Endeavour SILVER

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

PREPARED BY MANAGEMENT

Three and Six Months Ended June 30, 2019 and 2018

ENDEAVOUR SILVER CORP.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

(unaudited – prepared by management)
(expressed in thousands of US dollars)

	Notes	**June 30, 2019**	December 31, 2018
ASSETS			
Current assets			
Cash and cash equivalents		**$ 23,106**	$ 33,376
Other investments		**61**	88
Accounts receivable	4	**26,697**	26,947
Inventories	5	**15,053**	14,894
Prepaid expenses		**2,160**	2,704
Total current assets		**67,077**	78,009
Non-current deposits		**607**	1,114
Deferred income tax asset		**10,321**	9,147
Intangible assets	7	**1,245**	-
Right-of-use leased assets	8	**1,625**	-
Mineral properties, plant and equipment	9	**83,468**	88,777
Total assets		**$ 164,343**	$ 177,047
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		**$ 17,538**	$ 19,470
Income taxes payable		**1,801**	4,050
Loans payable	10	**895**	-
Lease liabilities	11	**221**	-
Total current liabilities		**20,455**	23,520
Deferred lease inducement		**-**	217
Loans payable	10	**1,924**	-
Lease liabilities	11	**1,097**	-
Provision for reclamation and rehabilitation		**8,299**	8,195
Deferred income tax liability		**553**	335
Total liabilities		**32,328**	32,267
Shareholders' equity			
Common shares, unlimited shares authorized, no par value, issued and outstanding 135,395,757 shares (Dec 31, 2018 - 130,781,052 shares)	Page 4	**467,895**	459,109
Contributed surplus	Page 4	**10,358**	9,676
Retained earnings (deficit)		**(346,238)**	(324,005)
Total shareholders' equity		**132,015**	144,780
Total liabilities and shareholders' equity		**$ 164,343**	$ 177,047

Commitments and contingencies (Notes 9, 10 ,11, 17 and 18)

Subsequent event (Note 12(a))

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

ENDEAVOUR SILVER CORP.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME

(unaudited – prepared by management)
(expressed in thousands of US dollars, except for shares and per share amounts)

		Three months ended		Six months ended	
	Notes	**June 30, 2019**	June 30, 2018	**June 30, 2019**	June 30, 2018
Revenue		**$ 29,382**	$ 38,765	**$ 58,525**	$ 79,095
Cost of sales:					
Direct production costs		**26,442**	23,720	**50,636**	49,526
Royalties		**336**	177	**653**	875
Share-based payments	12 (b)(c)	**53**	(130)	**108**	(93)
Depreciation, depletion and amortization		**7,149**	7,855	**14,265**	17,614
Write down of inventory to net realizable value	5	**1,507**	2,527	**4,719**	3,282
		35,487	34,149	**70,381**	71,204
Mine operating earnings (loss)		**(6,105)**	4,616	**(11,856)**	7,891
Expenses:					
Exploration	13	**3,207**	4,430	**5,540**	6,453
General and administrative	14	**2,009**	3,211	**5,051**	5,529
Severance costs		**-**	-	**1,100**	-
		5,216	7,641	**11,691**	11,982
Operating earnings (loss)		**(11,321)**	(3,025)	**(23,547)**	(4,091)
Finance costs		**103**	49	**195**	98
Other income (expense):					
Foreign exchange		**646**	(3,170)	**243**	(897)
Investment and other		**16**	143	**(193)**	212
		662	(3,027)	**50**	(685)
Earnings (loss) before income taxes		**(10,762)**	(6,101)	**(23,692)**	(4,874)
Income tax expense (recovery):					
Current income tax expense		**184**	1,965	**882**	2,653
Deferred income tax expense (recovery)		**(823)**	(2,415)	**(1,173)**	(4,201)
		(639)	(450)	**(291)**	(1,548)
Net earnings (loss) for the period		**(10,123)**	(5,651)	**(23,401)**	(3,326)
Basic earnings (loss) per share based on net earnings		**$ (0.08)**	$ (0.04)	**$ (0.18)**	$ (0.03)
Diluted earnings (loss) per share based on net earnings	12(f)	**$ (0.08)**	$ (0.04)	**$ (0.18)**	$ (0.03)
Basic weighted average number of shares outstanding		**132,158,891**	127,570,254	**131,779,448**	127,529,558
Diluted weighted average number of shares outstanding	12(f)	**132,158,891**	127,570,254	**131,779,448**	127,529,558

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

ENDEAVOUR SILVER CORP.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(unaudited – prepared by management)

(expressed in thousands of US dollars, except share amounts)

	Note	Number of shares	Share Capital	Contributed Surplus	Accumulated Comprehensive Income ("OCI") (Loss)	Retained Earnings (Deficit)	Total Shareholders' Equity
Balance at December 31, 2017		127,488,410	450,740	8,747	127	(313,097)	146,517
Public equity offerings, net of issuance costs	12 (a)	645,617	1,987	-	-	-	1,987
Exercise of options	12 (b)	127,000	387	(131)	-	-	256
Share based compensation	12 (b)(c)	-	-	1,193	-	-	1,193
tranferred to retained earnings		-	-	-	(127)	127	-
Expiry and forfeiture of options		-	-	(1,379)	-	1,379	-
Reallocation of performance share unit liability		-	-	38	-	-	38
Earnings (loss) for the year		-	-	-	-	(3,326)	(3,326)
Balance at June 30, 2018		128,261,027	$ 453,114	$ 8,468	$ -	$ (314,917)	$ 146,665
Public equity offerings, net of issuance costs	12 (a)	2,520,025	5,995	-	-	-	5,995
Exercise of options	12 (b)	-	-	-	-	-	-
Share based compensation	12 (b)(c)	-	-	1,233	-	-	1,233
Expiry and forfeiture of options	12 (b)	-	-	(25)	-	25	-
Earnings (loss) for the year		-	-	-	-	(9,113)	(9,113)
Balance at December 31, 2018		130,781,052	$ 459,109	$ 9,676	$ -	$ (324,005)	$ 144,780
Public equity offerings, net of issuance costs	12 (a)	4,614,705	8,786	-	-	-	8,786
Share based compensation	12 (b)(c)	-	-	1,850	-	-	1,850
Expiry and forfeiture of options	12 (b)	-	-	(1,168)	-	1,168	-
Earnings (loss) for the period		-	-	-	-	(23,401)	(23,401)
Balance at June 30, 2019		135,395,757	$ 467,895	$ 10,358	$ -	$ (346,238)	$ 132,015

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

ENDEAVOUR SILVER CORP.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

(unaudited – prepared by management)

(expressed in thousands of US dollars)

