement the Company received US\$0.8 million (Cdn\$1.1 million) from the vendor.

6. Trade and other receivables

	<u>2025</u>	<u>2024</u>
Value added taxes receivable – current portion	\$ 15,282	\$ 860,011
Trade and other receivables	<u>6,333,054</u>	<u>2,046,562</u>
Total trade and other receivables	<u>\$ 6,348,336</u>	<u>\$ 2,906,573</u>
Value added taxes receivable – non-current portion	<u>\$ 2,577,580</u>	<u>\$ 1,586,144</u>

7. Inventories

	<u>2025</u>	<u>2024</u>
Materials and supplies	\$ 1,609,109	\$ 1,399,773
Stockpile inventory	177,924	10,614
Concentrate inventory	<u>478,820</u>	<u>593,858</u>
	<u>\$ 2,265,853</u>	<u>\$ 2,004,245</u>

The amount of inventories recognized as an expense in cost of sales during the year ended December 31, 2025 was \$35.3 million (December 31, 2024 - \$35.1 million).

The amount of write-down of inventories to net realizable value during the year ended December 31, 2025 was \$35,952 (December 31, 2024 - \$56,422) relating to concentrate inventory.

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8. Investments

	<u>2025</u>	<u>2024</u>
Marketable securities	\$ 1,266,550	\$ 179,009
Guaranteed investment certificates, including accrued interest	<u>4,025,763</u>	-
	<u>\$ 5,292,313</u>	<u>\$ 179,009</u>

9. Right of use assets

Balance at December 31, 2023	\$ 91,842
Additions	626,784
Amortization	(425,585)
Foreign exchange movement	(44,828)
Balance at December 31, 2024	<u>248,213</u>
Additions	214,741
Amortization	(281,216)
Foreign exchange movement	13,059
Balance at December 31, 2025	<u>\$ 194,797</u>

10. Lease Liabilities

Balance at December 31, 2023	\$ 68,921
Additions	626,784
Interest	29,912
Repayments	(431,363)
Foreign exchange movement	(43,121)
Balance at December 31, 2024	<u>251,133</u>
Additions	214,741
Interest	49,736
Repayments	(337,090)
Foreign exchange movement	12,083
Balance at December 31, 2025	<u>\$ 190,603</u>
Less: current portion	<u>\$ 84,412</u>
Non-current lease liabilities	<u>\$ 106,191</u>

The Company's leased assets are for land and buildings. The lease liabilities were discounted at the Company's incremental borrowing rate. The weighted average rate applied for leases was 13% (2024 – 11%).

The expected timing of undiscounted lease payments at December 31, 2025 is as follows:

Less than one year	\$ 105,227
One to five years	<u>180,032</u>
	<u>\$ 285,259</u>

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11. Property, plant and equipment

	Plant and mine equipment (\$)	Office furniture and equipment (\$)	Surface rights (\$)	Mining Assets (\$)	Total (\$)
Cost					
Balance at December 31, 2023	16,160,992	1,393,224	836,660	48,885,052	67,275,928
Additions	1,072,242	174,027	-	789,022	2,035,291
Change in reclamation provision	-	-	-	10,911	10,911
Foreign exchange movement	(2,004,710)	(167,173)	(95,138)	(4,739,262)	(7,006,283)
Balance at December 31, 2024	15,228,524	1,400,078	741,522	44,945,723	62,315,847
Additions	2,445,121	64,958	-	150,771	2,660,850
Disposals	(2,256,307)	(351,986)	-	-	(2,608,293)
Change in reclamation provision	-	-	-	664,077	664,077
Impairment (i)	-	-	-	(8,762,705)	(8,762,705)
Foreign exchange movement	1,686,983	172,790	74,163	3,650,166	5,584,102
Balance at December 31, 2025	17,104,321	1,285,840	815,685	40,648,032	59,853,878
Accumulated amortization					
Balance at December 31, 2023	9,960,800	985,938	-	17,636,803	28,583,541
Amortization for the year	792,873	141,842	-	1,686,721	2,621,436
Foreign exchange movement	(1,217,123)	(114,358)	-	(1,665,713)	(2,997,194)
Balance at December 31, 2024	9,536,550	1,013,422	-	17,657,811	28,207,783
Amortization for the year	880,210	118,839	-	1,388,664	2,387,713
Disposals	(2,090,564)	(286,224)	-	-	(2,376,788)
Foreign exchange movement	1,080,108	140,135	-	1,493,445	2,713,688
Balance at December 31, 2025	9,406,304	986,172	-	20,539,920	30,932,396
Net book value					
At December 31, 2024	5,691,974	386,656	741,522	27,287,912	34,108,064
At December 31, 2025	7,698,017	299,668	815,685	20,108,112	28,921,482

