

**ANNUAL INFORMATION FORM**

**of**

**ENDEAVOUR SILVER CORP.**

**(the “Company” or “Endeavour”)**

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**Dated: March 17, 2017**

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## ITEM 1: PRELIMINARY NOTES

### 1.1 Incorporation of Documents by Reference

All financial information in this Annual Information Form (“AIF”) has been prepared in accordance with International Financial Reporting Standards (“IFRS”) as prescribed by the International Accounting Standards Board.

The information provided in the AIF is supplemented by disclosure contained in the documents listed below which are incorporated by reference into this AIF. The documents listed below are not contained within, nor attached to, this document but may be accessed at [www.sedar.com](http://www.sedar.com) or on the Company’s website at [www.edrsilver.com](http://www.edrsilver.com).

Type of Document	Effective Date / Period Ended	Date Filed / Posted	Document name which may be viewed at the SEDAR website at <a href="http://www.sedar.com">www.sedar.com</a>
NI 43-101 Technical Report: Updated Mineral Resource and Reserve Estimates for the Guanacevi Project, Durango State, Mexico	December 31, 2016	March 8, 2017	Technical Report (NI 43-101) – English Qualification Certificate(s) and Consent(s)
NI 43-101 Technical Report: Updated Mineral Resource and Reserve Estimates for the Bolañitos Project Guanajuato State, Mexico	December 31, 2016	March 8, 2017	Technical Report (NI 43-101) – English Qualification Certificate(s) and Consent(s)
NI 43-101 Technical Report: Updated Mineral Resource and Reserve Estimates for the El Cubo Project, Guanajuato State, Mexico	December 31, 2016	March 8, 2017	Technical Report (NI 43-101) – English Qualification Certificate(s) and Consent(s)
NI 43-101 Technical Report Preliminary Economic Assessment for the Terronera Project, Jalisco State, Mexico	March 25, 2015	May 13, 2015	Technical Report (NI 43-101) – English Qualification Certificate(s) and Consent(s)

References to “the Company” or “Endeavour” are to Endeavour Silver Corp. and where applicable and as the context requires, include its subsidiaries.

### 1.2 Date of Information

All information in this AIF is as of December 31, 2016 unless otherwise indicated.

### 1.3 Forward-Looking Statements

This AIF contains “forward-looking statements” within the meaning of applicable Canadian securities legislation. Such forward-looking statements concern the Company’s anticipated results and developments in the Company’s operations in future periods, planned exploration and development of its properties, plans related to its business and other matters that may occur in the future. These statements relate to analyses and other information that are based on expectations of future performance, including silver and gold production and planned work programs.

Statements concerning reserves and mineral resource estimates may also be deemed to constitute forward-looking statements to the extent that they involve estimates of the mineralization that will be encountered if the property is developed and, in the case of mineral reserves, such statements reflect the conclusion based on certain assumptions that the mineral deposit can be economically exploited.

Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, forecasts, objectives, assumptions or future events or performance are not statements of historical fact and may be forward-looking statements. Forward-looking statements are subject to a variety of known and unknown risks, uncertainties and other factors which could cause actual events or results to differ from those expressed or implied by the forward-looking statements, including, without limitation:

- risks related to precious and base metal price fluctuations;
- risks related to fluctuations in the currency markets (particularly the Mexican peso, Canadian dollar and United States dollar);
- risks related to the inherently dangerous activity of mining, including conditions or events beyond our control, and operating or technical difficulties in mineral exploration, development and mining activities;
- uncertainty in our ability to fund the development of our mineral properties or the completion of further exploration programs;
- uncertainty as to actual capital costs, operating costs, production and economic returns, and uncertainty that our development activities will result in profitable mining operations;
- risks related to our reserves and mineral resource figures being estimates based on interpretations and assumptions which may result in less mineral production under actual conditions than is currently estimated and to diminishing quantities or grades of mineral reserves as properties are mined;
- risks related to changes in governmental regulations, tax and labour laws and obtaining necessary licenses and permits;
- risks related to our business being subject to environmental laws and regulations which may increase our costs of doing business and restrict our operations;
- risks related to our mineral properties being subject to prior unregistered agreements, transfers, or claims and other defects in title;
- risks relating to inadequate insurance or inability to obtain insurance;
- risks related to our ability to successfully integrate acquisitions;
- uncertainty in our ability to obtain necessary financing;
- risks related to increased competition that could adversely affect our ability to attract necessary capital funding or acquire suitable producing properties for mineral exploration in the future;
- risks related to many of our primary properties being located in Mexico, including political, economic, and regulatory instability; and
- risks related to our officers and directors becoming associated with other natural resource companies which may give rise to conflicts of interests.

This list is not exhaustive of the factors that may affect our forward-looking statements. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in the forward-looking statements. The Company's forward-looking statements are based on beliefs, expectations and opinions of management on the date the statements are made and the Company does not assume any obligation to update forward-looking statements if circumstances or management's beliefs, expectations or opinions change, except as required by law. For the reasons set forth above, investors should not place undue reliance on forward-looking statements.

#### 1.4 Currency and Exchange Rates

All dollar amounts in this AIF are expressed in U.S. dollars (“U.S.\$”) unless otherwise indicated. References to “Cdn.\$” are to Canadian dollars.

The high, low, average and closing noon rates for the United States dollar in terms of Canadian dollars for each of the financial periods of the Company ended December 31, 2016, December 31, 2015 and December 31, 2014, as quoted by the Bank of Canada, were as follows:

	<u>Year ended December 31, 2016</u>	<u>Year ended December 31, 2015</u>	<u>Year ended December 31, 2014</u>
High	1.4589	1.3990	1.1643
Low	1.2544	1.1728	1.0614
Average	1.3248	1.2787	1.1045
Closing	1.3427	1.3840	1.1601

On December 30, 2016, the noon exchange rate for the United States dollar in terms of Canadian dollars, as quoted by the Bank of Canada, was U.S.\$1.00 = Cdn.\$1.3427 (Cdn.\$1.00 = U.S.\$0.7448). On March 17, 2017, the daily average exchange rate for the United States dollar in terms of Canadian dollars, as quoted by the Bank of Canada, was U.S.\$1.00 = Cdn.\$1.3369 (Cdn.\$1.00 = U.S.\$0.7480).