		Three months ended		Six months ended	
	Notes	**June 30, 2019**	June 30, 2018	**June 30, 2019**	June 30, 2018
Operating activities					
Net earnings (loss) for the period		**$ (10,123)**	$ (5,651)	**$ (23,401)**	$ (3,326)
Items not affecting cash:					
Share-based compensation	12(b)(c)	**851**	777	**1,850**	1,193
Depreciation, depletion and amortization	7,8,9	**7,314**	7,939	**14,541**	17,776
Deferred income tax expense (recovery)		**(823)**	(2,415)	**(1,173)**	(4,201)
Unrealized foreign exchange loss (gain)		**111**	398	**107**	348
Finance costs		**103**	37	**195**	75
Write off of IVA receivable		**-**	-	**-**	-
Write off of mineral properties	9	**45**	-	**45**	-
Write down of inventory to net realizable value	5	**1,507**	2,527	**4,719**	3,282
Unrealized loss (gain) on other investments		**55**	26	**27**	46
Net changes in non-cash working capital	15	**824**	661	**(5,880)**	(2,875)
Cash from (used in) operating activities		**(136)**	4,299	**(8,970)**	12,318
Investing activites					
Property, plant and equipment expenditures	9	**(5,740)**	(11,772)	**(9,663)**	(22,737)
Intangible asset expenditures	7	**(1)**	-	**(204)**	-
Redemption of (investment in) non-current deposits		**-**	1	**-**	1
Cash used in investing activities		**(5,741)**	(11,771)	**(9,867)**	(22,736)
Financing activities					
Restricted cash		**-**	-	**-**	1,000
Repayment of loans payable	10	**(152)**	-	**(252)**	-
Repayment of lease liabilities	11	**(32)**	-	**(103)**	-
Interest paid	10, 11	**(70)**	-	**(91)**	-
Public equity offerings	12(a)	**7,619**	2,071	**9,191**	2,071
Exercise of options	12(b)	**-**	256	**-**	256
Share issuance costs	12(a)	**(223)**	(84)	**(288)**	(84)
Cash from (used in) financing activites		**7,142**	2,243	**8,457**	3,243
Effect of exchange rate change on cash and cash equivalents		**65**	(274)	**110**	(45)
Increase (decrease) in cash and cash equivalents		**1,265**	(5,229)	**(10,380)**	(7,175)
Cash and cash equivalents, beginning of the period		**21,776**	36,560	**33,376**	38,277
Cash and cash equivalents, end of the period		**$ 23,106**	$ 31,057	**$ 23,106**	$ 31,057

Supplemental cash flow information (Note 15)

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

1. CORPORATE INFORMATION

Endeavour Silver Corp. (the "Company" or "Endeavour Silver") is a corporation governed by the Business Corporations Act (British Columbia). The Company is engaged in silver mining in Mexico and related activities including acquisition, exploration, development, extraction, processing, refining and reclamation. The Company is also engaged in exploration activities in Chile. The address of the registered office is #1130 – 609 Granville Street, Vancouver, B.C., V7Y 1G5.

2. BASIS OF PRESENTATION

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* and do not include all of the information required for full annual financial statements.

The Board of Directors approved the consolidated financial statements for issue on August 7, 2019.

The preparation of consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

These consolidated financial statements are presented in the Company's functional currency of US dollars and include the accounts of the Company and its wholly owned subsidiaries: Endeavour Management Corp., Endeavour Zilver SARL, Endeavour Gold Corporation S.A. de C.V., EDR Silver de Mexico S.A. de C.V. SOFOM , Minera Santa Cruz Y Garibaldi S.A de C.V., Metalurgica Guanaceví S.A. de C.V., Minera Plata Adelante S.A. de C.V., Refinadora Plata Guanaceví S.A. de C. V., Minas Bolañitos S. A. de C.V., Guanaceví Mining Services S.A. de C.V., Recursos Humanos Guanaceví S.A. de C.V., Recursos Villalpando S.A. de C.V., Servicios Administrativos Varal S.A. de C.V., Minera Plata Carina SPA, MXRT Holding Ltd., Compania Minera del Cubo S.A. de C.V., Minas Lupycal S.A. de C.V., Metales Interamericanos S.A. de C.V., Oro Silver Resources Ltd., Minera Oro Silver de Mexico S.A. de C.V. and Terronera Precious Metals S.A. de C.V. All intercompany transactions and balances have been eliminated upon consolidation of these subsidiaries.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in these condensed consolidated interim financial statements are the same as those applied in the Company's annual audited consolidated financial statements as at and for the year ended December 31, 2018 except as described below.

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual audited consolidated financial statements as at and for the year ended December 31, 2018 and accordingly, should be read in conjunction with the Company's annual audited consolidated financial statements for the year ended December 31, 2018.

The accounting policies below have been applied consistently to all years presented and by all subsidiaries in the group except for new accounting standards adopted during the year, which were adopted either on a prospective basis or on a modified retrospective basis, without restatement of comparative periods as described in Note 3(a).

Intangible assets
Intangible assets are initially recognized at cost if acquired externally, or at fair value if acquired as part of a business combination and have a useful life of greater than one year. Intangible assets which have finite useful lives are measured at cost less accumulated amortization and accumulated impairment. Intangible assets that are assessed as having a finite useful life are amortized over their useful life on a straight-line basis from the date they become available for use and are tested for impairment if indications exist that they may be impaired. The useful life is determined using the period of the underlying contract or the period of time over which the intangible asset can be expected to be used.

Intangible assets represent computer software licenses, which are being amortized over their underlying contractual period of three years.

(a) Accounting standards adopted during the year

IFRS 16, Leases ("IFRS 16")
On January 13, 2016, the IASB published a new standard, IFRS 16, *Leases*, which replaced IAS 17 – *Leases* and its associated interpretive guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract based on whether the customer controls the asset. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to the current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice. The standard is effective for annual periods beginning on or after January 1, 2019, with early application permitted for entities that apply IFRS 15. A lessee can choose to apply IFRS 16 using either a full retrospective or a modified retrospective approach.

IFRS 16 is being applied effective January 1, 2019 using the modified retrospective method. By applying this method, the comparative information for the 2018 fiscal year has not been restated.

At inception of a contract, the Company assesses whether a contract is or contains a lease. A contract is or contains a lease if the contract 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 lease commencement date. The right-of use asset is initially measured at cost, which is composed of:

- The amount of the initial measurement of the lease liability
- Any lease payments made at or before the commencement date
- Any indirect costs incurred
- An estimate of costs to dismantle and remove the underlying asset or to restore the site on which the asset is located
- Less any incentives received from the lessor

The right-of-use asset is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. Estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or if that rate cannot be readily determined, the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are composed of:

- Fixed payments, including in-substance fixed payments
- Variable lease payments that depend on an index or rate, initially measured using the index or rate as at the commencement date
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease payments exclude variable payments which are dependent on external factors other than an index or a rate. These variable payments are recognized directly in profit or loss.