(i) Impairment charge

In late 2025, the Company assessed the Plomosas cash generating unit ("Plomosas CGU"), for impairment and identified an impairment indicator 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.

On March 20, 2026 (*Note 26*), subsequent to the reporting date, the Company announced a temporary suspension of underground mining operations at the Plomosas mine to allow for geological reinterpretation, mine plan optimization, development redesign and capital preservation. During the suspension of underground mining operations, the processing plant and surface infrastructure will continue to operate.

As a result of the impairment indicators identified as at Q4 2025, the Company performed an impairment assessment of the Plomosas CGU as at December 31, 2025 in accordance with IAS 36 Impairment of Assets. The carrying amount of the Plomosas CGU's property, plant and equipment was compared to its recoverable amount, defined as the higher of value in use and fair value less costs of disposal ("FVLCD").

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The recoverable amount of the Plomosas CGU was based on a fair value less cost of disposal method using an after-tax discounted cash flow model that reflects assumptions a market participant would use when valuing the CGU. The valuation incorporated key assumptions related to future production volumes, operating costs, commodity prices, and an after-tax discount rate. In addition, the model reflected third party ore processing arrangements supported by negotiations, technical reviews, and site inspections conducted prior to the reporting date. Estimates used in determining the recoverable amount include significant unobservable inputs and are therefore classified as a Level 3 fair value measurement within the fair value hierarchy (Note 22).

Based on the impairment assessment conducted, management determined that the carrying amount of the Plomosas CGU exceeded its recoverable amount. As a result, an impairment loss of \$8.8 million was recognized against mining assets included in property, plant and equipment of the Plomosas CGU during the year ended December 31, 2025. The remaining recoverable amount for property, plant and equipment was \$4.5 million.

The following table lists the key assumptions and sensitivities for the Plomosas CGU:

Key assumptions	% change in assumption	Sensitivity of recoverable amount
Future commodity prices	10% decrease	\$2.2 million
Future production volumes	10% decrease	\$2.2 million
Future operating costs	15% increase	\$1.9 million

The impairment loss was recognized in the consolidated statements of comprehensive loss and reduced the carrying amount of the affected assets to their recoverable amount.

12. Reclamation provision

The Company's reclamation provision is an estimate of the environmental restoration obligations and closure costs associated with the Company's mines, processing facilities and development sites. The total undiscounted amount of the estimated costs required to settle the provision are \$4,811,058 (2024 – \$3,420,515).

Movements in the reclamation provision were as follows:

	Guadalupe		Plomosas		Capire		Total
Balance at December 31, 2023	\$	1,030,527	\$	202,398	\$	805,812	\$ 2,038,737
Accretion		85,232		18,290		72,820	176,342
Changes in estimate		49,713		204,749		(243,551)	10,911
Foreign exchange movement		(117,550)		(24,444)		(97,318)	(239,312)
Balance at December 31, 2024	\$	1,047,922	\$	400,993	\$	537,763	\$ 1,986,678
Accretion		112,658		44,264		59,747	216,669
Changes in estimate		(19,881)		90,560		593,398	664,077
Foreign exchange movement		110,027		42,156		56,552	208,735
Balance at December 31, 2025	\$	1,250,726	\$	577,973	\$	1,247,460	\$ 3,076,159

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

Inflation rate (%)

4.10%

4.16%

4.18%

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13. Equity

a) Share capital

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

During the year ended December 31, 2025:

On September 17, 2025, the Company closed a private placement financing and issued 44,444,446 units at a price of \$0.36 per unit for aggregate gross proceeds of \$16,000,000. The Company paid certain registered dealers a cash commission of \$1,130,880 and granted 2,888,888 brokers warrants valued at \$250,108. Each unit issued consists of one common share and one warrant and entitles the holder to purchase one common share at a price of \$0.45 for a period of 24 months from the date of issuance.

