Endeavour SILVER

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

PREPARED BY MANAGEMENT

Three and Nine Months Ended September 30, 2018 and 2017

ENDEAVOUR SILVER CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(unaudited – prepared by management)
(expressed in thousands of US dollars)

	Notes	September 30, 2018	December 31, 2017
ASSETS			
Current assets			
Cash and cash equivalents		$ **28,604**	$ 38,277
Restricted cash		**-**	1,000
Other investments		**108**	168
Accounts receivable	4	**36,174**	34,012
Inventories	5	**12,230**	13,131
Prepaid expenses		**1,870**	1,911
Total current assets		**78,986**	88,499
Non-current deposits		**609**	610
Deferred income tax asset		**7,269**	655
Mineral properties, plant and equipment	7	**89,505**	88,816
Total assets		$ **176,369**	$ 178,580
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		$ **18,927**	$ 19,068
Income taxes payable		**2,639**	3,185
Total current liabilities		**21,566**	22,253
Deferred lease inducement		**224**	236
Provision for reclamation and rehabilitation		**8,095**	7,982
Deferred income tax liability		**1,156**	1,592
Total liabilities		**31,041**	32,063
Shareholders' equity			
Common shares, unlimited shares authorized, no par value, issued and outstanding 129,640,409 shares (Dec 31, 2017 - 127,488,410 shares)	Page 4	**456,528**	450,740
Contributed surplus	Page 4	**9,144**	8,747
Accumulated other comprehensive income (loss)	Page 4	**-**	127
Retained earnings (deficit)		**(320,344)**	(313,097)
Total shareholders' equity		**145,328**	146,517
Total liabilities and shareholders' equity		$ **176,369**	$ 178,580

Commitments and contingencies (Notes 7 and 13)

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)

	Notes	Three months ended September 30, 2018	Three months ended September 30, 2017	Nine months ended September 30, 2018	Nine months ended September 30, 2017
Revenue		**$ 37,581**	$ 39,782	**$ 116,676**	$ 108,859
Cost of sales:					
Direct production costs		**27,574**	27,400	**77,100**	74,931
Royalties		**421**	457	**1,296**	1,237
Share-based payments	8	**-**	63	**(93)**	155
Depreciation and depletion		**13,104**	4,394	**30,718**	11,778
Write down of inventory to net realizable value	5	**1,262**	166	**4,544**	166
		42,361	32,480	**113,565**	88,267
Mine operating earnings (loss)		**(4,780)**	7,302	**3,111**	20,592
Expenses:					
Exploration	9	**3,965**	3,432	**10,418**	10,533
General and administrative	10	**1,316**	1,605	**6,845**	5,991
		5,281	5,037	**17,263**	16,524
Operating earnings (loss)		**(10,061)**	2,265	**(14,152)**	4,068
Finance costs		**62**	166	**160**	610
Other income (expense):					
Foreign exchange		**1,906**	(561)	**1,009**	2,454
Investment and other		**99**	(170)	**311**	119
		2,005	(731)	**1,320**	2,573
Earnings (loss) before income taxes		**(8,118)**	1,368	**(12,992)**	6,031
Income tax expense (recovery):					
Current income tax expense		**291**	882	**2,944**	1,726
Deferred income tax expense (recovery)		**(2,957)**	(510)	**(7,158)**	(2,710)
		(2,666)	372	**(4,214)**	(984)
Net earnings (loss) for the period		**(5,452)**	996	**(8,778)**	7,015
Other comprehensive income (loss), net of tax					
Realized (gain) loss on other investments		**-**	-	**-**	(72)
Unrealized gain (loss) on other investments		**-**	(35)	**-**	145
Total other comprehensive income (loss) for the period		**-**	(35)	**-**	73
Comprehensive income (loss) for the period		**$ (5,452)**	$ 961	**$ (8,778)**	$ 7,088
Basic earnings (loss) per share based on net earnings		**$ (0.04)**	$ 0.01	**$ (0.07)**	$ 0.06
Diluted earnings (loss) per share based on net earnings	8(f)	**$ (0.04)**	$ 0.01	**$ (0.07)**	$ 0.05
Basic weighted average number of shares outstanding		**128,805,441**	127,456,410	**127,959,526**	127,291,688
Diluted weighted average number of shares outstanding	8(f)	**128,805,441**	127,851,198	**127,959,526**	127,823,260

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, 2016		127,080,264	$ 449,594	$ 6,689	$ 44	$ (323,068)	$ 133,259
Exercise of options	8 (b)	28,000	109	(35)	-	-	74
Issued for performance share units	8 (e)	193,825	439	(439)	-	-	-
Issued on acquistion of mineral properties, net		154,321	500	-	-	-	500
Share based compensation	8 (b)(e)	-	-	2,244	-	-	2,244
Unrealized gain (loss) on other investments		-	-	-	145	-	145
Realized (gain) loss on available for sale assets		-	-	-	(72)	-	(72)
Expiry and forfeiture of options		-	-	(86)	-	86	-
Earnings (loss) for the year		-	-	-	-	7,015	7,015
Balance at September 30, 2017		127,456,410	450,642	8,373	117	(315,967)	143,165
Exercise of options	8 (b)	32,000	98	(30)	-	-	68
Share based compensation	8 (b)(e)	-	-	605	-	-	605
Unrealized gain (loss) on other investments		-	-	-	10	-	10
Expiry and forfeiture of options	8 (b)	-	-	(201)	-	201	-
Earnings (loss) for the year		-	-	-	-	2,669	2,669
Balance at December 31, 2017		127,488,410	450,740	8,747	127	(313,097)	146,517
Public equity offerings, net of issuance costs	8 (a)	2,024,999	5,401	-	-	-	5,401
Exercise of options	8 (b)	127,000	387	(131)	-	-	256
Share based compensation	8 (b)(e)	-	-	1,894	-	-	1,894
Unrealized gain (loss) on other investments tranferred to retained earnings		-	-	-	(127)	127	-
Expiry and forfeiture of options	8 (b)	-	-	(1,404)	-	1,404	-
Realloction of performance share unit liability	3(a)	-	-	38	-	-	38
Earnings (loss) for the year		-	-	-	-	(8,778)	(8,778)
Balance at September 30, 2018		129,640,409	$ 456,528	$ 9,144	$ -	$ (320,344)	$ 145,328