The lease liability 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 in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(expressed in thousands of US dollars, unless otherwise stated)

The Company has elected to measure right-of-use assets at an amount equal to the lease liability, adjusted by any prepaid or accrued lease payments and use the following practical expedients upon adoption of IFRS 16:

- applied a single discount rate to a portfolio of leases with similar characteristics
- applied the exemption not to recognize right-of-use assets and liabilities for leases with a remaining term of 12 months or less at the time of transition
- excluded initial direct costs from measuring the right-of-use assets at the date of initial application

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are expensed on a straight-line basis over the lease term.

The Company has analyzed the impact of the first-time application of IFRS 16 in a group-wide project, including existing contracts. Adoption of IFRS 16 resulted in recording right of use assets in the amount of $1,835 and lease liabilities of $1,422 in the consolidated Statement of Financial Position as of January 1, 2019. The difference in the amount of $403 between right-of-use asset and lease liability relates to the adjustment of lease incentives of $243 offset by the reallocation of a prepaid expense to a right of use asset of $646.

The following table presents the reconciliation from the operating lease liabilities as December 31, 2018 to the opening balance for lease liabilities as at January 1, 2019

Reconciliation of lease liabilities on adoption of IFRS 16		
Operating lease obligations as at December 31, 2018	**$**	**2,840**
Non-lease components		**(942)**
Foreign exchange differences		**(18)**
Other		**(1)**
Undiscounted Lease Liability		**1,879**
Effect from discounting at Incremental Borrowing Rate		**(457)**
Lease obligation as at January 1, 2019	**$**	**1,422**

IFRIC 23, Uncertainty over Income Tax Treatments ("IFRIC 23")

On June 7, 2017, the IASB issued IFRIC Interpretation 23 *Uncertainty over Income Tax Treatments.* The Interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation was applicable for annual periods beginning on or after January 1, 2019.

The Interpretation requires an entity to contemplate whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution and if it is probable that the tax authorities will accept the uncertain tax treatment. If estimated that it is not probable that the uncertain tax treatment will be accepted by authorities, the tax uncertainty would be measured based on the most likely amount or expected value, depending on whichever method better predicts the resolution of the uncertainty.

The Company adopted the Interpretation in its financial statements for the annual period beginning on January 1, 2019, with no impact on the financial statements.

(expressed in thousands of US dollars, unless otherwise stated)

4. ACCOUNTS RECEIVABLE

	Note	June 30, 2019	December 31, 2018
Trade receivables [(1)]		$ 6,365	$ 5,627
IVA receivables [(2)]		14,255	15,353
Income taxes recoverable		5,429	5,587
Due from related parties	6	1	1
Other receivables		647	379
		$ 26,697	$ 26,947

(1) The trade receivables consist of receivables from provisional silver and gold sales from the Bolañitos, El Cubo and El Compas mines. The fair value of receivables arising from concentrate sales contracts that contain provisional pricing mechanisms is determined using the appropriate quoted one-month forward price on the measurement date from the exchange that is the principal active market for the particular metal. As such, these receivables, which meet the definition of an embedded derivative, are classified within Level 2 of the fair value hierarchy (Note 18).

(2) The Company's Mexican subsidiaries pay value added tax, Impuesto al Valor Agregado ("IVA"), on the purchase and sale of goods and services. The net amount paid is recoverable but is subject to review and assessment by the tax authorities. The Company regularly files the required IVA returns and all supporting documentation with the tax authorities, however, the Company has been advised that certain IVA amounts receivable from the tax authorities are being withheld pending completion of the authorities' audit of certain of the Company's third-party suppliers. Under Mexican law the Company has legal rights to those IVA refunds and the results of the third party audits should have no impact on refunds. A smaller portion of IVA refund requests are from time to time improperly denied based on the alleged lack of compliance of certain formal requirements and information returns by the Company's third-party suppliers. The Company takes necessary legal action on the delayed refunds as well as any improperly denied refunds.

These improper delays and denials have occurred within Compania Minera del Cubo ("El Cubo") and Refinadora Plata Guanaceví S.A. de C.V. ("Guanaceví,"). At June 30, 2019, El Cubo holds $4,696 and Guanaceví holds $6,547 in IVA receivables which the Company and its advisors deem to be recoverable from tax authorities (December 31, 2018 – $4,888 and $6,957 respectively). The Company is in regular contact with the tax authorities in respect of its IVA filings and believes the full amount of its IVA receivables will ultimately be received; however, the timing of recovery of these amounts and the nature and extent of any adjustments to the Company's IVA receivables remains uncertain.

5. INVENTORIES

	June 30, 2019	December 31, 2018
Warehouse inventory	$ 8,169	$ 8,638
Stockpile inventory[(4)]	2,049	1,564
Work in process inventory[(3)]	573	322
Finished goods inventory [(1)(2)]	4,262	4,370
	$ 15,053	$ 14,894

(1) The Company held 118,121 silver ounces and 1,903 gold ounces as of June 30, 2019 (December 31, 2018 – 199,897 and 1,956, respectively). These ounces are carried at the lower of cost and net realizable value. As at June 30, 2019, the quoted market value of the silver ounces was $1,798 (December 31, 2018 - $3,091) and the quoted market value of the gold ounces was $2,681 (December 31, 2018 - $2,507).

(2) The finished goods inventory balance at June 30, 2019 is net of a write down to net realizable value of $175 for finished goods inventory held at the Guanaceví mine. Of this amount $120 is comprised of cash costs and $55 relates to depreciation and depletion and was expensed in the period. The finished goods inventory balance at June 30, 2019 is net of a write down to net realizable value of $220 for finished goods inventory held at the El Compas mine. Of this amount $102 is comprised of cash costs and $118 relates to depreciation.

(expressed in thousands of US dollars, unless otherwise stated)

(3) The work in process inventory balance at June 30, 2019 is net of a write down to net realizable value of $140 for work in process inventory held at the Guanaceví mine. Of this amount $91 is comprised of cash costs and $49 relates to depreciation and depletion and was expensed in the period.
(4) The stockpile inventory balance at June 30, 2019 is net of a write down to net realizable value of $972 for stockpile inventory held at the El Compas mine. Of this amount $549 is comprised of cash costs and $423 relates to depreciation and depletion and was expensed in the period.

6. RELATED PARTY TRANSACTIONS

The Company shares common administrative services and office space with a company related by virtue of a common director and from time to time will incur third party costs on behalf of related parties on a full cost recovery basis. The charges for these costs totaled $2 and $4 for the three and the six months ended June 30, 2019 respectively (June 30, 2018 - $5 and $7 respectively). The Company has a $1 net receivable related to these costs as of June 30, 2019 (December 31, 2018 – $1).

The Company was charged $95 and $114 for legal services for the three and the six months ended June 30, 2019 respectively by a legal firm in which the Company's corporate secretary is a partner (June 30, 2018 - $82 and $119 respectively). The Company has $6 payable to the legal firm as at June 30, 2019 (December 31, 2018 - $5).