#### 1.5 Classification of Mineral Reserves and Resources

In this AIF, the definitions of proven and probable mineral reserves, and measured, indicated and inferred mineral resources are those used by the Canadian provincial securities regulatory authorities and conform to the definitions utilized by the Canadian Institute of Mining, Metallurgy and Petroleum, as the CIM Definition Standards on Mineral Resources and Mineral Reserves adopted by the CIM Council, as amended.

#### 1.6 Cautionary Note to U.S. Investors concerning Estimates of Mineral Reserves and Measured, Indicated and Inferred Mineral Resources

This AIF has been prepared in accordance with the requirements of the securities laws in effect in Canada, which differ from the requirements of United States securities laws. The terms “mineral reserve”, “proven mineral reserve” and “probable mineral reserve” are Canadian mining terms as defined in accordance with the Canadian Securities Administrators’ National Instrument 43-101 – Standards of Disclosure for Mineral Projects (“NI 43-101”) and the Canadian Institute of Mining, Metallurgy and Petroleum as the CIM Definition Standards on Mineral Resources and Mineral Reserves adopted by the CIM Council, as amended. These definitions differ materially from the definitions in SEC Industry Guide 7 under the United States Securities Act of 1933, as amended. Under SEC Industry Guide 7 standards, a “final” or “bankable” feasibility study is required to report reserves, the three-year historical average price is used in any reserve or cash flow analysis to designate reserves and the primary environmental analysis or report must be filed with the appropriate governmental authority.

In addition, the terms “mineral resource”, “measured mineral resource”, “indicated mineral resource” and “inferred mineral resource” are defined in and required to be disclosed by NI 43-101; however, these terms are not defined terms under SEC Industry Guide 7 and are normally not permitted to be used in reports and registration statements filed with the SEC. Investors are cautioned not to assume that any part or all of mineral deposits in these categories will ever be converted into SEC Industry Guide 7 reserves. “Inferred mineral resources” have a great amount of uncertainty as to their existence, and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of an inferred mineral resource will ever be upgraded to a higher category. Under Canadian rules, estimates of inferred mineral resources may not form the basis of feasibility or pre-feasibility studies, except in rare cases. Investors are cautioned not to assume that all or any part of an inferred mineral resource exists or is economically or legally mineable. Disclosure of “contained ounces” in a resource is permitted disclosure under Canadian regulations; however, the SEC normally only permits issuers to report mineralization that does not constitute “reserves” by SEC Industry Guide 7 standards as in place tonnage and grade without reference to unit measures.

Accordingly, information contained in this AIF contain descriptions of our mineral deposits that may not be comparable to similar information made public by U.S. companies subject to the reporting and disclosure requirements under the United States federal securities laws and the rules and regulations thereunder, including SEC Industry Guide 7.

## **ITEM 2: CORPORATE STRUCTURE**

### **2.1 Name, Address and Incorporation**

The Company was incorporated under the laws of the Province of British Columbia on March 11, 1981 under the name, “Levelland Energy & Resources Ltd”. Effective August 27, 2002 the Company changed its name to “Endeavour Gold Corp.”, consolidated its share capital on the basis of four old common shares for one new common share and increased its share capital to 100,000,000 common shares without par value. On September 13, 2004, the Company changed its name to “Endeavour Silver Corp.”, transitioned from the *Company Act* (British Columbia) to the *Business Corporations Act* (British Columbia) and increased its authorized share capital to unlimited common shares without par value.

The Company’s principal business office is located at:

Suite 301 - 700 West Pender Street  
Vancouver, British Columbia  
Canada, V6C 1G8

and its registered and records office is located at:

19<sup>th</sup> Floor, 885 West Georgia Street  
Vancouver, British Columbia  
Canada, V6C 3H4

## 2.2 Subsidiaries

The Company conducts its business primarily in Mexico through subsidiary companies. The following table lists the Company's material direct and indirect subsidiaries, their jurisdiction of incorporation, and percentage owned by the Company directly or indirectly.

<b>Name of Company</b>	<b>Incorporated</b>	<b>Percentage owned directly or indirectly</b>
Endeavour Gold Corporation, S.A. de C.V.	Mexico	100%
EDR Silver de Mexico S.A. de C.V. SOFOM ENR	Mexico	100%
Minera Plata Adelante, S.A. de C.V.	Mexico	100%
Minera Santa Cruz Garibaldi S.A. de C.V.	Mexico	100%
Refinadora Plata Guanacevi, S.A. de C.V.	Mexico	100%
Mina Bolañitos S.A de C.V.	Mexico	100%
Compania Minera del Cubo S.A. de C.V.	Mexico	100%
Minas Lupycal S.A. de C.V.	Mexico	100%
Minera Oro Silver de Mexico S.A. de C.V.	Mexico	100%
Minera Plata Carina S.P.A.	Chile	100%
Oro Silver Resources Ltd.	British Columbia, Canada	100%
Endeavour Zilver S.A.R.L.	Luxembourg	100%

### ITEM 3: GENERAL DEVELOPMENT OF THE BUSINESS

The Company is a Canadian mineral company engaged in the evaluation, acquisition, exploration, development and exploitation of precious metal properties in Mexico and Chile. The Company has three producing silver-gold mines in Mexico: the Guanacevi Mine in Durango acquired in 2004, the Bolañitos Mine in Guanajuato acquired in 2007 and the El Cubo Mine in Guanajuato acquired in 2012. In addition to operating these three mines, the Company is advancing three exploration and development projects in Mexico: the Terronera property in Jalisco acquired in 2010 that is now in the pre-feasibility stage, the permitted El Compas property and La Plata plant in Zacatecas acquired in 2016, and the prospective Parral properties in Chihuahua acquired in 2016.

#### 2016

##### *Equity Financings*

Further to a short form base shelf prospectus filed by the Company in July 2014 to qualify the distribution of up to Cdn\$200 million of common shares and various other securities of the Company and a corresponding registration statement filed in the United States, the Company filed a prospectus supplement in November 2015 for an at-the-market offering of up to U.S.\$16.5 million value of common shares of the Company on the New York Stock Exchange through Cowen and Company, LLC acting as sole agent (the "2015 ATM Offering"). During 2016, the Company sold under the 2015 ATM Offering 7,218,125 common shares at an average price of \$2.13 per share for proceeds of \$14.9 million, net of commission. Together with common shares sold in 2015, the Company issued a total of 8,017,694 common shares under the 2015 ATM Offering for net proceeds of \$16.0 million.