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

- On May 20, 2025, a total of 20,916,177 units were issued for aggregate gross proceeds of \$3,930,712. The Company paid certain registered dealers a cash commission of \$49,696 and granted 359,423 broker warrants valued at \$28,064. Each broker warrant entitles the holder to purchase one common share at a price of \$0.24 until May 20, 2028.
- On June 4, 2025, a total of 7,034,000 units were issued for aggregate gross proceeds of \$1,275,320. The Company paid certain registered dealers a cash commission of \$62,899 and granted 349,440 broker warrants valued at \$42,716. Each broker warrant entitles the holder to purchase one common share at a price of \$0.24 until June 4, 2028.

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

During the year ended December 31, 2024:

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

- On May 17, 2024, a total of 26,014,002 units were issued for aggregate gross proceeds of \$7,128,659. The Company paid certain registered dealers a cash commission of \$317,943 and granted 1,158,562 broker warrants. Each broker warrant entitles the holder to purchase one common share at a price of \$0.34 until May 17, 2026.
- On June 7, 2024, a total of 7,220,850 units were issued for aggregate gross proceeds of \$1,958,986. The Company paid certain registered dealers a cash commission of \$47,498 and granted 169,638 broker warrants. Each broker warrant entitles the holder to purchase one common share at a price of \$0.34 until June 7, 2026.

Of the total units issued, 11,423,526 units consist of one common share and one-half warrant, and 21,811,326 units consist of one common share and one warrant. Each whole warrant entitles the holder to purchase one common share at a price of \$0.34 per warrant share for a period of 24 months from the date of issuance.

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b) Share-based payments

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

On December 24, 2025 the Company issued 4,795,000 stock options. Each stock option entitles the holder to purchase one common share at a price of \$0.41 until December 24, 2030.

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

Issued:	2025
Risk-free interest rate	2.93%
Expected dividend yield	Nil
Expected share price volatility	74.43%
Expected warrant life	5 years

The following summarizes the continuity of the stock options:

	Number	Weighted Average Exercise Price (\$)
Balance at December 31, 2023	6,010,000	0.59
Expired	(1,750,000)	0.36
Forfeited	(325,000)	0.67
Balance at December 31, 2024	3,935,000	0.68
Granted	4,795,000	0.41
Forfeited	(200,000)	0.67
Balance at December 31, 2025	8,530,000	0.53

At December 31, 2025 the following stock options were outstanding:

Expiry Date	Exercise Price	Number of Options Outstanding	Weighted Average Remaining Life (Years)	Number of Options Exercisable
January 18, 2026 ¹	\$0.90	1,770,000	0.05	1,770,000
October 8, 2026	\$0.48	1,965,000	0.77	1,965,000
December 24, 2030	\$0.41	4,795,000	4.98	4,795,000
		8,530,000	2.99	8,530,000

¹1,770,000 expired on January 18, 2026.

IMPACT Silver Corp.