7. INTANGIBLE ASSETS

		Acquired Software
Balance, December 31, 2018	$	-
Additions		1,518
Amortization		(273)
Balance June 30, 2019	**$**	**1,245**

Intangible assets represent computer software licenses, which are being amortized over their underlying contractual period of three years. The expense has been included in depreciation, depletion and amortization expense in profit or loss.

8. RIGHT-OF-USE LEASED ASSETS

The following table presents the right-of-use assets for the Company:

	Note		Office premises		Plant		Vehicles		Total right-of-use assets
Right-of-use assets recognized on adoption of IFRS 16 on January 1, 2019	3,11	$	1,091	$	656	$	88	$	1,835
Additions			-		-		-		-
Depreciation			(89)		(98)		(23)	$	(210)
Balance June 30, 2019		**$**	**1,002**	**$**	**558**	**$**	**65**	**$**	**1,625**

(expressed in thousands of US dollars, unless otherwise stated)

9. MINERAL PROPERTIES, PLANT AND EQUIPMENT

(a) Mineral properties, plant and equipment comprise:

	Mineral properties	Plant	Machinery & equipment	Building	Transport & office equipment	Total
Cost						
Balance at December 31, 2017	485,850	98,021	62,844	11,862	10,533	669,110
Additions	30,377	4,480	3,411	482	1,701	40,451
Balance at December 31, 2018	$ 516,227	$ 102,501	$ 66,255	$ 12,344	$ 12,234	$ 709,561
Additions	8,415	875	2,404	538	152	12,384
Disposals	(45)	-	-	-	-	(45)
Balance at June 30, 2019	**$ 524,597**	**$ 103,376**	**$ 68,659**	**$ 12,882**	**$ 12,386**	**$ 721,900**
Accumulated amortization and impairment						
Balance at December 31, 2017	431,481	87,209	44,525	9,402	7,677	580,294
Amortization	34,420	1,289	3,288	272	1,221	40,490
Balance at December 31, 2018	$ 465,901	$ 88,498	$ 47,813	$ 9,674	$ 8,898	$ 620,784
Amortization	13,930	1,636	1,354	47	681	17,648
Balance at June 30, 2019	**$ 479,831**	**$ 90,134**	**$ 49,167**	**$ 9,721**	**$ 9,579**	**$ 638,432**
Net book value						
At December 31, 2018	$ 50,326	$ 14,003	$ 18,442	$ 2,670	$ 3,336	$ 88,777
At June 30, 2019	**$ 44,766**	**$ 13,242**	**$ 19,492**	**$ 3,161**	**$ 2,807**	**$ 83,468**

Included in Mineral properties is $11,622 in acquisition costs for exploration and evaluation properties (December 31, 2018 – $11,246).

As of June 30, 2019, the Company has $3,763 committed to capital equipment purchases.

10. LOANS PAYABLE

	June 30, 2019	December 31, 2018
Current loans payable	**$ 895**	$ -
Non-Current loans payable	**1,924**	-
Balance at June 30, 2019	**$ 2,819**	$ -

During the period the Company entered into two separate 3-year financing arrangements for software licenses. The agreements require either monthly or quarterly payments of principal and interest with a weighted-average interest rate of 8.4%.

Subsequent to June 30, 2019, the Company entered into new loan agreements totaling $3.3 million for the purchase of capital assets with terms ranging from 1 year to 4 years with an interest rate of 8.2%.

(expressed in thousands of US dollars, unless otherwise stated)

11. LEASES OBLIGATIONS

The Company leases its office space and the El Compas plant. These leases are for periods of five to ten years. Certain leases include an option to renew the lease after the end of the contract term and/ or provide for payments that are indexed to local inflation rates.

The company leases vehicles with a lease term of three years. The Company has the option to purchase the assets at the end of the contract term. As at June 30, 2019, the Company is reasonably certain that the purchase option for this lease will be exercised, therefore the amount for the purchase option has been included in the measurement of the right-of-use asset and lease liability.

The following table presents the lease obligations of the Company:

	Note		**June 30, 2019**
Lease liabilities recognized on adoption of IFRS 16 on January 1, 2019	3	$	1,422
Additions			-
Interest			44
Payments			(148)
Effects of movement in exchange rates			-
Balance as at June 30, 2019			1,318
Less: Current portion			(221)
Non-Current Lease Liabilities		$	1,097

The following table presents lease liability maturity – contractual undiscounted cash flows for the Company:

		June 30, 2019
Less than one year	$	221
One to five years		541
More than five years		577
Balance at June 30, 2019	$	1,339

The following amounts have been recognized in Profit or Loss:

		Three months ended June 30, 2019		**Six months ended June 30, 2019**
Interest on lease liabilities	$	26	$	44
Foreign exchange		(26)		-
Expenses related to short-term leases		70		115

The lease liabilities have a weighted-average interest rate of 7.7%. For the three and six months ended June 30, 2019, the Company recognized $26 and $44, respectively, in interest expense on the lease liabilities.

(expressed in thousands of US dollars, unless otherwise stated)

12. SHARE CAPITAL

(a) Public Offerings

In April 2018, the Company filed a short form base shelf prospectus that qualifies for the distribution of up to CAN$150 million of common shares, debt securities, warrants or units of the Company comprising any combination of common shares and warrants (the "Securities"). The Company filed a corresponding registration statement in the United States registering the Securities under United States federal securities laws. The distribution of Securities may be effected from time to time in one or more transactions at a fixed price or prices, which may be changed, at market prices prevailing at the time of sale, or at prices related to such prevailing market prices to be negotiated with purchasers and as set forth in an accompanying prospectus supplement, including transactions that are deemed to be "At- The-Market" ("ATM") distributions.

On June 13, 2018, the Company entered into an ATM equity facility with BMO Capital Markets (the lead agent), CIBC Capital Markets, H.C. Wainwright & Co., HSBC and TD Securities (together, the "Agents"). Under the terms of this ATM facility, the Company may, from time to time, sell common stock having an aggregate offering value of up to $35.7 million on the New York Stock Exchange. The Company determines, at its sole discretion, the timing and number of shares to be sold under the ATM facility. During the six months ended June 30, 2019, the Company issued 4,614,705 common shares under the ATM facility at an average price of $1.99 per share for gross proceeds of $9,191, less commission of $207.

During the six months ended June 30, 2019, the Company also recognized $198 of additional transaction costs, related to the ATM financing as share issuance costs, which have been presented net of share capital.

Subsequent to June 30, 2019, the Company issued 1,930,509 common shares under the ATM facility at an average price of $2.04 per share for gross proceeds of $3,935, less commission of $88.

(b) Purchase Options

Options to purchase common shares have been granted to directors, officers, employees and consultants pursuant to the Company's current stock option plan, approved by the Company's shareholders in fiscal 2009 and re-ratified in 2018, at exercise prices determined by reference to the market value on the date of grant. The stock option plan allows for, with approval by the Board, granting of options to its directors, officers, employees and consultants to acquire up to 7.0% of the issued and outstanding shares at any time.