Further to a short form base shelf prospectus filed by the Company in May 2016 to qualify the distribution of up to Cdn.\$200 million of common shares and various other securities of the Company and a corresponding registration statement filed in the United States, the Company filed a prospectus supplement in May 2016 for an at-the-market offering of up to U.S.\$40 million value of common shares of the Company on the New York Stock Exchange through Cowen and Company, LLC acting as sole agent (the “2016 ATM Offering”). From launch to July 2016, the Company sold 10,245,347 common shares under the 2016 ATM Offering at an average price of \$3.90 per share for proceeds of \$38.9 million, net of commission. The Company will determine, at its sole discretion, the timing and number of common shares of the Company to be further sold under the 2016 ATM Offering.

### ***Credit Facility Amendments***

The Company had entered into a \$75 million secured revolving term credit facility (the “Credit Facility”) with The Bank of Nova Scotia (“Scotiabank”) pursuant to a credit agreement made as of July 24, 2012. In 2013, the Company extended the maturity of the Credit Facility from July 24, 2015 until July 24, 2016. Under the terms of the Credit Facility, the credit limit available was reduced to \$50 million on July 24, 2013 and, was further reduced to \$25 million on July 24, 2015. The Company entered into an amended and restated credit agreement with Scotiabank, dated January 27, 2016, as amended by a first amending agreement dated March 3, 2016, a second amending agreement dated March 31, 2016 and a third amending agreement dated April 15, 2016 (collectively, the “Amended Credit Agreement”) whereby the Company and Scotiabank agreed to the conversion of \$22 million which was then outstanding under the Credit Facility into a two-year term loan amortized quarterly and expiring December 31, 2017. The Company repaid \$3 million on signing of the original Amended Credit Agreement and is to repay \$2.5 million under the Amended Credit Agreement each quarter. The interest rate margin on the Credit Facility is 4.5% over LIBOR. The Credit Facility is principally secured by a pledge of the Company’s equity interests in its material operating subsidiaries, including Refinadora Plata Guanaceví SA de CV, Minas Bolañitos SA de CV and Compania Minera del Cubo SA de CV. The Amended Credit Agreement contains a number of covenants that impose financial or operating restrictions on the Company, including a provision that “Tangible Net Worth of the Company” for the purposes of the loan under the Amended Credit Agreement must be greater than U.S.\$45.9 million. At December 31, 2016, the Company had \$9 million outstanding under the Credit Facility.

### ***Acquisition of El Compas Project***

On May 27, 2016, the Company issued 2,147,239 common shares of the Company to Canarc Resource Corp. (“Canarc”) and assumed Canarc’s obligation to pay an aggregate of 165 troy ounces of gold to Marlin Gold Mining Ltd. to acquire a 100% interest in Canarc’s wholly-owned subsidiary, Oro Silver Resources Ltd, which owned the El Compas project in Zacatecas, Mexico through its wholly owned Mexican subsidiary, Minera Oro Silver de Mexico SA de CV (“Minera Oro Silver”). The El Compas project consists of 28 concessions fully permitted for mining with 22 concessions subject to a 1.5% net smelter return royalty and six concessions subject to a 3.0% net smelter return royalty. Minera Oro Silver also holds a five year operating lease, renewable for an additional five years, on a 500 tpd ore processing plant located in Zacatecas, Mexico for a total annual lease cost of MXN 1.6 million (approximately \$90,000), adjusted annually for inflation. The plant is currently not operational and will require capital investment to restore to an operational state. Preliminary capital investment estimates are \$6.5 million to \$7.5 million to recommence operations at the plant. The Company and Carnac have a common director in Bradford Cooke.

### ***Acquisition of Parral Properties***

On October 31, 2016, the Company issued 1,198,083 common shares of the Company to Silver Standard Resources Inc. (“Silver Standard”) in connection with the acquisition from Silver Standard of a 100% interest in the Parral properties located in Chihuahua, Mexico. Under the terms of the Company’s agreement with Silver Standard, the Company is to spend U.S.\$2 million on exploration over the two-year period following the closing date. On completing this exploration expenditure, Endeavour will have one year to deliver a NI 43-101 technical report, including a resource estimate, and issue an additional U.S.\$200,000 in common shares of the Company to Silver Standard for each 1,000,000 ounces of silver delineated in measured and indicated resources on the San Patricio and La Palmilla properties within the Parral properties, based on the 10-day average closing price of Endeavour’s common shares on the New York Stock Exchange prior to the earlier of delivery of the NI 43-101 report and October 31, 2019.

### **2015**

#### ***Equity Financing***

In 2015, pursuant to the 2015 ATM Offering, the Company issued 799,569 common shares of the Company at an average price of \$1.43 per share for net proceeds of \$1.1 million.

### **2014**

#### ***Credit Facility Amendment***

As mentioned under “2016 Developments-Credit Facility Amendments”, the Credit Facility with Scotiabank was reduced to \$25 million on July 24, 2015.

### **3.2 Significant Acquisitions**

No significant acquisitions for which disclosure is required under Part 8 of National Instrument 51-102 were completed by the Company during its most recently completed financial year.

## **ITEM 4: DESCRIPTION OF THE BUSINESS**

### **4.1 General Description**

#### ***Business of the Company***

The Company’s principal business activities are the evaluation, acquisition, exploration, development and exploitation of mineral properties. The Company produces silver-gold from its underground mines at Guanacevi, Bolañitos and El Cubo in Mexico. The Company also has interests in certain exploration properties in Mexico and Chile.

Since 2002, the Company’s business strategy has been to focus on acquiring advanced-stage silver mining properties in Mexico. Mexico, despite its long and prolific history of metal production, appears to be relatively under-explored using modern exploration techniques and offers promising geological potential for precious metals exploration and production.

The Company's Guanaceví and Bolañitos mines acquired in 2004 and 2007, respectively, demonstrate its business model of acquiring fully built and permitted silver mines that were about to close for lack of ore. By bringing the money and expertise needed to find new silver ore-bodies, Endeavour successfully re-opened and expanded these mines to develop their full potential. In 2012, the Company acquired the El Cubo silver-gold mine which came with substantial reserves and resources. The benefit of acquiring fully built and permitted mining and milling infrastructure is that, if new exploration efforts are successful, the mine development cycle from discovery to production only takes a matter of months instead of the several years normally required in the traditional mining business model.

In addition to operating the Guanaceví, Bolañitos and El Cubo mines, the Company is advancing exploration and development of its Terronera, El Compas and Parral properties located in Mexico. The Company is also exploring a number of other properties towards achieving its goal to become a premier senior producer in the silver mining sector.