Notes to the Consolidated Financial Statements

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c) Warrants

The following summarizes the continuity of share purchase warrants:

	Number	Weighted Average Exercise Price (\$)
Balance at December 31, 2023	44,815,930	0.32
Issued	28,855,487	0.34
Expired	(619,074)	0.24
Balance at December 31, 2024	73,052,343	0.33
Issued	71,617,374	0.38
Exercised	(10,380,772)	0.23
Expired	(1,027,261)	0.32
Balance at December 31, 2025	133,261,684	0.36

As at December 31, 2025 the following share purchase warrants were outstanding:

Expiry Date	Weighted Average Exercise Price	Warrants Outstanding	Remaining Outstanding Life (Years)
May 17, 2026	0.34	21,928,657	0.38
June 7, 2026	0.34	6,920,110	0.43
October 19, 2026	0.35	30,347,451	0.80
November 3, 2026	0.35	2,454,092	0.84
May 20, 2027	0.26	4,145,000	1.38
June 4, 2027	0.26	230,000	1.42
September 17, 2027	0.45	47,333,334	1.71
May 20, 2028	0.24	12,979,600	2.39
June 4, 2028	0.24	6,923,440	2.43
	0.36	133,261,684	1.29

On April 19, 2025, the Company extended the expiry date of 30,828,938 share purchase warrants originally issued on April 19, 2023 as part of a private placement. The expiry date was extended from April 19, 2025 to October 19, 2026. All other terms of the warrants, including the exercise price, remain unchanged. The extension did not result in a remeasurement of the warrants, and had no impact on any amounts previously recorded.

On May 3, 2025, the Company extended the expiry date of 2,454,092 share purchase warrants originally issued on May 3, 2023 as part of a private placement. The expiry date was extended from May 3, 2025 to November 3, 2026. All other terms of the warrants, including the exercise price, remain unchanged. The extension did not result in a remeasurement of the warrants, and had no impact on any amounts previously recorded.

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

Issued:	2025	2024
Risk-free interest rate	2.49-2.66%	4.03-4.31%
Expected dividend yield	Nil	Nil
Expected share price volatility	75.59-79.79%	75.02-75.35%
Expected warrant life	2-3 years	2 years

IMPACT Silver Corp.

Notes to the Consolidated Financial Statements

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14. Revenues

The disaggregated information is as follows:

	<u>2025</u>	<u>2024</u>
Lead-silver concentrate	\$ 38,982,443	\$ 24,481,791
Zinc-silver concentrate	8,022,865	7,317,084
Provisional pricing adjustments	1,512,677	102,503
Total revenue	<u>\$ 48,517,985</u>	<u>\$ 31,901,378</u>

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

15. Cost of sales

	<u>2025</u>	<u>2024</u>
Raw materials and consumables	\$ 16,706,146	\$ 13,839,614
Salaries and employee benefits	12,595,681	11,801,692
Transportation	5,816,756	5,232,396
Depreciation and depletion	2,583,589	3,107,290
Change in inventories	26,542	(11,463)
Production taxes	434,266	122,854
	<u>\$ 38,162,980</u>	<u>\$ 34,092,383</u>

16. General and administrative expenses

	<u>2025</u>	<u>2024</u>
Accounting, audit & legal	\$ 841,341	\$ 854,591
Amortization	138,665	127,060
Investor relations, promotion & travel	415,916	682,646
Management fees & consulting	1,036,200	1,043,755
Office & sundry	576,664	482,801
Office salaries & services	1,517,756	971,472
	<u>\$ 4,526,542</u>	<u>\$ 4,162,325</u>

IMPACT Silver Corp.

Notes to the Consolidated Financial Statements

(Canadian dollars)

17. Exploration expenses

	<u>2025</u>	<u>2024</u>
Labour	\$ 1,729,565	\$ 1,475,538
Permits & Fees	643,327	448,290
Drilling	1,041,485	2,223,173
Supplies & Other	981,122	693,938
Option Payments	(460,000)	(240,000)
	<u>\$ 3,935,499</u>	<u>\$ 4,600,939</u>

18. Interest and finance income

	<u>2025</u>	<u>2024</u>
Interest income	\$ 325,292	\$ 237,528
Interest (expense)	(49,736)	(76,212)
Accretion (expense)	(216,669)	(176,342)
	<u>\$ 58,887</u>	<u>\$ (15,026)</u>

19. Key management personnel compensation

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

	<u>2025</u>	<u>2024</u>
Salaries, bonus and benefits	\$ 1,198,400	\$ 746,900
Consulting fees ⁽¹⁾	190,000	215,000
Share based compensation	920,681	-
	<u>\$ 2,309,081</u>	<u>\$ 961,900</u>
Amounts payable at December 31	\$ 80,417	\$ 165,617

⁽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.