The following table summarizes the status of the Company's stock option plan and changes during the year:

Expressed in Canadian dollars	**Six Months Ended June 30, 2019**		Year Ended December 31, 2018	
	Number of shares	**Weighted average exercise price**	Number of shares	Weighted average exercise price
Outstanding, beginning of year	**5,987,800**	**$3.96**	5,792,800	$4.00
Granted	**1,759,000**	**$3.22**	1,262,500	$3.80
Exercised	**-**	**-**	(127,000)	$2.65
Cancelled and expired	**(622,000)**	**$4.61**	(940,500)	$4.15
Outstanding, end of the period	**7,124,800**	**$3.72**	5,987,800	$3.96
Options exercisable at the end of the period	**5,222,800**	**$3.84**	4,946,300	$3.96

(expressed in thousands of US dollars, unless otherwise stated)

The following table summarizes the information about stock options outstanding at June 30, 2019:

Expressed in Canadian dollars					
	Options Outstanding			**Options exercisable**	
Price Intervals	Number Outstanding as at June 30, 2019	Weighted Average Remaining Contractual Life (Number of Years)	Weighted Average Exercise Price	Number Exercisable as at June 30, 2019	Weighted Average Exercise Price
$2.00 - $2.99	1,034,500	0.9	$2.65	1,014,500	$2.65
$3.00 - $3.99	2,957,300	4.3	$3.47	1,075,300	$3.62
$4.00 - $4.99	3,133,000	2.3	$4.31	3,133,000	$4.31
	7,124,800	3.0	$3.72	5,222,800	$3.84

During the three and six months ended June 30, 2019, the Company recognized share-based compensation expense of $575 and $1,379 respectively (June 30, 2018 - $645 and 1,061 respectively) based on the fair value of the vested portion of options granted in the current and prior years.

The weighted-average fair values of stock options granted and the assumptions used to calculate the related compensation expense have been estimated using the Black-Scholes Option Pricing Model with the following assumptions:

	Six Months Ended June 30, 2019	Year Ended December 31, 2018
Weighted-average fair value of option in CAN$	**$1.57**	$1.96
Risk-free interest rate	**1.75%**	2.05%
Expected dividend yield	**0%**	0%
Expected stock price volatility	**64%**	69%
Expected option life in years	**3.83**	3.79

(c) Performance Share Units Plan

The Company has a Performance Share Unit ("PSU") plan whereby performance share units may be granted to employees of the Company. Once performance conditions have been met, a PSU is redeemable into one common share entitling the holder to receive the common share for no additional consideration. The current maximum number of common shares authorized for issuance from treasury under the PSU plan is 2,000,000.

	Six Months Ended June 30, 2019	Year Ended December 31, 2018
	Number of units	Number of units
Outstanding, beginning of year	**616,000**	200,000
Granted [1]	**603,000**	446,000
Cancelled	-	(30,000)
Outstanding, end of period	**1,219,000**	616,000

The Company granted 603,000 PSUs during the six months ended June 30, 2019 (June 30, 2018 – 388,000). The PSUs vest at the end of a three-year period if certain pre-determined performance and vesting criteria are achieved. Performance criteria is based on the Company's share price performance relative to a representative group of other mining companies. 170,000 PSUs vest on May 3, 2020, 446,000 PSUs vest on May 3, 2021 and 603,000 vest on March 3, 2022.

During the three and six months ended June 30, 2019, the Company recognized share-based compensation expense of $276 and $471 respectively related to the PSUs (June 30, 2018 –$80 and $132).

(expressed in thousands of US dollars, unless otherwise stated)

(d) Deferred Share Units

The Company has a Deferred Share Unit ("DSU") plan whereby deferred share units may be granted to independent directors of the Company in lieu of compensation in cash or share purchase options. The DSUs vest immediately and are redeemable for cash based on the market value of the units at the time of a director's retirement.

Expressed in Canadian dollars	Six Months Ended June 30, 2019		Year Ended December 31, 2018	
	Number of units	**Weighted Average Grant Price**	Number of units	Weighted Average Grant Price
Outstanding, beginning of year	**652,276**	**$3.48**	548,392	$3.44
Granted	**194,045**	**$3.01**	103,884	$3.68
Redeemed	**-**	**-**	-	-
Outstanding, end of period	**846,321**	**$3.37**	652,276	$3.48
Fair value at period end	**846,321**	**$2.70**	652,276	$2.94

During the three months ended June 30, 2019, the Company recognized an expense recovery of director's compensation of $173 and an expense of $338 for the six months ended June 30, 2019, (June 30, 2018 – expense of $658 and $669 respectively). DSU expenses, which are included in general and administrative salaries, wages and benefits, are based on the fair value of new grants and the change in the fair value of the DSUs granted in the current and prior years. As of June 30, 2019, there are 846,321 deferred share units outstanding (December 31, 2018 – 652,276) with a fair market value of $1,745 (December 31, 2018 - $1,407) recognized in accounts payable and accrued liabilities.

(e) Share Appreciation Rights

As part of the Company's bonus program, the Company grants share appreciation rights ("SARs") to its employees in Mexico and Chile. The SARs are subject to vesting conditions and, when exercised, constitute a cash bonus based on the value of the appreciation of the Company's common shares between the SARs grant date and the exercise date.

	Six Months Ended June 30, 2019		Year Ended December 31, 2018	
	Number of units	**Weighted Average Grant Price**	Number of units	Weighted Average Grant Price
Outstanding, beginning of year	**694,000**	**$3.99**	911,993	$3.80
Granted	**-**	**-**	-	-
Exercised	**-**	**-**	(96,661)	$2.21
Cancelled	**(99,000)**	**$3.95**	(121,332)	$3.96
Outstanding, end of period	**595,000**	**$3.99**	694,000	$3.99
Exercisable at the end of the period	**475,344**	**$4.17**	553,679	$4.16

During the three months and six months ended June 30, 2019, the Company recognized an expense recovery related to SARs, which is included in operation and exploration salaries, wages and benefits, of $262 and $229 respectively (June 30, 2018 – expense of $242 and $177 respectively) based on the fair value of new grants and the change in the fair value of the SARs granted in the current and prior years. As of June 30, 2019, there are 475,344 SARs outstanding (December 31, 2018 – 694,000) with a fair market value of $32 (December 31, 2018 - $72) recognized in accounts payable and accrued liabilities.