The Company's business is not materially affected by intangibles such as licences, patents and trademarks, nor is it significantly affected by seasonal changes. Other than as disclosed in this AIF, the Company is not aware of any aspect of its business which may be affected in the current financial year by renegotiation or termination of contracts.

### ***Foreign Operations***

As the Company's producing mines and mineral exploration interests are principally located in Mexico, the Company's business is dependent on foreign operations. As a developing economy, operating in Mexico has certain risks. See "Risk Factors – Foreign Operations".

### ***Employees***

As at December 31, 2016, the Company had approximately 14 employees based in its Vancouver corporate office and employed through its Mexican subsidiaries approximately 1,627 full and part-time employees in Mexico. Additional consultants are also retained from time to time for specific corporate activities, development and exploration programs.

### ***Environmental Protection***

The Company's environmental permit requires that it reclaim certain land it disturbs during mining operations. Significant reclamation and closure activities include land rehabilitation, decommissioning of buildings and mine facilities, ongoing care and maintenance and other costs. Although the ultimate amount of the reclamation and rehabilitation costs to be incurred cannot be predicted with certainty, the total undiscounted amount of probability weighted estimated cash flows required to settle the Company's estimated obligations is \$2.1 million for the Guanacevi mine operations, \$1.8 million for the Bolañitos mine operations and \$4.0 million for the El Cubo mine operations.

### ***Community, Environmental and Corporate Safety Policies***

Endeavour is focused on the improvement of sustainability programs for all stakeholders and understands that such programs contribute to the long-term benefit of the Company and society at large. Sustainability programs implemented by the Company range from improving the Company's safety policies and practices; supporting health programs for the Company's employees and the local communities; enhancing environmental stewardship and reclamation; sponsoring educational scholarships and job skills training programs; sponsoring community cultural events and infrastructure improvements; and supporting charitable causes.

## 4.2 Risk Factors

The Company's ability to generate revenues and profits from its mineral properties, or any other mineral property it may acquire, is dependent upon a number of factors, including, without limitation, the following risk factors.

### ***Precious and Base Metal Price Fluctuations***

The profitability of the precious metal operations in which the Company has an interest will be significantly affected by changes in the market prices of precious metals. Prices for precious metals fluctuate on a daily basis, have historically been subject to wide fluctuations and are affected by numerous factors beyond the control of the Company such as the level of interest rates, the rate of inflation, central bank transactions, world supply of the precious metals, foreign currency exchange rates, international investments, monetary systems, speculative activities, international economic conditions and political developments. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving adequate returns on invested capital or the investments retaining their respective values. Declining market prices for these metals could materially adversely affect the Company's operations and profitability.

### ***Fluctuations in the price of consumed commodities***

Prices and availability of commodities consumed or used in connection with exploration, development and mining, such as natural gas, diesel, oil, electricity, cyanide and other re-agents fluctuate and affect the costs of production at our operations. These fluctuations can be unpredictable, can occur over short periods of time and may have a materially adverse impact on our operating costs or the timing and costs of various projects. Our general policy is not to hedge our exposure to changes in prices of the commodities that we use in our business.

### ***Foreign Exchange Rate Fluctuations***

Operations in Mexico and Canada are subject to foreign currency exchange fluctuations. The Company raises its funds through equity issuances which are priced in Canadian dollars, and the majority of the exploration costs of the Company are denominated in United States dollars and Mexican pesos. The Company may suffer losses due to adverse foreign currency fluctuations.

### ***Competitive Conditions***

Significant competition exists for natural resource acquisition opportunities. As a result of this competition, some of which is with large, well established mining companies with substantial capabilities and significant financial and technical resources, the Company may be unable to either compete for or acquire rights to exploit additional attractive mining properties on terms it considers acceptable. Accordingly, there can be no assurance that the Company will be able to acquire any interest in additional projects that would yield reserves or results for commercial mining operations.

### ***Operating Hazards and Risks***

Mining operations generally involve a high degree of risk, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. These risks include, but are not limited to, the following: environmental hazards, industrial accidents, third party accidents, unusual or unexpected geological structures or formations, fires, power outages, labour disruptions, floods, explosions, cave-ins, land-slides, acts of God, periodic interruptions due to inclement or hazardous weather conditions, earthquakes, war, rebellion, revolution, delays in transportation, inaccessibility to property, restrictions of courts and/or government authorities, other restrictive matters beyond the reasonable control of the Company, and the inability to obtain suitable or adequate machinery, equipment or labour and other risks involved in the operation of mines.

Operations in which the Company has a direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration, development and production of precious and base metals, any of which could result in work stoppages, delayed production and resultant losses, increased production costs, asset write downs, damage to or destruction of mines and other producing facilities, damage to life and property, environmental damage and possible legal liability for any or all damages. The Company may become subject to liability for pollution, cave-ins or hazards against which it cannot insure or against which it may elect not to insure. Any compensation for such liabilities may have a material, adverse effect on the Company's financial position.

Our property, business interruption and liability insurance may not provide sufficient coverage for losses related to these or other hazards. Insurance against certain risks, including certain liabilities for environmental pollution, may not be available to us or to other companies within the industry at reasonable terms or at all. In addition, our insurance coverage may not continue to be available at economically feasible premiums, or at all. Any such event could have a material adverse effect on our business.

### ***Mining Operations***

The capital costs required by the Company's projects may be significantly higher than anticipated. Capital and operating costs, production and economic returns, and other estimates contained in the Company's current technical reports, may differ significantly from those provided for in future studies and estimates and from management guidance, and there can be no assurance that the Company's actual capital and operating costs will not be higher than currently anticipated. In addition, delays to construction and exploration schedules may negatively impact the net present value and internal rates of return of the Company's mineral properties as set forth in the applicable technical report. Similarly, there can be no assurance that historical rates of production, grades of ore processed, rates of recoveries or mining cash costs will not experience fluctuations or differ significantly from current levels over the course of the mining operations conducted by the Company.

In addition, there can be no assurance that the Company will be able to continue to extend the production from its current operations through exploration and drilling programs.

### ***Infrastructure***

Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important determinants, which affect capital and operating costs. The lack of availability on acceptable terms or the delay in the availability of any one or more of these items could prevent or delay exploitation or development of the Company's projects. If adequate infrastructure is not available in a timely manner, there can be no assurance that the exploitation or development of the Company's projects will be commenced or completed on a timely basis, if at all; the resulting operations will achieve the anticipated production volume, or the construction costs and ongoing operating costs associated with the exploitation and/or development of the Company's advanced projects will not be higher than anticipated. In addition, unusual or infrequent weather phenomena, sabotage, government or other interference in the maintenance or provision of such infrastructure could adversely affect the Company's operations and profitability.