IMPACT Silver Corp.

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(Canadian dollars)

20. Income taxes

Income tax expense differs from the amount that would result from applying the Canadian federal and provincial income tax rates to earnings before income taxes. These differences result from the following items:

	<u>2025</u>	<u>2024</u>
Loss before income taxes	\$ (8,271,140)	\$ (10,284,743)
Canadian federal and provincial income tax rates	27%	27%
Income tax (expense) based on the above rates	\$ (2,233,208)	\$ (2,776,881)
Increase (decrease) due to:		
Non-deductible expenses	397,247	(265,702)
Losses and temporary differences for which a deferred tax asset has not been recognized	4,352,672	272,109
Expiry of tax losses	125,378	1,020,954
Changes in estimate of deferred tax assets	(287,638)	1,783,331
Difference between foreign and Canadian tax rates	(124,669)	(312,601)
Deferred taxes in respect of Mexican royalty	726,698	(35,820)
Foreign exchange and other	(968,215)	(194,977)
Income tax expense	\$ 1,988,266	\$ (509,587)

Total income tax expense consists of:

	<u>2025</u>	<u>2024</u>
Current income tax expense	\$ 1,723,552	\$ 130,206
Deferred income tax expense	264,714	(639,793)
	\$ 1,988,266	\$ (509,587)

The composition of deferred income tax assets and liabilities are as follows:

	<u>2025</u>	<u>2024</u>
Deferred income tax assets		
Non-capital losses	\$ 1,448,547	\$ 3,840,155
Current assets and liabilities	5,185,405	2,246,529
Total deferred tax assets	\$ 6,633,952	\$ 6,086,684
Deferred income tax liabilities		
Property, plant and equipment	\$ 7,245,564	\$ 6,285,745
Other	141,330	292,995
Total deferred income tax liabilities	\$ 7,386,894	\$ 6,578,740
Deferred income tax liabilities, net	\$ 752,942	\$ 492,056

IMPACT Silver Corp.

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(Canadian dollars)

The deferred income tax assets and liabilities are represented on the balance sheet as follows:

	2025	2024
Deferred tax assets	\$ 1,060,539	\$ 2,398,889
Deferred tax liabilities	(1,813,481)	(2,890,945)
	\$ (752,942)	\$ (492,056)

The composition of deferred tax expense is as follows:

	2025	2024
Deferred income tax assets		
Non-capital losses (recovery)	\$ 2,361,733	\$ 147,835
Other	(1,413,410)	(45,297)
Deferred income tax liabilities		
Property, plant and equipment	\$ 1,724,991	\$ 51,182
Mineral properties	(2,259,213)	(654,951)
Other	(149,387)	(138,562)
Deferred income tax expense	\$ 264,714	\$ (639,793)

Continuity of changes in the Company's net deferred tax positions is as follows:

	2025	2024
Deferred income tax liability		
Balance at January 1	\$ 492,056	\$ 1,146,234
Deferred income tax expense during the year	264,714	(639,793)
Changes due to foreign currency translation	(3,828)	(14,385)
Balance at December 31	\$ 752,942	\$ 492,056

The unrecognized deferred tax asset is as follows:

	2025	2024
Non-capital losses	\$ 19,934,311	\$ 17,103,617
Capital losses	334,058	384,982
Property, plant and equipment	423,447	235,461
Exploration and evaluation assets	4,860,499	4,136,245
Unrecognized deferred tax asset	\$ 25,552,315	\$ 21,860,305

The non-capital losses have expiry dates while the remainder of the unrecognized deferred tax assets have no expiry dates.

As at December 31, 2025, the Company has tax losses for income tax purposes in Canada which may be used to reduce future taxable income. The income tax benefit of these losses, if any, have not been recorded in these consolidated financial statements because of the uncertainty of their recovery.