(expressed in thousands of US dollars, unless otherwise stated)

(f) Diluted Earnings per Share

	Three Months Ended			
		June 30, 2019		June 30, 2018
Net earnings (loss)	**$**	**(10,123)**	$	(5,651)
Basic weighted average number of shares outstanding		**132,158,891**		127,570,254
Diluted weighted average number of share outstanding		**132,158,891**		127,570,254
Diluted earnings (loss) per share	**$**	**(0.08)**	$	(0.04)

	Six Months Ended			
		June 30, 2019		June 30, 2018
Net earnings (loss)	**$**	**(23,401)**	$	(3,326)
Basic weighted average number of shares outstanding		**131,779,448**		127,529,558
Diluted weighted average number of share outstanding		**131,779,448**		127,529,558
Diluted earnings (loss) per share	**$**	**(0.18)**	$	(0.03)

13. EXPLORATION

	Three months Ended				Six months Ended			
		June 30, 2019		June 30, 2018		**June 30, 2019**		June 30, 2018
Depreciation, depletion and amortization	**$**	**82**	$	24	**$**	**120**	$	47
Share-based compensation		**148**		82		**311**		118
Salaries, wages and benefits		**981**		727		**1,853**		1,433
Direct exploration expenditures		**1,996**		3,597		**3,256**		4,855
	$	**3,207**	$	4,430	**$**	**5,540**	$	6,453

(expressed in thousands of US dollars, unless otherwise stated)

14. GENERAL AND ADMINISTRATIVE

	Three months Ended		Six months Ended	
	June 30, 2019	June 30, 2018	**June 30, 2019**	June 30, 2018
Depreciation, depletion and amortization	**$ 83**	$ 60	**$ 156**	$ 115
Share-based compensation	**650**	825	**1,431**	1,168
Salaries, wages and benefits	**473**	1,473	**1,851**	2,351
Direct general and administrative expenditures	**803**	853	**1,613**	1,895
	$ 2,009	$ 3,211	**$ 5,051**	$ 5,529

Included in salaries, wages and benefits is an $173 expense recovery and a $338 expense of directors' deferred share units respectively for the three months and the six months ended June 30, 2019 (June 30, 2018 –expense of $658 and $699 respectively)

15. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	Three months Ended		Six months Ended	
	June 30, 2019	June 30, 2018	**June 30, 2019**	June 30, 2018
Net changes in non-cash working capital:				
Accounts receivable	**$ 672**	$ 59	**$ 111**	$ (1,170)
Inventories	**(104)**	(1,760)	**(2,047)**	(1,412)
Prepaid expenses	**646**	60	**544**	(12)
Accounts payable and accrued liabilities	**(73)**	1,317	**(2,239)**	565
Income taxes payable	**(317)**	985	**(2,249)**	(846)
	$ 824	$ 661	**$ (5,880)**	$ (2,875)
Non-cash financing and investing activities:				
Fair value of exercised options allocated to share capital	**-**	131	**-**	131
Other cash disbursements:				
Income taxes paid	**473**	1,023	**1,682**	2,091
Special mining duty paid	**-**	-	**1,670**	1,012

(expressed in thousands of US dollars, unless otherwise stated)

16. SEGMENT DISCLOSURES

The Company's operating segments are based on internal management reports that are reviewed by the Company's executives (the chief operating decision makers) in assessing performance. The Company has four operating mining segments, Guanaceví, Bolañitos, El Cubo and El Compas, which are located in Mexico, as well as Exploration and Corporate segments. The Exploration segment consists of projects in the exploration and evaluation phases in Mexico and Chile.

June 30, 2019							
	Corporate	Exploration	Guanaceví	Bolanitos	El Cubo	El Compas	Total
Cash and cash equivalents	$ 14,138	$ 567	$ 5,680	$ 760	$ 1,356	$ 605	$ 23,106
Other Investments	61	-	-	-	-	-	61
Accounts receivables	437	2,154	6,603	6,088	6,629	4,786	26,697
Inventories	-	-	5,965	2,565	2,581	3,942	15,053
Prepaid expenses	1,074	58	628	64	167	169	2,160
Non-current deposits	76	-	306	151	74	-	607
Deferred income tax asset	-	-	7,234	2,800	287	-	10,321
Intangible assets	63	151	231	244	283	273	1,245
Right-of-use leased assets	798	-	66	203	-	558	1,625
Mineral property, plant and equipment	477	12,095	32,607	10,949	7,655	19,685	83,468
Total assets	$ 17,124	$ 15,025	$ 59,320	$ 23,824	$ 19,032	$ 30,018	$ 164,343
Accounts payable and accrued liabilities	$ 5,737	$ 635	$ 5,477	$ 2,097	$ 2,268	$ 1,324	$ 17,538
Income taxes payable	841	-	601	152	207	-	1,801
Loans payable	64	175	1,442	788	175	175	2,819
Lease obligations	1,047	-	65	206			1,318
Provision for reclamation and rehabilitation	-	-	2,155	1,827	4,199	118	8,299
Deferred income tax liability	-	-	-	254	-	299	553
Total liabilities	$ 7,689	$ 810	$ 9,740	$ 5,324	$ 6,849	$ 1,916	$ 32,328

December 31, 2018							
	Corporate	Exploration	Guanaceví	Bolanitos	El Cubo	El Compas	Total
Cash and cash equivalents	$ 14,477	$ 765	$ 3,947	$ 4,776	$ 8,863	$ 548	$ 33,376
Other Investments	88	-	-	-	-	-	88
Accounts receivables	176	1,924	9,386	2,760	8,996	3,705	26,947
Inventories	-	-	6,310	3,736	2,939	1,909	14,894
Prepaid expenses	1,666	75	706	26	129	102	2,704
Non-current deposits	76	-	308	151	74	505	1,114
Deferred income tax asset	-	-	6,782	1,549	816	-	9,147
Mineral property, plant and equipment	573	11,791	34,933	9,348	11,323	20,809	88,777
Total assets	$ 17,056	$ 14,555	$ 62,372	$ 22,346	$ 33,140	$ 27,578	$ 177,047
Accounts payable and accrued liabilities	$ 6,045	$ 287	$ 5,528	$ 1,872	$ 4,347	$ 1,391	$ 19,470
Income taxes payable	1,028	-	926	878	1,218	-	4,050
Deferred lease inducement	217	-	-	-	-	-	217
Provision for reclamation and rehabilitation	-	-	2,128	1,805	4,148	114	8,195
Deferred income tax liability	-	-	-	36	-	299	335
Total liabilities	$ 7,290	$ 287	$ 8,582	$ 4,591	$ 9,713	$ 1,804	$ 32,267

(expressed in thousands of US dollars, unless otherwise stated)