### ***Exploration and Development***

There is no assurance given by the Company that its exploration and development programs and properties will result in the discovery, development or production of a commercially viable ore body or yield new reserves to replace or expand current reserves.

The business of exploration for minerals and mining involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. At this time, other than the mineral reserves on the Company's Guanacevi Mines Project, Bolañitos Mines Project and El Cubo Mine, none of the Company's properties have any defined ore-bodies with proven reserves.

The economics of developing silver, gold and other mineral properties are affected by many factors including capital and operating costs, variations of the tonnage and grade of ore mined, fluctuating mineral markets, and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals and environmental protection. Depending on the prices of silver, gold or other minerals produced, the Company may determine that it is impractical to commence or continue commercial production.

Substantial expenditures are required to discover an ore-body, to establish reserves, to identify the appropriate metallurgical processes to extract metal from ore, and to develop the mining and processing facilities and infrastructure. The marketability of any minerals acquired or discovered may be affected by numerous factors which are beyond the Company's control and which cannot be accurately foreseen or predicted, such as market fluctuations, conditions for precious and base metals, the proximity and capacity of milling and smelting facilities, and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting minerals and environmental protection. In order to commence exploitation of certain properties presently held under exploration concessions, it is necessary for the Company to apply for an exploitation concession. There can be no guarantee that such a concession will be granted. Unsuccessful exploration or development programs could have a material adverse impact on the Company's operations and profitability.

***Calculation of Reserves and Resources and Precious Metal Recoveries***

There is a degree of uncertainty attributable to the calculation and estimation of reserves and resources and their corresponding metal grades to be mined and recovered. Until reserves or resources are actually mined and processed, the quantities of mineralization and metal grades must be considered as estimates only. Any material change in the quantity of mineral reserves, mineral resources, grades and recoveries may affect the economic viability of the Company's properties.

***Decreases in the market price of silver or gold may render the mining of reserves uneconomic.***

The mineral resource and reserve figures included in the AIF and the documents incorporated by reference are estimates, which are, in part, based on forward-looking information, and no assurance can be given that the indicated level of silver and gold will be produced. Factors such as metal price fluctuations, increased production costs and reduced recovery rates may render the present proven and probable reserves unprofitable to develop at a particular site or sites for periods of time.

The NI 43-101 technical reports in respect of the Guanacevi Mines, the Bolanitos Mines and the El Cubo Mine assume the following metal prices: \$16.29 per ounce for silver and \$1,195 per ounce for gold. The Terronera PEA assumes the following metal prices in the base case plan: \$18 per ounce for silver and \$1,260 per ounce for gold. Mineral reserve and resource estimates would be lower than estimated to the extent that actual metal prices are lower than assumed.

### ***Replacement of Reserves and Resources***

The Guanaceví, Bolañitos and El Cubo mines are the Company's only current sources of mineral production. Current life-of-mine plans provide for a defined production life for mining at the Company's mines. The Bolañitos mine has an expected mine life of less than two years based on current proven and probable reserves and production levels. If the Company's mineral reserves and resources are not replaced either by the development or discovery of additional reserves and/or extension of the life-of-mine at its current operating mines or through the acquisition or development of an additional producing mine, this could have an adverse impact on the Company's future cash flows, earnings, financial performance and financial condition, including as a result of requirements to expend funds for reclamation and decommissioning.

### ***Acquisition Strategy***

As part of the Company's business strategy, it has sought and will continue to seek new mining and development opportunities in the mining industry. In pursuit of such opportunities, it may fail to select appropriate acquisition candidates, negotiate appropriate acquisition terms, conduct sufficient due diligence to determine all related liabilities or to negotiate favourable financing terms. The Company may encounter difficulties in transitioning the business, including issues with the integration of the acquired businesses or its personnel into the Company. The Company cannot assure that it can complete any acquisition or business arrangement that it pursues, or is pursuing, on favourable terms, or that any acquisitions or business arrangements completed will ultimately benefit its business.

### ***Integration of New Acquisitions***

The Company's success at completing any acquisitions will depend on a number of factors, including, but not limited to: identifying acquisitions which fit the Company's strategy; negotiating acceptable terms with the seller of the business or property to be acquired; and obtaining approval from regulatory authorities in the jurisdictions of the business or property to be acquired.

The positive effect on the Company's results arising from past and future acquisitions will depend on a variety of factors, including, but not limited to: assimilating the operations of an acquired business or property in a timely and efficient manner including the existing work force, union arrangements and existing contracts; maintaining the Company's financial and strategic focus while integrating the acquired business or property; implementing uniform standards, controls, procedures and policies at the acquired business, as appropriate; and to the extent that the Company makes an acquisition outside of markets in which it has previously operated, conducting and managing operations in a new operating environment and under a new regulatory regime where it has no direct experience.

Past and future business or property acquisitions could place increased pressure on the Company's cash flow if such acquisitions involve cash consideration or the assumption of obligations requiring cash payments. The integration of the Company's existing operations with any acquired business will require significant expenditures of time, attention and funds. Achievement of the benefits expected from consolidation would require the Company to incur significant costs in connection with, among other things, implementing financial and planning systems. The Company may not be able to integrate the operations of a recently acquired business or restructure the Company's previously existing business operations without encountering difficulties and delays. In addition, this integration may require significant attention from the Company's management team, which may detract attention from the Company's day-to-day operations. Over the short-term, difficulties associated with integration could have a material adverse effect on the Company's business, operating results, financial condition and the price of the Company's common shares. In addition, the acquisition of mineral properties may subject the Company to unforeseen liabilities, including environmental liabilities.

### ***Foreign Operations***

The Company's operations are currently conducted through subsidiaries principally in Mexico and, as such, its operations are exposed to various levels of political, economic and other risks and uncertainties which could result in work stoppages, blockades of the Company's mining operations and appropriation of assets. Some of the Company's operations are located in areas where Mexican drug cartels operate. These risks and uncertainties vary from region to region and include, but are not limited to, terrorism; hostage taking; local drug gang activities; military repression; expropriation; extreme fluctuations in currency exchange rates; high rates of inflation; labour unrest; the risks of war or civil unrest; renegotiation or nullification of existing concessions, licenses, permits and contracts; illegal mining; changes in taxation policies; restrictions on foreign exchange and repatriation; and changing political conditions, currency controls and governmental regulations that favour or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction.