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)

	Notes	Three months ended September 30, 2018	Three months ended September 30, 2017	Nine months ended September 30, 2018	Nine months ended September 30, 2017
Operating activities					
Net earnings (loss) for the year		**$ (5,452)**	$ 996	**$ (8,778)**	$ 7,015
Items not affecting cash:					
Share-based compensation	8	**701**	673	**1,894**	2,241
Depreciation and depletion	7	**13,200**	4,540	**30,976**	12,055
Deferred income tax expense (recovery)		**(2,941)**	(535)	**(7,142)**	(2,554)
Unrealized foreign exchange loss (gain)		**84**	(150)	**432**	(582)
Finance costs		**38**	166	**113**	610
Write off of mineral properties		**-**	-	**-**	233
Write down of inventory to net realizable value	5	**1,262**	-	**4,544**	-
Unrealized loss (gain) on other investments		**14**	-	**60**	(72)
Net changes in non-cash working capital	11	**(2,540)**	(1,092)	**(5,415)**	(8,957)
Cash from operating activities		**4,366**	4,598	**16,684**	9,989
Investing activites					
Property, plant and equipment expenditures	7	**(10,020)**	(10,836)	**(32,757)**	(31,575)
Proceeds from disposition of other investments		**-**	-	**-**	72
Redemption of (investment in) non-current deposits		**-**	-	**1**	(6)
Cash used in investing activities		**(10,020)**	(10,836)	**(32,756)**	(31,509)
Financing activities					
Repayment of credit facility		**-**	(2,500)	**-**	(7,500)
Restricted cash		**-**	-	**1,000**	-
Interest paid		**-**	(101)	**-**	(405)
Public equity offerings	8 (a)	**3,529**	-	**5,600**	-
Exercise of options	8 (b)	**-**	-	**256**	74
Share issuance costs		**(507)**	-	**(591)**	-
Cash from (used in) financing activites		**3,022**	(2,601)	**6,265**	(7,831)
Effect of exchange rate change on cash and cash equivalents		**179**	150	**134**	582
Increase (decrease) in cash and cash equivalents		**(2,632)**	(8,839)	**(9,807)**	(29,351)
Cash and cash equivalents, beginning of the period		**31,057**	52,237	**38,277**	72,317
Cash and cash equivalents, end of the period		**$ 28,604**	$ 43,548	**$ 28,604**	$ 43,548

Supplemental cash flow information (Note 11)

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 condensed consolidated interim financial statements for issue on October 30, 2018.

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., MXRT Holdings Ltd., Terronera Mining Company 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, 2017 except as described below.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual consolidated financial statements as at and for the year ended December 31, 2017 and accordingly, should be read in conjunction with the Company's annual audited consolidated financial statements for the year ended December 31, 2017.

(a) Accounting standards adopted during the year

Amendments to IFRS 2, Share-based Payment ("IFRS 2")
On June 20, 2016, the IASB issued amendments to IFRS 2 clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for: the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of a transaction from cash-settled to equity settled.

The amendments apply for annual periods beginning on or after January 1, 2018. As a practical simplification, the amendments can be applied prospectively. Retrospective or early application is permitted if information is available without the use of hindsight. The Company has adopted the amendments to IFRS 2 in its financial statements for the annual period beginning on January 1, 2018 on a prospective basis.

The Company has Performance Share Units ("PSU") with a net settlement feature, which permits cash settlement for withholding tax obligations. The expense for the PSUs has previously been bifurcated with the cash settlement portion of the expense recognized as a liability until settlement, and the remaining expense allocated to Contributed Surplus. Upon adoption of the amendments to IFRS 2, the PSU liability at January 1, 2018, the liability classified portion of $38 was reallocated to Contributed Surplus.

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

IFRS 9 Financial Instruments ("IFRS 9")
In November 2009, the IASB issued IFRS 9 as the first step in its project to replace IAS 39, *Financial Instruments: Recognition and Measurement*. On July 24, 2014 the IASB issued the complete IFRS 9. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on an entity's business model and the contractual cash flows of the financial asset.

Classification is made at the time the financial asset is initially recognized, namely when the entity becomes a party to the contractual provisions of the instrument.

IFRS 9 amends some of the requirements of IFRS 7, *Financial Instruments: Disclosures*, including added disclosures about investments in equity instruments measured at fair value in other comprehensive income, and guidance on the measurement of financial liabilities and de-recognition of financial instruments. The mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018 with early adoption permitted, and must be applied retrospectively with some exemptions permitted.

As a result of the adoption of IFRS 9, the Company has changed its accounting policy for financial instruments retrospectively. The change did not result in a change in carrying value of any of the Company's financial instruments on transition date. IFRS 9 introduced a single expected credit loss impairment model, which is based on changes in credit quality since initial recognition. The adoption of the expected credit loss impairment model did not have a significant impact on the Company's financial statements.