	Corporate	Exploration	Guanaceví	Bolanitos	El Cubo	El Compas	Total
				Three months ended June 30, 2019			
Silver revenue	$ -	$ -	$ 8,710	$ 3,157	$ 4,454	$ 198	$ 16,519
Gold revenue	-	-	1,990	5,380	3,766	1,727	12,863
Total revenue	$ -	$ -	$ 10,700	$ 8,537	$ 8,220	$ 1,925	$ 29,382
Salaries, wages and benefits:							
mining	$ -	$ -	$ 2,222	$ 1,272	$ 1,249	$ 81	$ 4,824
processing	-	-	455	299	363	186	1,303
administrative	-	-	743	554	739	359	2,395
stock based compensation	-	-	8	9	9	27	53
change in inventory	-	-	5	356	(162)	(84)	115
Total salaries, wages and benefits	-	-	3,433	2,490	2,198	569	8,690
Direct costs:							
mining	-	-	4,729	2,252	2,706	779	10,466
processing	-	-	1,929	1,424	1,159	686	5,198
administrative	-	-	683	338	622	158	1,801
change in inventory	-	-	339	591	(211)	(379)	340
Total direct production costs	-	-	7,680	4,605	4,276	1,244	17,805
Depreciation, depletion and amortization:							
depreciation, depletion and amortization	-	-	3,863	758	1,692	1,783	8,096
change in inventory	-	-	64	191	(94)	(1,108)	(947)
Total depreciation and depletion	-	-	3,927	949	1,598	675	7,149
Royalties	-	-	209	47	40	40	336
Write down of inventory to NRV	-	-	315	-	-	1,192	1,507
Total cost of sales	$ -	$ -	$ 15,564	$ 8,091	$ 8,112	$ 3,720	$ 35,487
Earnings (loss) before taxes	$ (1,450)	$ (3,207)	$ (4,864)	$ 446	$ 108	$ (1,795)	$ (10,762)
Current income tax expense (recovery)	-	-	67	6	111	-	184
Deferred income tax expense (recovery)	-	-	(216)	(608)	1	-	(823)
Total income tax expense (recovery)	-	-	(149)	(602)	112	-	(639)
Net earnings (loss)	$ (1,450)	$ (3,207)	$ (4,715)	$ 1,048	$ (4)	$ (1,795)	$ (10,123)

The Exploration segment included $531 of costs incurred in Chile for the three months ended June 30, 2019 (June 30, 2018 - $245).

(expressed in thousands of US dollars, unless otherwise stated)

	Corporate	Exploration	Guanaceví	Bolanitos	El Cubo	El Compas	Total
			Three months ended June 30, 2018				
Silver revenue	$ -	$ -	$ 6,271	$ 4,235	$ 10,584	$ -	$ 21,090
Gold revenue	-	-	1,882	7,052	8,741	-	17,675
Total revenue	$ -	$ -	$ 8,153	$ 11,287	$ 19,325	$ -	$ 38,765
Salaries, wages and benefits:							
mining	$ -	$ -	$ 1,075	$ 1,298	$ 2,259	$ -	$ 4,632
processing	-	-	397	297	493	-	1,187
administrative	-	-	582	614	831	-	2,027
stock based compensation	-	-	(44)	(43)	(43)	-	(130)
change in inventory	-	-	(149)	95	76	-	22
Total salaries, wages and benefits	-	-	1,861	2,261	3,616	-	7,738
Direct costs:							
mining	-	-	4,074	2,515	3,401	-	9,990
processing	-	-	1,319	1,725	1,897	-	4,941
administrative	-	-	409	427	591	-	1,427
change in inventory	-	-	(793)	178	109	-	(506)
Total direct production costs	-	-	5,009	4,845	5,998	-	15,852
Depreciation and depletion:							
depreciation and depletion	-	-	4,685	337	2,982	-	8,004
change in inventory	-	-	(236)	11	76	-	(149)
Total depreciation and depletion	-	-	4,449	348	3,058	-	7,855
Royalties	-	-	290	(210)	97	-	177
Write down of inventory to NRV	-	-	2,527	-	-	-	2,527
Total cost of sales	$ -	$ -	$ 14,136	$ 7,244	$ 12,769	$ -	$ 34,149
Earnings (loss) before taxes	$ (6,287)	$ (4,430)	$ (5,983)	$ 4,043	$ 6,556	$ -	$ (6,101)
Current income tax expense (recovery)	-	-	161	1,326	478	-	1,965
Deferred income tax expense (recovery)	-	-	(3,112)	697	-	-	(2,415)
Total income tax expense (recovery)	-	-	(2,951)	2,023	478	-	(450)
Net earnings (loss)	$ (6,287)	$ (4,430)	$ (3,032)	$ 2,020	$ 6,078	$ -	$ (5,651)

(expressed in thousands of US dollars, unless otherwise stated)

	Corporate	Exploration	Guanaceví	Bolanitos	El Cubo	El Compas	Total
				Six months ended June 30, 2019			
Silver revenue	$ -	$ -	$ 15,566	$ 6,160	$ 11,169	$ 198	$ 33,093
Gold revenue	-	-	3,384	10,955	9,366	1,727	25,432
Total revenue	$ -	$ -	$ 18,950	$ 17,115	$ 20,535	$ 1,925	$ 58,525
Salaries, wages and benefits:							
mining	$ -	$ -	$ 3,753	$ 2,370	$ 3,115	$ 92	$ 9,330
processing	-	-	820	575	733	190	2,318
administrative	-	-	1,453	1,016	1,583	383	4,435
stock based compensation	-	-	27	27	27	27	108
change in inventory	-	-	(70)	368	(36)	(123)	139
Total salaries, wages and benefits	-	-	5,983	4,356	5,422	569	16,330
Direct costs:							
mining	-	-	9,615	4,742	5,702	962	21,021
processing	-	-	3,529	2,874	2,686	670	9,759
administrative	-	-	1,236	641	1,194	175	3,246
change in inventory	-	-	182	775	(6)	(563)	388
Total direct production costs	-	-	14,562	9,032	9,576	1,244	34,414
Depreciation and depletion:							
depreciation and depletion	-	-	7,928	1,839	3,740	1,968	15,475
change in inventory	-	-	61	(23)	45	(1,293)	(1,210)
Total depreciation and depletion	-	-	7,989	1,816	3,785	675	14,265
Royalties	-	-	429	87	97	40	653
Write down of inventory to NRV	-	-	2,429	-	-	2,290	4,719
Total cost of sales	$ -	$ -	$ 31,392	$ 15,291	$ 18,880	$ 4,818	$ 70,381
Severance costs	-	-	-	-	1,100	-	1,100
Earnings (loss) before taxes	$ (5,196)	$ (5,540)	$ (12,442)	$ 1,824	$ 555	$ (2,893)	$ (23,692)
Current income tax expense (recovery)	-	-	226	344	312	-	882
Deferred income tax expense (recovery)	-	-	(452)	(1,251)	530	-	(1,173)
Total income tax expense (recovery)	-	-	(226)	(907)	842	-	(291)
Net earnings (loss)	$ (5,196)	$ (5,540)	$ (12,216)	$ 2,731	$ (287)	$ (2,893)	$ (23,401)

The Exploration segment included $686 of costs incurred in Chile for the six months ended June 30, 2019 (June 30, 2018 - $331).