Local opposition to mine development projects could arise in Mexico, and such opposition could be violent. There can be no assurance that such local opposition will not arise with respect to the Company's Mexican operations. If the Company were to experience resistance or unrest in connection with its Mexican operations, it could have a material adverse effect on its operations and profitability. To the extent the Company acquires mineral properties in jurisdictions other than Mexico, it may be subject to similar and additional risks with respect to its operations in those jurisdictions.

### ***Government Regulation***

The Company's operations, exploration and development activities are subject to extensive foreign federal, state and local laws and regulations governing such matters as environmental protection, management and use of toxic substances and explosives, management of natural resources, health, exploration and development of mines, production and post-closure reclamation, safety and labour, mining law reform, price controls import and export laws, taxation, maintenance of claims, tenure, government royalties and expropriation of property. There is no assurance that future changes in such regulation, if any, will not adversely affect the Company's operations. The activities of the Company require licenses and permits from various governmental authorities.

The costs associated with compliance with these laws and regulations are substantial and possible future laws and regulations, changes to existing laws and regulations and more stringent enforcement of current laws and regulations by governmental authorities, could cause additional expenses, capital expenditures, restrictions on or suspensions of the Company's operations and delays in the development of its properties. Moreover, these laws and regulations may allow governmental authorities and private parties to bring lawsuits based upon damages to property and injury to persons resulting from the environmental, health and safety practices of the Company's past and current operations, or possibly even those actions of parties from whom the Company acquired its mines or properties, and could lead to the imposition of substantial fines, penalties or other civil or criminal sanctions. The Company retains competent and well trained individuals and consultants in jurisdictions in which it does business, however, even with the application of considerable skill the Company may inadvertently fail to comply with certain laws. Such events can lead to financial restatements, fines, penalties, and other material negative impacts on the Company.

### ***Mexican Foreign Investment and Income Tax Laws***

In December 2012, the Mexican government amended federal labour laws with respect to the use of service companies, subcontracting arrangements and the obligation to compensate employees with appropriate profit-sharing in Mexico. While the Company believes it is probable that these amended labour laws will not result in any material obligation or additional profit-sharing entitlements for its Mexican employees, there can be no assurance that this will continue to be the case.



Any developments or changes in such legal, regulatory or governmental requirements as described above or otherwise are beyond the control of the Company and may adversely affect its business.

### ***Mexican Tax Assessments***

As disclosed under “Item 11: Legal Proceedings”, a subsidiary of the Company in Mexico has received a tax assessment from Mexican fiscal authorities. 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. If the Company is unsuccessful, this could negatively impact the Company’s financial position and create difficulties for the Company in dealing with Mexican fiscal authorities in the future.

Included in the Company’s consolidated financial statements, are net assets of \$595,000, including \$42,000 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 December 31, 2016, the Company recognized an allowance for transferring the shares and assets of MSCG amounting to \$595,000. The Company is currently assessing MSCG’s settlement options based on on-going court proceedings and discussion with the tax authorities.

### ***Obtaining and Renewing of Government Permits***

In the ordinary course of business, the Company is required to obtain and renew government permits for the operation and expansion of existing operations or for the development, construction and commencement of new operations. Obtaining or renewing the necessary governmental permits is a complex and time-consuming process involving numerous jurisdictions and possibly involving public hearings and costly undertakings on the Company’s part. The duration and success of the Company’s efforts to obtain and renew permits are contingent upon many variables not within its control including the interpretation of applicable requirements implemented by the permitting authority.

The Company may not be able to obtain or renew permits that are necessary to its operations, or the cost to obtain or renew permits may exceed what the Company believes it can recover from a given property once in production. Any unexpected delays or costs associated with the permitting process could delay the development or impede the operation of a mine, which could adversely impact the Company’s operations and profitability.

### ***Environmental Factors***

All phases of the Company’s operations are subject to environmental regulation in the various jurisdictions in which it operates. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that any future changes in environmental regulation will not adversely affect the Company’s operations. The costs of compliance with changes in government regulations have the potential to reduce the profitability of future operations. Environmental hazards that may have been caused by previous or existing owners or operators may exist on the Company’s mineral properties, but are unknown to the Company at present.

### ***Title to Assets***

Although the Company has or will receive title opinions for any properties in which it has a material interest, there is no guarantee that title to such properties will not be challenged or impugned. The Company has not conducted surveys of the claims in which it holds direct or indirect interests and, therefore, the precise area and location of such claims may be in doubt. The Company's claims may be subject to prior unregistered agreements or transfers or native land claims and title may be affected by unidentified or unknown defects.

The Company has conducted as thorough an investigation as possible on the title of properties that it has acquired or will be acquiring to be certain that there are no other claims or agreements that could affect its title to the concessions or claims. If title to the Company's properties is disputed, it may result in the Company paying substantial costs to settle the dispute or clear title and could result in the loss of the property, which events may affect the economic viability of the Company.

### ***Employee Recruitment and Retention***

Recruiting and retaining qualified personnel is critical to the Company's success. The Company is dependent on the services of key executives including the Company's President and Chief Executive Officer and other highly skilled and experienced executives and personnel focused on managing the Company's interests. The number of persons skilled in acquisition, exploration, development and operation of mining properties are limited and competition for such persons is intense. As the Company's business activity grows, the Company will require additional key financial, administrative and mining personnel as well as additional operations staff. We could experience increases in our recruiting and training costs and decreases in our operating efficiency, productivity and profit margins. If we are not able to attract, hire and retain qualified personnel, the efficiency of our operations could be impaired, which could have an adverse impact on the Company's future cash flows, earnings, financial performance and financial condition.

### ***Potential Conflicts of Interest***

The directors and officers of the Company may serve as directors and/or officers of other public and private companies, and may devote a portion of their time to manage other business interests. This may result in certain conflicts of interest.

To the extent that such other companies may participate in ventures in which the Company is also participating, such directors and officers of the Company may have a conflict of interest in negotiating and reaching an agreement with respect to the extent of each company's participation. The laws of British Columbia, Canada, require the directors and officers to act honestly, in good faith, and in the best interests of the Company and its shareholders. However, in conflict of interest situations, directors and officers of the Company may owe the same duty to another company and will need to balance the competing obligations and liabilities of their actions.