The Company's financial instruments are accounted for as follows under IFRS 9 as compared to the Company's previous policy in accordance with IAS 39.

	January 1, 2018	
	IAS 39	IFRS 9
Assets		
Cash and cash equivalents	Amortized cost	Amortized cost
Restricted cash	Amortized cost	Amortized cost
Trade and other receivables (other than derivatives)	Amortized cost	Amortized cost
Trade receivables (derivative component)	Fair value through profit or loss	Fair value through profit or loss
Marketable securities	Fair value through other comprehensive income	Fair value through profit or loss
Liabilities		
Accounts payable and accrued liabilities	Amortized cost	Amortized cost

Under IFRS 9, the Company's equity marketable securities are designated as financial assets at fair value through profit or loss. For equity instruments not held for trading, the Company may make an irrevocable election at initial recognition to recognize changes in fair value through other comprehensive income rather than profit or loss. The Company did not make any such election upon adoption of IFRS 9.

IFRS 9 does not require restatement of comparative periods. Accordingly, the Company has reflected the retrospective impact of the adoption of IFRS 9 due to the change in accounting policy for marketable securities as an adjustment to opening components of equity as at January 1, 2018.

The fair value of marketable securities is $168 under both IAS 39 and IFRS 9 as at January 1, 2018, the date of initial application of IFRS 9, and is presented in Other Investments in the consolidated balance sheet. On adoption, the unrealized gain in fair value of $127, previously recognized in accumulated other comprehensive income has been reallocated to retained earnings.

As a result of the adoption of IFRS 9, the Company's accounting policy for financial instruments has been updated as follows:

Financial Instruments
The Company recognizes financial assets and financial liabilities on the date the Company becomes party to the contractual provisions of the instruments. A financial asset is derecognized either when the Company has transferred substantially all the risks and rewards of ownership of the financial assets or when cash flows expire. A financial liability is derecognized when the obligation specified in the contract is discharged, cancelled or expired.

The Company classifies and measures financial assets (excluding derivatives) on initial recognition as described below:

- Cash and equivalents and restricted cash include cash and term deposits with original maturities of less than 90 days are classified as financial assets at fair value through profit and loss and are measured at fair value. Unrealized gains and losses related to changes in fair value are reported in income;
- Trade and other receivables are classified as and measured at amortized cost using the effective interest method, less impairment allowance, in any;
- Investments in equity instruments are designated as financial assets through profit or loss and are recorded at fair value on settlement date, net of transaction costs. Subsequent to initial recognition, changes in fair value are recognized in income.

Derivative financial instruments, including embedded derivatives in trade receivables measured at amortized cost, are recorded in the consolidated balance sheets at fair value. Subsequent to initial recognition, changes in estimated fair value at each reporting date are recognized through profit or loss.

A financial liability is derecognized when the obligation specified in the contract is discharged, cancelled or expired. For financial liabilities, IFRS 9 retains most of the IAS 39 requirements and since the Company did not have any financial liabilities designated at fair value through profit or loss, the adoption of IFRS 9 did not impact our accounting policies for financial liabilities.

IFRS 15, *Revenue from Contracts with Customers ("IFRS 15")*
On May 28, 2014, the IASB issued IFRS 15. The new standard is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. IFRS 15 replaces IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfer of Assets from Customers* and SIC 31 *Revenue – Barter Transactions Involving Advertising Services*.

The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have also been introduced, which may affect the amount and/or timing of revenue recognized.

On April 12, 2016 the IASB *issued Clarifications to IFRS 15, Revenue from Contracts with Customers*, which is effective at the same time as IFRS 15. The clarifications to IFRS 15 provide additional guidance with respect to the five-step analysis, transition, and the application of the standard to licenses of intellectual property.

The Company adopted IFRS 15 and the clarifications effective January 1, 2018 with no impact on the consolidated financial statements.

Dore sales
IFRS 15 requires that revenue from contracts with customers be recognized upon the transfer of control over goods or services to the customer. The recognition of revenue upon transfer of control to the customer is consistent with the Company's revenue recognition policy as set out in Note 3(l) of the 2017 Annual Financial Statements, as the condition is generally satisfied when title transfers to the customer. As such, upon adoption, this requirement under IFRS 15 resulted in no impact to the Company's financial statements as the timing of revenue recognition on dore sales is unchanged.

Concentrate sales
The Company assessed all of its existing concentrate sales agreements and determined that there is no change in the timing of revenue recognition, as control transfers to the smelting companies at the time of delivery, consistent with the Company's current accounting policy as set out in Note 3(l) of the 2017 Annual Financial Statements.

(b) Changes in IFRS not yet adopted
IFRS 16, Leases ("IFRS 16")
On January 13, 2016, the IASB published a new standard, IFRS 16, *Leases*, which replaces 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. The Company plans to apply IFRS 16 at the date it becomes effective and has selected the modified retrospective transition approach which does not require restatement of comparative periods, instead the cumulative impact of applying IFRS 16 will be accounted for as an adjustment to equity at the start of the accounting period in which it is first applied.

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

Upon the adoption of IFRS 16, the Company anticipates it will record a material balance of lease assets and associated lease liabilities related to leases with a term of 12 months or more on the Consolidated Balance Sheet at January 1, 2019. Due to the recognition of additional lease assets and liabilities, a higher amount of depreciation expense and interest on lease liabilities will be recognized under IFRS 16 as compared to the current standard. Additionally, a reduction in production and/or corporate administration costs is expected. Lastly, the Company expects a reduction in operating cash outflows with a corresponding increase in financing cash outflows under IFRS 16.