IMPACT Silver Corp.

Notes to the Consolidated Financial Statements

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The future expiration of taxes and the potential tax benefit of the losses are as follows:

Expiry Year	Canada	Mexico	Total
2026	\$ -	\$ 488,489	\$ 488,489
2027	73,316	620,595	693,911
2028	141,907	12,305,552	12,447,459
2029	883,789	3,490,063	4,373,852
2030	1,266,681	2,409,951	3,676,632
2031	1,137,299	1,676,145	2,813,444
2032	1,598,366	-	1,598,366
2033	1,877,272	2,401,624	4,278,896
2034	1,485,486	11,809,445	13,294,931
2035	984,102	7,353,986	8,338,088
2036	1,207,916	-	1,207,916
2037	1,277,877	-	1,277,877
2038	1,084,178	-	1,084,178
2039	1,577,306	-	1,577,306
2040	1,984,102	-	1,984,102
2041	1,503,912	-	1,503,912
2042	1,515,891	-	1,515,891
2043	1,822,617	-	1,822,617
2044	1,709,478	-	1,709,478
2045	3,415,009	-	3,415,009
	<u>\$ 26,546,504</u>	<u>\$ 42,555,850</u>	<u>\$ 69,102,354</u>
Capital losses			
No expiry date	<u>\$ 2,474,504</u>		

IMPACT Silver Corp.

Notes to the Consolidated Financial Statements

(Canadian dollars)

21. Capital management

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

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

The Company is not subject to externally imposed capital requirements.

22. Financial instruments and risk management

	Amortized cost	FVTPL	FVOCI	Total
December 31, 2025	\$	\$	\$	\$
Financial assets				
Cash	23,699,168	-	-	23,699,168
Investments	4,025,763	-	1,266,550	5,292,313
Trade and other receivables	40,300	6,308,036	-	6,348,336
	<u>27,765,231</u>	<u>6,308,036</u>	<u>1,266,550</u>	<u>35,339,817</u>
Financial liabilities				
Trade payables and accrued liabilities	5,393,914	-	-	5,393,914
	<u>5,393,914</u>	<u>-</u>	<u>-</u>	<u>5,393,914</u>
December 31, 2024				
Financial assets				
Cash and cash equivalents	7,062,715	-	-	7,062,715
Investments	-	-	179,009	179,009
Trade and other receivables	905,100	2,001,473	-	2,906,573
	<u>7,967,815</u>	<u>2,001,473</u>	<u>179,009</u>	<u>10,148,297</u>
Financial liabilities				
Trade payables and accrued liabilities	3,590,358	-	-	3,590,358
	<u>3,590,358</u>	<u>-</u>	<u>-</u>	<u>3,590,358</u>

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

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

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

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

IMPACT Silver Corp.

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As at December 31, 2025, investments are measured as fair value using Level 1 inputs. The fair value of marketable securities is measured based on the quoted market price of the related common shares at each reporting date, and changes in fair value are recognized in accumulated other comprehensive income or loss.

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

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

The methodology and assessment of inputs for determining the fair value of financial assets and liabilities as well as the hierarchy for the Company's financial assets and liabilities measured at fair value remains unchanged from that at December 31, 2024.

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, guaranteed investment certificates maturing within three to six months from year end of \$4.0 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.

The Company's current contractual obligations are summarized in the following table:

	Year 1	Years 2-4	After 5 years	Total
Trade payables and accrued liabilities	\$ 5,393,914	\$ -	\$ -	\$ 5,393,914
Current income taxes	1,478,942	-	-	1,478,942
Operating leases	84,412	32,079	74,112	190,603
Total contractual obligations	\$ 6,957,268	\$ 32,079	\$ 74,112	\$ 7,063,459

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.

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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).

23. Segmented information

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

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

As at December 31, 2025:

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

As at December 31, 2024:

	Total Assets	Property, plant & equipment
Zacualpan (Mexico)	\$ 29,496,306	\$ 22,053,670
Plomosas (Mexico)	15,674,426	12,024,199
Corporate (Canada)	5,983,351	30,195
Total	\$ 51,154,083	\$ 34,108,064

IMPACT Silver Corp.