There is no assurance that the needs of the Company will receive priority in all cases. From time to time, several companies may participate together in the acquisition, exploration and development of natural resource properties, thereby allowing these companies to: (i) participate in larger properties and programs; (ii) acquire an interest in a greater number of properties and programs; and (iii) reduce their financial exposure to any one property or program. A particular company may assign, at its cost, all or a portion of its interests in a particular program to another affiliated company due to the financial position of the company making the assignment.

In determining whether or not the Company will participate in a particular program and the interest therein to be acquired by it, it is expected that the directors and officers of the Company will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time.

### ***Third Party Reliance***

The Company's rights to acquire interests in certain mineral properties have been granted by third parties who themselves may hold only an option to acquire such properties. As a result, the Company may have no direct contractual relationship with the underlying property holder.

### ***Absolute Assurance on Financial Statements***

We prepare our financial reports in accordance with accounting policies and methods prescribed by IFRS. In the preparation of financial reports, management may need to rely upon assumptions, make estimates or use their best judgment in determining the financial condition or results of operations of the Company. Significant accounting details are described in more detail in the notes to our annual consolidated financial statements for the year ended December 31, 2016. In order to have a reasonable level of assurance that financial transactions are properly authorized, assets are safeguarded against unauthorized or improper use and transactions are properly recorded and reported, we have implemented and continue to analyze our internal control systems for financial reporting. Although we believe our financial reporting and financial statements are prepared with reasonable safeguards to ensure reliability, we cannot provide absolute assurance in that regard.

### ***General Economic Conditions***

The volatile global economic environment has created market uncertainty and volatility in recent years. Instability in the market for metal commodities has been experienced since April 2013, and continues today. These macro-economic events negatively affected the mining and minerals sectors in general, and the Company's market capitalization has been significantly reduced in periods of market instabilities. Any sudden or rapid destabilization of global economic conditions could impact the Company's ability to obtain equity or debt financing in the future on terms favorable to the Company or at all. In such an event, the Company's operations and financial condition could be adversely impacted.

The Company assesses on a quarterly basis the carrying values of its mineral properties. Should market conditions and commodity prices worsen and persist in a worsened state for a prolonged period of time, an impairment of the Company's mineral properties may be required.

### ***Substantial Volatility of Share Price***

The market prices for the securities of mining companies, including our own, have historically been highly volatile. The market has from time to time experienced significant price and volume fluctuations that are unrelated to the operating performance of any particular company. In addition, because of the nature of our business, certain factors such as our announcements and the public's reaction, our operating performance and the performance of competitors and other similar companies, fluctuations in the market prices of our resources, government regulations, changes in earnings estimates or recommendations by research analysts who track our securities or securities of other companies in the resource sector, general market conditions, announcements relating to litigation, the arrival or departure of key personnel and the risk factors described in this AIF can have an adverse impact on the market price of the Common Shares.

Any negative change in the public's perception of Endeavour's prospects could cause the price of our securities, including the price of our Common Shares, to decrease dramatically. Furthermore, any negative change in the public's perception of the prospects of mining companies in general could depress the price of our securities, including the price of our Common Shares, regardless of our results. Following declines in the market price of a company's securities, securities class-action litigation is often instituted. Litigation of this type, if instituted, could result in substantial costs and a diversion of our management's attention and resources.

### ***Need for additional financing***

The Company's current cash and cash-flows may not be sufficient to pursue additional exploration, development or discovery of additional reserves, extension to life-of-mines or new acquisitions and, therefore, the Company may require additional financing. Additional financing may not be available on acceptable terms, if at all. The Company may need additional financing by way of private or public offerings of equity or debt or the sale of project or property interests in order to have sufficient working capital for its business objectives, as well as for general working capital purposes.

The success and the pricing of any such capital raising and/or debt financing will be dependent upon the prevailing market conditions at that time. There can be no assurance that financing will be available to the Company or, if it is available, that it will be offered on acceptable terms. If additional financing is raised through the issuance of equity or convertible debt securities of the Company, this may negatively impact the price of the Common Shares and could result in dilution to shareholders and the interests of shareholders in the net assets of the Company may be diluted.

### ***Differences in U.S. and Canadian reporting of mineral reserves and resources***

The Company's mineral reserve and resource estimates are not directly comparable to those made in filings subject to SEC reporting and disclosure requirements as the Company generally reports mineral reserves and resources in accordance with Canadian practices. These practices are different from those used to report mineral reserve and resource estimates in reports and other materials filed with the SEC. It is Canadian practice to report measured, indicated and inferred resources, which are not permitted in disclosure filed with the SEC by United States issuers. Under SEC rules, mineralization may not be classified as a "reserve" unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time the reserve determination is made. United States investors are cautioned not to assume that all or any part of measured or indicated resources will ever be converted into reserves.

Further, "inferred mineral resources" have a great amount of uncertainty as to their existence and as to whether they can be mined legally or economically. Disclosure of "contained ounces" is permitted disclosure under Canadian regulations; however, the SEC only permits issuers to report mineralization that does not constitute "reserves" by SEC Industry Guide 7 standards "as in-place tonnage and grade without reference to unit of metal measures.

Accordingly, information concerning descriptions of mineralization, reserves and resources contained in this AIF, or in the documents incorporated herein by reference, may not be comparable to information made public by United States companies subject to the reporting and disclosure requirements of the SEC.

### ***Material weaknesses in the internal control over financial reporting***

The Company documented and tested, during its most recent fiscal year, its internal control procedures in order to satisfy the requirements of Section 404 of the U.S. Sarbanes-Oxley Act ("**SOX**") requires an annual assessment by management of the effectiveness of the Company's internal control over financial reporting and an attestation report by the independent auditor addressing this assessment. The Company may fail to achieve and maintain the adequacy of its internal control over financial reporting as such standards are modified, supplemented, or amended from time to time, and the Company may not be able to ensure that it can conclude on an ongoing basis that it has effective internal control over financial reporting in accordance with Section 404 of SOX. The Company's failure to satisfy the requirements of Section 404 of SOX on an ongoing, timely basis could result in the loss of investor confidence in the reliability of the Company's financial statements, which in turn could harm the business and negatively affect the trading price of the Common Shares. In addition, any failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm the Company's operating results or cause us to fail to meet reporting obligations.