The Company is currently assessing and quantifying the effect of this standard on our financial statements. During the third quarter, management has continued the scoping of contracts across our operations and has commenced a detailed review of contracts. At this time, it is not possible for the Company to make reasonable quantitative estimates of the effects of the new standard. The Company expects the time frame to develop and implement the accounting policies, estimates and processes will continue into the latter part of 2018.

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 is 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 intends to adopt the Interpretation in its financial statements for the annual period beginning on January 1, 2019. The extent of the impact of adoption of the Interpretation has not yet been determined.

4. ACCOUNTS RECEIVABLE

	Note	**September 30 2018**	December 31 2017
Trade receivables (1)		**$ 8,426**	$ 8,114
IVA receivables (2)		**21,222**	19,989
Income taxes recoverable		**5,536**	5,549
Due from related parties	6	**4**	2
Other receivables		**986**	358
		$ 36,174	$ 34,012

(1) The trade receivables consist of receivables from provisional silver and gold sales from the Bolañitos and El Cubo mines. The fair value of receivables arising from concentrate sales contracts that contain provisional pricing mechanisms is determined using the appropriate quoted closing 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 14).

(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.

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

These improper delays and denials have occurred within Compania Minera del Cubo ("El Cubo") and Refinadora Plata Adelante S.A. de C.V. ("Guanaceví,"). At September 30, 2018, El Cubo holds $11,010 and Guanaceví holds $6,616 in IVA receivables which the Company and its advisors deem to be recoverable from tax authorities (December 31, 2017 – $10,392 and $8,812 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

	September 30 2018	December 31 2017
Warehouse inventory	**$ 8,465**	$ 7,809
Stockpile inventory	**1,364**	-
Work in process inventory[3]	**388**	496
Finished goods inventory [1][2]	**2,013**	4,826
	$ 12,230	$ 13,131

(1) The Company held 102,775 silver ounces and 733 gold ounces as of September 30, 2018 (December 31, 2017 – 241,321 and 1,226, respectively). These ounces are carried at the lower of cost and net realizable value. As at September 30, 2018, the quoted market value of the silver ounces was $1,470 (December 31, 2017 - $4,070) and the quoted market value of the gold ounces was $870 (December 31, 2017 - $1,590).

(2) The finished goods inventory balance at September 30, 2018 includes a write down to net realizable value of $954 for finished goods inventory held at the Guanaceví mine. Of this amount $615 is comprised of cash costs and $339 relates to depreciation and depletion.

(3) The work in process inventory balance at September 30, 2018 includes a write down to net realizable value of $308 for work in process inventory held at the Guanaceví mine. Of this amount $189 is comprised of cash costs and $119 relates to depreciation and depletion.

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 $7 and $14 for the three months and nine months ended September 30, 2018 respectively (September 30, 2017 - $5 and $21 respectively). The Company has a $4 net receivable related to these costs as of September 30, 2018 (December 31, 2017 – $2).

The Company was charged $43 and $162 for legal services for the three months and nine months ended September 30, 2018 respectively by a legal firm in which the Company's corporate secretary is a partner (September 30, 2017 - $8 and $50 respectively). The Company has $Nil payable to the legal firm as at September 30, 2018 (December 31, 2017 - $Nil).

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

7. MINERAL PROPERTIES, PLANT AND EQUIPMENT

Mineral properties, plant and equipment comprise:

	Mineral properties	Plant	Machinery & equipment	Building	Transport & office equipment	Total
Cost						
Balance at December 31, 2016	$ 457,401	$ 94,871	$ 61,812	$ 10,671	$ 9,595	$ 634,350
Additions	28,682	3,177	5,386	1,191	2,038	40,474
Disposals	(233)	(27)	(4,354)	-	(1,100)	(5,714)
Balance at December 31, 2017	485,850	98,021	62,844	11,862	10,533	669,110
Additions	25,264	3,482	2,632	313	1,461	33,152
Disposals	-	-	-	-	-	-
Balance at September 30, 2018	**$ 511,114**	**$ 101,503**	**$ 65,476**	**$ 12,175**	**$ 11,994**	**$ 702,262**
Accumulated amortization and impairment						
Balance at December 31, 2016	$ 419,320	$ 85,563	$ 46,196	$ 9,214	$ 7,819	$ 568,112
Amortization	12,161	1,672	2,682	188	947	17,650
Disposals	-	(26)	(4,353)	-	(1,089)	(5,468)
Balance at December 31, 2017	431,481	87,209	44,525	9,402	7,677	580,294
Amortization	27,198	1,493	2,642	242	888	32,463
Disposals	-	-	-	-	-	-
Balance at September 30, 2018	**$ 458,679**	**$ 88,702**	**$ 47,167**	**$ 9,644**	**$ 8,565**	**$ 612,757**
Net book value						
At December 31, 2017	$ 54,369	$ 10,812	$ 18,319	$ 2,460	$ 2,856	$ 88,816
At September 30, 2018	**$ 52,435**	**$ 12,801**	**$ 18,309**	**$ 2,531**	**$ 3,429**	**$ 89,505**

Included in Mineral properties is $10,781 in acquisition costs for exploration and evaluation properties (December 31, 2017 – $11,334).

As of September 30, 2018, the Company has $594 committed to capital equipment purchases.