Notes to the Consolidated Financial Statements

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For the year ended December 31, 2025:

	Zacualpan (Mexico)	Plomosas (Mexico)	Corporate (Canada)	Total
Revenues	\$ 38,469,825	\$ 10,048,160	\$ -	\$ 48,517,985
Operating expenses	21,928,606	13,650,785	-	35,579,391
Amortization and depletion	1,555,256	1,028,333	-	2,583,589
Gross profit (loss)	14,985,963	(4,630,958)	-	10,355,005
General and administrative expenses	786,132	463,571	3,276,839	4,526,542
Share based compensation expense	-	-	1,226,296	1,226,296
Exploration expenses	2,478,350	1,457,149	-	3,935,499
Impairment of property and equipment	-	8,762,705	-	8,762,705
Loss on disposal of equipment	226,948	-	4,557	231,505
Operating income (loss)	11,494,533	(15,314,383)	(4,507,692)	(8,327,542)
Interest and finance (expenses) income	(171,695)	(44,920)	275,502	58,887
Foreign exchange (gain) loss	(396,678)	900,927	(506,734)	(2,485)
Loss before income taxes	10,926,160	(14,458,376)	(4,738,924)	(8,271,140)
Current income tax expense	1,656,674	-	66,878	1,723,552
Deferred income tax expense	264,714	-	-	264,714
Net income (loss)	\$ 9,004,772	\$ (14,458,376)	\$ (4,805,802)	\$ (10,259,406)

For the year ended December 31, 2024:

	Zacualpan (Mexico)	Plomosas (Mexico)	Corporate (Canada)	Total
Revenues	\$ 22,925,354	\$ 8,976,024	\$ -	\$ 31,901,378
Operating expenses	19,543,363	11,441,950	-	30,985,313
Amortization and depletion	2,042,599	1,064,471	-	3,107,070
Gross profit (loss)	1,339,392	(3,530,397)	-	(2,191,005)
General and administrative expenses	786,543	498,907	2,876,875	4,162,325
Exploration expenses	1,968,320	2,632,619	-	4,600,939
Operating loss	(1,415,471)	(6,661,923)	(2,876,875)	(10,954,269)
Interest and finance (expenses) income	(209,863)	(34,737)	229,574	(15,026)
Foreign exchange (gain) loss	339,538	(36,605)	32,200	335,133
Gain on derecognition of financial liabilities and provisions	-	349,419	-	349,419
Loss before income taxes	(1,285,796)	(6,383,846)	(2,615,101)	(10,284,743)
Current income tax expense	31,748	-	98,458	130,206
Deferred income tax (recovery)	(639,793)	-	-	(639,793)
Net (loss)	\$ (677,751)	\$ (6,383,846)	\$ (2,713,559)	\$ (9,775,156)

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24. Supplemental cash flow information

The following table details additional supplementary cash flow information at December 31:

	2025		2024
Cash received for interest income	\$ 285,320	\$	237,528
Cash paid for income taxes	\$ -	\$	9,674

The significant non-cash financing and investing transactions during the years ended December 31 are as follows:

	2025		2024
Warrants issued for finder's fees	\$ 320,888	\$	161,385
Fair value of shares received	\$ 460,000	\$	240,000
Imputed interest on lease liabilities	\$ 49,736	\$	29,912

25. Contingency

A former employee of MLAZ is claiming unjustified dismissal in a legal action against that company. The total amount of the claim is \$0.1 million of which approximately one-half has been accrued in MLAZ at December 31, 2025.

26. Subsequent event

On March 20, 2026, the Company announced the temporary suspension of underground mining operations at its Plomosas mine in Chihuahua State, Mexico following a review of recent operating performance and cost structure. During the suspension the Company intends to focus on refining its geological model, optimizing the mine plan and redesigning development to improve grade control, reduce unit costs and enhance predictability, with the objective of supporting a sustainable restart over the coming quarters.