(expressed in thousands of US dollars, unless otherwise stated)

	Corporate	Exploration	Guanaceví	Bolanitos	El Cubo	El Compas	Total
				Six months ended June 30, 2018			
Silver revenue	$ -	$ -	$ 16,614	$ 8,165	$ 19,789	$ -	$ 44,568
Gold revenue	-	-	4,048	14,500	15,979	-	34,527
Total revenue	$ -	$ -	$ 20,662	$ 22,665	$ 35,768	$ -	$ 79,095
Salaries, wages and benefits:							
mining	$ -	$ -	$ 2,314	$ 2,487	$ 4,273	$ -	$ 9,074
processing	-	-	789	538	955	-	2,282
administrative	-	-	1,120	1,187	1,516	-	3,823
stock based compensation	-	-	(31)	(31)	(31)	-	(93)
change in inventory	-	-	549	13	(52)	-	510
Total salaries, wages and benefits	-	-	4,741	4,194	6,661	-	15,596
Direct costs:							
mining	-	-	8,787	5,134	6,742	-	20,663
processing	-	-	2,803	3,300	3,704	-	9,807
administrative	-	-	879	856	1,267	-	3,002
change in inventory	-	-	275	34	56	-	365
Total direct production costs	-	-	12,744	9,324	11,769	-	33,837
Depreciation and depletion:							
depreciation and depletion	-	-	11,195	661	5,878	-	17,734
change in inventory	-	-	53	(4)	(169)	-	(120)
Total depreciation and depletion	-	-	11,248	657	5,709	-	17,614
Royalties	-	-	593	110	172	-	875
Write down of inventory to NRV	-	-	3,282	-	-	-	3,282
Total cost of sales	$ -	$ -	$ 32,608	$ 14,285	$ 24,311	$ -	$ 71,204
Earnings (loss) before taxes	$ (6,312)	$ (6,453)	$ (11,946)	$ 8,380	$ 11,457	$ -	$ (4,874)
Current income tax expense (recovery)	-	-	298	1,674	681	-	2,653
Deferred income tax expense (recovery)	-	-	(4,407)	206	-	-	(4,201)
Total income tax expense (recovery)	-	-	(4,109)	1,880	681	-	(1,548)
Net earnings (loss)	$ (6,312)	$ (6,453)	$ (7,837)	$ 6,500	$ 10,776	$ -	$ (3,326)

(expressed in thousands of US dollars, unless otherwise stated)

17. INCOME TAXES

Tax Assessments

Minera Santa Cruz y Garibaldi SA de CV ("MSCG"), a subsidiary of the Company, received a MXN 238 million assessment on October 12, 2010 by Mexican fiscal authorities for failure to provide the appropriate support for certain expense deductions taken in MSCG's 2006 tax return, failure to provide appropriate support for loans made to MSCG from affiliated companies, and deemed an unrecorded distribution of dividends to shareholders, among other individually immaterial items. MSCG immediately initiated a Nullity action and filed an administrative attachment to dispute the assessment.

In June 2015, the Superior Court ruled in favour of MSCG on a number of the matters under appeal; however, the Superior Court ruled against MSCG for failure to provide appropriate support for certain deductions taken in MSCG's 2006 tax return. In June 2016, the Company received a MXN 122.9 million ($6,200) tax assessment based on the June 2015 ruling. The 2016 tax assessment comprised of MXN 41.8 million in taxes owed ($2,100), MXN 17.7 million ($900) in inflationary charges, MXN 40.4 million ($2,000) in interest and MXN 23.0 million ($1,200) in penalties. The 2016 tax assessment was issued for failure to provide the appropriate support for certain expense deductions taken in MSCG's 2006 tax return, failure to provide appropriate support for loans made to MSCG from affiliated companies. The MXN 123 million assessment includes interest and penalties. If MSCG agrees to pay the tax assessment, or a lesser settled amount, it is eligible to apply for forgiveness of 100% of the penalties and 50% of the interest.

The Company filed an appeal against the June 2016 tax assessment on the basis certain items rejected by the courts were included in the new tax assessment, while a number of deficiencies exist within the assessment. Since issuance of the assessment interest charges of MXN 6.3 million ($300) and inflationary charges of MXN9.5 million ($500) has accumulated.

Included in the Company's consolidated financial statements, are net assets of $595, including $42 in cash, held by MSCG. Following the Tax Court's rulings, MSCG is in discussions with the tax authorities with regards to the shortfall of assets within MSCG to settle its estimated tax liability. An alternative settlement option would be to transfer the shares and assets of MSCG to the tax authorities. As of June 30, 2019, the Company's income tax payable includes an allowance for transferring the shares and assets of MSCG amounting to $595. The Company is currently assessing MSCG's settlement options based on on-going court proceedings and discussion with the tax authorities.

18. FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS

Financial assets and liabilities

As at June 30, 2019, the carrying and fair values of the Company's financial instruments by category are as follows:

	Fair value through profit or loss $	Amortized cost $	Carrying value $	Fair value $
Financial assets:				
Cash and cash equivalents	-	23,106	23,106	23,106
Investments	61	-	61	61
Trade and other receivables	6,365	648	7,013	7,013
Total financial assets	6,426	23,754	30,180	30,180
Financial liabilities:				
Accounts payable and accrued liabilites	1,777	15,761	17,538	17,538
Loans payable	-	2,819	2,819	2,819
Total financial liabilities	1,777	18,580	20,357	20,357

(expressed in thousands of US dollars, unless otherwise stated)

Fair value measurements

Fair value hierarchy

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability (for example, interest rate and yield curves observable at commonly quoted intervals, forward pricing curves used to value currency and commodity contracts and volatility measurements used to value option contracts), or inputs that are derived principally from or corroborated by observable market data or other means. Level 3 inputs are unobservable (supported by little or no market activity). The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

Level 1:
Marketable securities are determined based on a market approach reflecting the closing price of each particular security at the reporting date. The closing price is a quoted market price obtained from the exchange that is the principal active market for the particular security. As a result, these financial assets have been included in Level 1 of the fair value hierarchy.

Deferred share units are determined based on a market approach reflecting the Company's closing share price.

Level 2:
The Company determines the fair value of the embedded derivatives related to its trade receivables based on the quoted closing price obtained from the silver and gold metal exchanges.

The Company determines the fair value of the SARs liability using an option-pricing model.

Level 3:
The Company has no assets or liabilities included in Level 3 of the fair value hierarchy

There were no transfers between levels 1, 2 and 3 during the period ended June 30, 2019.

Assets and liabilities as at June 30, 2019 measured at fair value on a recurring basis include:

	Total $	Level 1 $	Level 2 $	Level 3 $
Financial assets:				
Investments	61	61	-	-
Trade receivables	6,365	-	6,365	-
Total financial assets	6,426	61	6,365	-
Financial liabilities:				
Deferred share units	1,745	1,745	-	-
Share appreciation rights	32	-	32	-
Total financial liabilities	1,777	1,745	32	-

(expressed in thousands of US dollars, unless otherwise stated)

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SHARES LISTED	Toronto Stock Exchange Trading Symbol - EDR New York Stock Exchange Trading Symbol – EXK