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

8. 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 nine months ended September 30, 2018, the Company issued 2,024,999 common shares under the ATM facility at an average price of $2.77 per share for gross proceeds of $5,600, less commission of $126.

During the nine months ended September 30, 2018, the Company also recognized $73 of additional deferred transaction costs, related to the ATM financing as share issuance costs, which have been presented net of share capital.

Subsequent to September 30, 2018, the Company issued 913,467 common shares under the ATM facility at an average price of $2.40 per share for gross proceeds of $2,188, less commission of $49.

(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	**Nine Months Ended September 30, 2018**		Year Ended December 31, 2017	
	Number of shares	**Weighted average exercise price**	Number of shares	Weighted average exercise price
Outstanding, beginning of year	**5,792,800**	**$4.00**	4,458,050	$3.93
Granted	**1,262,500**	**$3.80**	1,572,000	$4.32
Exercised	**(127,000)**	**$2.65**	(60,000)	$3.03
Cancelled	**(940,500)**	**$4.15**	(177,250)	$5.49
Outstanding, end of the period	**5,987,800**	**$3.96**	5,792,800	$4.00
Options exercisable at the end of the period	**4,448,600**	**$3.95**	4,509,600	$3.91

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

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:

	Nine Months Ended September 30, 2018	Year Ended December 31, 2017
Weighted-average fair value of option in CAN$	**$1.96**	$2.30
Risk-free interest rate	**2.05%**	0.85%
Expected dividend yield	**0%**	0%
Expected stock price volatility	**69%**	73%
Expected option life in years	**3.79**	3.86

The following table summarizes the information about stock options outstanding at September 30, 2018:

Expressed in Canadian dollars	**Options Outstanding**			**Options exercisable**	
Price Intervals	Number Outstanding as at September 30, 2018	Weighted Average Remaining Contractual Life (Number of Years)	Weighted Average Exercise Price	Number Exercisable as at September 30, 2018	Weighted Average Exercise Price
$2.00 - $2.99	1,009,500	1.6	$2.65	1,009,500	$2.65
$3.00 - $3.99	1,250,500	4.6	$3.80	250,100	$3.80
$4.00 - $4.99	3,727,800	2.7	$4.37	3,189,000	$4.37
	5,987,800	2.9	$3.96	4,448,600	$3.95

During the three and nine months ended September 30, 2018, the Company recognized share-based compensation expense of $538 and $1,599 respectively (September 30, 2017 - $627 and $2,188 respectively) based on the fair value of the vested portion of options granted in the current and prior years.

(c) 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	**Nine Months Ended September 30, 2018**		Year Ended December 31, 2017	
	Number of units	**Weighted Average Grant Price**	Number of units	Weighted Average Grant Price
Outstanding, beginning of year	**548,392**	**$3.44**	510,560	$3.39
Granted	**98,876**	**$3.72**	37,832	$4.11
Redeemed	**-**	**-**	-	-
Outstanding, end of period	**647,268**	**$3.49**	548,392	$3.44
Fair value at period end	**647,268**	**$2.97**	548,392	$3.02

During the three months ended September 30, 2018, the Company recognized a recovery of director's compensation expense of $510 and an expense of $170 for the nine months ended September 30, 2018 (September 30, 2017 –recovery of $305 and $513 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 periods. As of September 30, 2018, there are 647,268 deferred share units outstanding (December 31, 2017 – 548,392) with a fair market value of $1,489 (December 31, 2017 - $1,319) recognized in accounts payable and accrued liabilities.

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

(d) 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.

	Nine Months Ended September 30, 2018		Year Ended December 31, 2017	
	Number of units	**Weighted Average Grant Price**	Number of units	Weighted Average Grant Price
Outstanding, beginning of year	**911,993**	**$3.80**	579,660	$4.20
Granted	**-**	**-**	489,000	$3.30
Exercised	**(96,661)**	**$2.21**	(46,668)	$2.21
Cancelled	**(101,332)**	**$3.96**	(109,999)	$4.38
Outstanding, end of period	**714,000**	**$3.99**	911,993	$3.80
Exercisable at the end of the period	**343,353**	**$4.29**	212,672	$3.69

During the three and nine months ended September 30, 2018, the Company recognized a recovery of SARs expense of $314 and $137, respectively (September 30, 2017 –recovery of $117 and $146 respectively). SARs expense, which is included in operation and exploration salaries, wages and benefits, is based on the fair value of new grants and the change in the fair value of the SARs granted in the current and prior periods. As of September 30, 2018, there are 714,000 SARs outstanding (December 31, 2017 – 911,993) with a fair market value of $131 (December 31, 2017 - $341) recognized in accounts payable and accrued liabilities.

(e) 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 1,000,000.

	Nine Months Ended September 30, 2018	Year Ended December 31, 2017
	Number of units	Number of units
Outstanding, beginning of year	**200,000**	325,000
Granted	**446,000**	200,000
Cancelled	**(30,000)**	-
Settled for shares	**-**	(193,825)
Settled for cash	**-**	(131,175)
Outstanding, end of period	**616,000**	200,000

A total of 446,000 PSUs were granted during the nine months ended September 30, 2018 (September 30, 2017 – 200,000) under the Company's PSU plan. A total of 200,000 PSUs were granted on May 4, 2017 under the Company's PSU plan. The 446,000 PSUs vest on May 3, 2021 and the 200,000 vest on May 3, 2020, subject to achievement of pre-determined performance criteria. The PSUs vest at the end of a three-year period if certain performance and vesting criteria, based on the Company's share price performance relative to a representative group of other mining companies, has been met.

During the three and nine months ended September 30, 2018, the Company recognized share based compensation expense of $163 and $295 respectively related to the PSUs (September 30, 2017 –$46 and $53 respectively).

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

(f) Diluted Earnings per Share

	Three months ended	
	September 30, 2018	September 30, 2017
Net earnings (loss)	**$ (5,452)**	$ 996
Basic weighted average number of shares outstanding	**128,805,441**	127,456,410
Effect of dilutive securities:		
Stock options	**-**	194,788
Performance share units	**-**	200,000
Diluted weighted average number of share outstanding	**128,805,441**	127,851,198
Diluted earnings (loss) per share	**$ (0.04)**	$ 0.01

	Nine months ended	
	September 30, 2018	September 30, 2017
Net earnings (loss)	**$ (8,778)**	$ 7,015
Basic weighted average number of shares outstanding	**127,959,526**	127,291,688
Effect of dilutive securities:		
Stock options	**-**	331,572
Performance share units	**-**	200,000
Diluted weighted average number of share outstanding	**127,959,526**	127,823,260
Diluted earnings (loss) per share	**$ (0.07)**	$ 0.05

9. EXPLORATION

	Three months ended		Nine months ended	
	September 30, 2018	September 30, 2017	**September 30, 2018**	September 30, 2017
Depreciation and depletion	**$ 29**	$ 34	**$ 76**	$ 102
Share-based compensation	**128**	59	**246**	197
Salaries, wages and benefits	**641**	633	**2,074**	1,884
Direct exploration expenditures	**3,167**	2,706	**8,022**	8,350
	$ 3,965	$ 3,432	**$ 10,418**	$ 10,533

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

10. GENERAL AND ADMINISTRATIVE

	Three months ended		Nine months ended	
	September 30 2018	September 30 2017	**September 30 2018**	September 30 2017
Depreciation and depletion	**$ 67**	$ 112	**$ 182**	$ 175
Share-based compensation	**573**	551	**1,741**	1,889
Salaries, wages and benefits	**151**	348	**2,502**	1,692
Direct general and administrative	**525**	594	**2,420**	2,235
	$ 1,316	$ 1,605	**$ 6,845**	$ 5,991

Included in salaries, wages and benefits is a $510 recovery in director's deferred share unit expense for the three months ended September 30, 2018 (September 30, 2017 – recovery of $305) and an expense of $170 for the nine months ended September 30, 2018 (September 30, 2017 – recovery of $513).

11. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	Three months ended		Nine months ended	
	September 30, 2018	September 30, 2017	**September 30, 2018**	September 30, 2017
Net changes in non-cash working capital:				
Accounts receivable	**$ (600)**	$ (4,782)	**$ (1,770)**	$ (9,755)
Inventories	**(1,613)**	1,107	**(3,025)**	255
Prepaid expenses	**53**	428	**41**	772
Accounts payable and accrued liabilities	**(680)**	2,299	**(115)**	2,683
Income taxes payable	**300**	(144)	**(546)**	(2,912)
	$ (2,540)	$ (1,092)	**$ (5,415)**	$ (8,957)
Non-cash financing and investing activities:				
Fair value of exercised options allocated to share capital	**-**	-	**131**	35
Fair value of performance share units allocated to share capital	**-**	-	**-**	439
Fair value of shares issued on property acquisition	**-**	-	**-**	500
Other cash disbursements:				
Income taxes paid	**442**	1,712	**2,533**	5,487
Special mining duty paid	**-**	-	**1,012**	2,020

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

12. 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 three operating mining segments, Guanaceví, Bolañitos and El Cubo, which are located in Mexico as well as Development, Exploration and Corporate segments. The Exploration segment consists of projects in the exploration and evaluation phases in Mexico and Chile.

	September 30, 2018						
	Corporate	Exploration	Guanaceví	Bolanitos	El Cubo	El Compas	Total
Cash and cash equivalents	$ 9,538	$ 1,332	$ 5,366	$ 2,983	$ 9,309	$ 76	$ 28,604
Other Investments	108	-	-	-	-	-	108
Accounts receivables	202	2,564	9,932	4,535	16,065	2,876	36,174
Inventories	-	-	5,493	2,610	3,015	1,112	12,230
Prepaid expenses	755	91	461	93	171	299	1,870
Non-current deposits	76	-	308	151	74	-	609
Deferred income tax asset	-	-	6,616	653	-	-	7,269
Mineral property, plant and equipment	630	11,278	35,168	9,176	13,266	19,987	89,505
Total assets	$ 11,309	$ 15,265	$ 63,344	$ 20,201	$ 41,900	$ 24,350	$ 176,369
Accounts payable and accrued liabilities	$ 4,990	$ 778	$ 6,396	$ 2,197	$ 3,903	$ 663	$ 18,927
Income taxes payable	580	-	616	422	1,021	-	2,639
Deferred lease inducement	224	-	-	-	-	-	224
Provision for reclamation and rehabilitation	-	-	2,118	1,797	4,129	51	8,095
Deferred income tax liability	-	200	-	729	227	-	1,156
Total liabilities	$ 5,794	$ 978	$ 9,130	$ 5,145	$ 9,280	$ 714	$ 31,041

	December 31, 2017						
	Corporate	Exploration	Guanaceví	Bolanitos	El Cubo	El Compas	Total
Cash and cash equivalents	$ 20,884	$ 1,034	$ 6,212	$ 2,360	$ 7,594	$ 193	$ 38,277
Restricted cash	1,000	-	-	-	-	-	1,000
Other Investments	168	-	-	-	-	-	168
Accounts receivables	341	893	12,115	4,100	15,602	961	34,012
Inventories	-	-	8,476	2,178	2,477	-	13,131
Prepaid expenses	1,090	128	125	77	176	315	1,911
Non-current deposits	76	-	316	144	74	-	610
Deferred income tax asset	-	-	-	655	-	-	655
Mineral property, plant and equipment	691	11,285	42,264	6,766	15,929	11,881	88,816
Total assets	$ 24,250	$ 13,340	$ 69,508	$ 16,280	$ 41,852	$ 13,350	$ 178,580
Accounts payable and accrued liabilities	$ 5,965	$ 225	$ 4,484	$ 1,774	$ 5,721	$ 899	$ 19,068
Income taxes payable	727	-	1,499	940	19	-	3,185
Deferred lease inducement	236	-	-	-	-	-	236
Provision for reclamation and rehabilitation	-	-	2,086	1,772	4,074	50	7,982
Deferred income tax liability	-	200	528	637	227	-	1,592
Total liabilities	$ 6,928	$ 425	$ 8,597	$ 5,123	$ 10,041	$ 949	$ 32,063

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

	Corporate	Exploration	Guanaceví	Bolanitos	El Cubo	Total
			Three months ended September 30, 2018			
Silver revenue	$ -	$ -	$ 9,254	$ 3,465	$ 9,373	$ 22,092
Gold revenue	-	-	1,492	5,806	8,191	15,489
Total revenue	$ -	$ -	$ 10,746	$ 9,271	$ 17,564	$ 37,581
Salaries, wages and benefits:						
mining	$ -	$ -	$ 1,334	$ 1,312	$ 1,941	$ 4,587
processing	-	-	403	286	451	1,140
administrative	-	-	635	538	596	1,769
stock based compensation	-	-	-	-	-	-
change in inventory	-	-	302	21	11	334
Total salaries, wages and benefits	-	-	2,674	2,157	2,999	7,830
Direct costs:						
mining	-	-	4,987	2,867	3,440	11,294
processing	-	-	1,777	1,745	2,344	5,866
administrative	-	-	394	377	511	1,282
change in inventory	-	-	1,262	84	(44)	1,302
Total direct production costs	-	-	8,420	5,073	6,251	19,744
Depreciation and depletion:						
depreciation and depletion	-	-	6,682	341	5,549	12,572
change in inventory	-	-	711	3	(182)	532
Total depreciation and depletion	-	-	7,393	344	5,367	13,104
Royalties	-	-	294	44	83	421
Write down of inventory to NRV	-	-	1,262	-	-	1,262
Total cost of sales	$ -	$ -	$ 20,043	$ 7,618	$ 14,700	$ 42,361
Earnings (loss) before taxes	$ 627	$ (3,965)	$ (9,297)	$ 1,653	$ 2,864	$ (8,118)
Current income tax expense (recovery)	-	-	150	(212)	353	291
Deferred income tax expense (recovery)	-	-	(2,736)	(221)	-	(2,957)
Total income tax expense (recovery)	-	-	(2,586)	(433)	353	(2,666)
Net earnings (loss)	$ 627	$ (3,965)	$ (6,711)	$ 2,086	$ 2,511	$ (5,452)

The Exploration segment included $156 of costs incurred in Chile for the three months ended September 30, 2018 (September 30, 2017 - $167).

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

	Corporate	Exploration	Guanaceví	Bolanitos	El Cubo	Total
			Three months ended September 30, 2017			
Silver revenue	$ -	$ -	$ 9,469	$ 4,421	$ 8,025	$ 21,915
Gold revenue	-	-	1,785	8,544	7,538	17,867
Total revenue	$ -	$ -	$ 11,254	$ 12,965	$ 15,563	$ 39,782
Salaries, wages and benefits:						
mining	$ -	$ -	$ 1,639	$ 1,284	$ 2,259	$ 5,182
processing	-	-	546	243	438	1,227
administrative	-	-	728	624	761	2,113
stock based compensation	-	-	21	21	21	63
change in inventory	-	-	144	68	83	295
Total salaries, wages and benefits	-	-	3,078	2,240	3,562	8,880
Direct costs:						
mining	-	-	3,337	3,215	3,832	10,384
processing	-	-	1,592	1,997	2,343	5,932
administrative	-	-	484	601	708	1,793
change in inventory	-	-	226	163	85	474
Total direct production costs	-	-	5,639	5,976	6,968	18,583
Depreciation and depletion:						
depreciation and depletion	-	-	3,507	547	333	4,387
change in inventory	-	-	(17)	17	7	7
Total depreciation and depletion	-	-	3,490	564	340	4,394
Royalties	-	-	324	61	72	457
Write down of inventory to NRV	-	-	166	-	-	166
Total cost of sales	$ -	$ -	$ 12,697	$ 8,841	$ 10,942	$ 32,480
Earnings (loss) before taxes	$ (2,502)	$ (3,432)	$ (1,443)	$ 4,124	$ 4,621	$ 1,368
Current income tax expense (recovery)	-	-	130	742	10	882
Deferred income tax expense (recovery)	-	-	(177)	(333)	-	(510)
Total income tax expense (recovery)	-	-	(47)	409	10	372
Net earnings (loss)	$ (2,502)	$ (3,432)	$ (1,396)	$ 3,715	$ 4,611	$ 996

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

	Corporate	Exploration	Guanaceví	Bolanitos	El Cubo	Total
			Nine months ended September 30, 2018			
Silver revenue	$ -	$ -	$ 25,868	$ 11,630	$ 29,162	$ 66,660
Gold revenue	-	-	5,540	20,306	24,170	50,016
Total revenue	$ -	$ -	$ 31,408	$ 31,936	$ 53,332	$ 116,676
Salaries, wages and benefits:						
mining	$ -	$ -	$ 3,649	$ 3,799	$ 6,215	$ 13,663
processing	-	-	1,192	824	1,406	3,422
administrative	-	-	1,754	1,725	2,111	5,590
stock based compensation	-	-	(31)	(31)	(31)	(93)
change in inventory	-	-	851	34	(41)	844
Total salaries, wages and benefits	-	-	7,415	6,351	9,660	23,426
Direct costs:						
mining	-	-	13,775	8,001	10,182	31,958
processing	-	-	4,580	5,046	6,047	15,673
administrative	-	-	1,273	1,233	1,779	4,285
change in inventory	-	-	1,536	117	12	1,665
Total direct production costs	-	-	21,164	14,397	18,020	53,581
Depreciation and depletion:						
depreciation and depletion	-	-	17,876	1,002	11,428	30,306
change in inventory	-	-	765	(1)	(352)	412
Total depreciation and depletion	-	-	18,641	1,001	11,076	30,718
Royalties	-	-	887	154	255	1,296
Write down of inventory to NRV	-	-	4,544	-	-	4,544
Total cost of sales	$ -	$ -	$ 52,651	$ 21,903	$ 39,011	$ 113,565
Earnings (loss) before taxes	$ (5,685)	$ (10,418)	$ (21,243)	$ 10,033	$ 14,321	$ (12,992)
Current income tax expense (recovery)	-	-	448	1,462	1,034	2,944
Deferred income tax expense (recovery)	-	-	(7,143)	(15)	-	(7,158)
Total income tax expense (recovery)	-	-	(6,695)	1,447	1,034	(4,214)
Net earnings (loss)	$ (5,685)	$ (10,418)	$ (14,548)	$ 8,586	$ 13,287	$ (8,778)

The Exploration segment included $487 of costs incurred in Chile for the nine months ended September 30, 2018 (September 30, 2017 - $340).

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

	Corporate	Exploration	Guanaceví	Bolanitos	El Cubo	Total
			Nine months ended September 30, 2017			
Silver revenue	$ -	$ -	$ 28,276	$ 10,777	$ 21,856	$ 60,909
Gold revenue	-	-	4,641	24,323	18,986	47,950
Total revenue	$ -	$ -	$ 32,917	$ 35,100	$ 40,842	$ 108,859
Salaries, wages and benefits:						
mining	$ -	$ -	$ 4,561	$ 3,729	$ 6,271	$ 14,561
processing	-	-	1,526	724	1,252	3,502
administrative	-	-	2,250	1,775	2,132	6,157
stock based compensation	-	-	51	52	52	155
change in inventory	-	-	272	(74)	(7)	191
Total salaries, wages and benefits	-	-	8,660	6,206	9,700	24,566
Direct costs:						
mining	-	-	9,324	8,591	10,383	28,298
processing	-	-	5,114	5,017	6,251	16,382
administrative	-	-	1,673	1,407	2,007	5,087
change in inventory	-	-	883	(183)	53	753
Total direct production costs	-	-	16,994	14,832	18,694	50,520
Depreciation and depletion:						
depreciation and depletion	-	-	9,899	1,577	993	12,469
change in inventory	-	-	(657)	(20)	(14)	(691)
Total depreciation and depletion	-	-	9,242	1,557	979	11,778
Royalties	-	-	886	163	188	1,237
Write down of inventory to NRV	-	-	166	-	-	166
Total cost of sales	$ -	$ -	$ 35,948	$ 22,758	$ 29,561	$ 88,267
Earnings (loss) before taxes	$ (4,028)	$ (10,533)	$ (3,031)	$ 12,342	$ 11,281	$ 6,031
Current income tax expense (recovery)	-	-	364	1,426	(64)	1,726
Deferred income tax expense (recovery)	-	-	(1,791)	(1,107)	188	(2,710)
Total income tax expense (recovery)	-	-	(1,427)	319	124	(984)
Net earnings (loss)	$ (4,028)	$ (10,533)	$ (1,604)	$ 12,023	$ 11,157	$ 7,015

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

13. 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 5.6 million ($300) and inflationary charges of MXN 8.5 million ($400) 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 September 30, 2018, the Company has recognized 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.

14. FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS

Financial assets and liabilities

As at September 30, 2018, 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	28,604	-	28,604	28,604
Investments	108	-	108	108
Trade and other receivables	8,426	-	8,426	8,426
Total financial assets	37,138	-	37,138	37,138
Financial liabilities:				
Accounts payable and accrued liabilites	1,620	17,307	18,927	18,927
Total financial liabilities	1,620	17,307	18,927	18,927

(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 nine months ended September 30, 2018.

Assets and liabilities as at September 30, 2018 measured at fair value on a recurring basis include:

	Total	Level 1	Level 2	Level 3
	$	$	$	$
Financial assets:				
Investments	108	108	-	-
Trade receivables	8,426	-	8,426	-
Total financial assets	8,534	108	8,426	-
Financial liabilities:				
Deferred share units	1,489	1,489	-	-
Share appreciation rights	131	-	131	-
Total financial liabilities	1,620	1,489	131	-

(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