Future acquisitions of companies may also provide the Company with challenges in implementing the required processes, procedures and controls in its acquired operations. Acquired companies may not have disclosure controls and procedures or internal control over financial reporting that are as thorough or effective as those required by securities laws currently applicable to the Company.

No evaluation can provide complete assurance that the internal control over financial reporting will detect or uncover all failures of persons within the Company to disclose material information required to be reported. The effectiveness of the Company's controls and procedures could also be limited by simple errors or faulty judgments. In addition, as the Company expands, the challenges involved in implementing appropriate internal control over financial reporting will increase and will require that it continue to improve the internal control over financial reporting. Although the Company intends to devote substantial time and incur substantial costs, as necessary, to ensure ongoing compliance, it cannot be certain that it will be successful in complying with Section 404 of SOX.

#### ***Credit Facility with Scotiabank***

The Company's Credit Facility with Scotiabank requires the Company to make certain interest payments, provide a first-ranking security interest over all of its assets and also contains a number of covenants that impose significant operating and financial restrictions on the Company and may limit the Company's ability to engage in acts that may be in its long-term best interest.

If the Company's cash flows and cash and cash equivalents are insufficient to fund its debt service obligations, including repayment or renewal of the Credit Facility at the end of its term, the Company could face liquidity problems and could be forced to seek amendments to the Credit Facility, or reduce or delay investments and capital expenditures, dispose of material assets or operations, seek additional debt or equity capital or restructure or refinance the Company's indebtedness, including the Credit Facility. The Company may not be able to affect any such alternative measures on commercially reasonable terms or at all and, even if successful, those alternatives may not allow the Company to meet its scheduled debt service obligations. There can be no certainty that the Company will be able to repay or renew the Credit Facility at maturity and the failure to do so would have a material adverse effect on the Company.

In addition, a breach of the covenants under the Credit Facility could result in an event of default under the applicable indebtedness. Such a default may allow the creditors to accelerate the related debt, and may result in the acceleration of any other debt to which a cross acceleration or cross default provision applies. In the event a lender accelerates the repayment of the Company's borrowings, the Company may not have sufficient assets to repay its indebtedness. The security interests provided by the Company under the Credit Facility may adversely affect the Company's ability to secure other types of financing. As a result of the security interests granted to Scotiabank, any default under the Credit Facility, including any covenants thereunder, could result in the loss of the Company's entire interest in its material assets.

#### ***Lack of Dividends***

The Company has never declared or paid any dividends on the Common Shares. So long as the Company's Amended Credit Agreement with Scotiabank and related security documentation are in effect, the Company is restricted from declaring and paying any dividends. Endeavour otherwise intends, for the foreseeable future, to retain its future earnings, if any, to finance its exploration activities and further development and the expansion of the business. The payment of future dividends, if any, will be reviewed periodically by the Board of Directors of Endeavour and will depend upon, among other things, conditions then existing including earnings, financial conditions, cash on hand, financial requirements to fund our exploration activities, development and growth, and other factors that the Board may consider appropriate in the circumstances.

### ***Claims Under U.S. Securities Laws***

The enforcement by investors of civil liabilities under the federal securities laws of the United States may be affected adversely by the fact that the Company is incorporated under the laws of British Columbia, Canada, that the independent chartered public accountants who have audited the Company's financial statements and some or all of the Company's directors and officers may be residents of Canada or elsewhere, and that all or a substantial portion of the Company's assets and said persons are located outside the United States. As a result, it may be difficult for holders of the Company's common shares to effect service of process within the United States upon people who are not residents of the United States or to realize in the United States upon judgments of courts of the United States predicated upon civil liabilities under the federal securities laws of the United States

### ***Financial Instruments***

From time to time, the Company may use certain financial instruments to manage the risks associated with changes in silver prices, interest rates and foreign currency exchange rates. The use of financial instruments involves certain inherent risks including, among other things: (i) credit risk, the risk of default on amounts owing to the Company by the counterparties with which Company has entered into such transaction; (ii) market liquidity risk, the risk that the Company has entered into a position that cannot be closed out quickly, either by liquidating such financial instrument or by establishing an offsetting position; and (iii) unrealized mark-to-market risk, the risk that, in respect of certain financial instruments, an adverse change in market prices for commodities, currencies or interest rates will result in the Company incurring an unrealized mark-to-market loss in respect of such derivative products.

### ***Financial Reporting Standards***

The Company prepares its financial reports in accordance with IFRS. In preparation of financial reports, management may need to rely upon assumptions, make estimates or use their best judgment in determining the financial condition of the Company. Significant accounting policies are described in more detail in the Company's audited financial statements. In order to have a reasonable level of assurance that financial transactions are properly authorized, assets are safeguarded against unauthorized or improper use, and transactions are properly recorded and reported, the Company has implemented and continues to analyze its internal control systems for financial reporting. Although the Company believes its financial reporting and financial statements are prepared with reasonable safeguards to ensure reliability, the Company cannot provide absolute assurance.

### ***Information Systems and Cyber Security***

Our operations depend, in part, upon information technology systems. Our information technology systems are subject to disruption, damage or failure from a number of sources, including, but not limited to, hacking, computer viruses, security breaches, natural disasters, power loss, vandalism, theft and defects in design. Any of these and other events could result in information technology systems failures, operational delays, production downtimes, destruction or corruption of data, security breaches or other manipulation or improper use of our data, systems and networks, any of which could have adverse effects on our reputation, business, results of operations, financial condition and share price.

Our risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats. As a result, cyber security and the continued development and enhancement of controls, processes and practices designed to protect our systems, computers, software, data and networks from attack, damage or unauthorized access remain a priority. As cyber threats continue to evolve, we may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

### 4.3 Asset-Backed Securities Outstanding

The Company has not issued any asset-backed securities.

### 4.4 Mineral Projects

#### Summary of Mineral Reserves and Mineral Resources Estimates

The following tables summarize as at December 31, 2016 the Company's estimated Mineral Reserves and Mineral Resources on its material mineral properties, all of which are wholly owned. Information in the following tables and the notes thereto are extracted from the respective technical reports on the material properties referred to under the description of each property below.

Silver-Gold Reserves & Resources (as of December 31, 2016)					
Reserves	Tonnes	Ag g/t	Au g/t	Ag oz	Au oz
Guanaceví	87,000	247	0.49	686,200	1,400
Bolanitos	157,000	90	2.84	456,700	14,300
El Cubo	409,000	154	1.99	2,028,900	26,200
<b>Total Proven</b>	<b>653,000</b>	<b>151</b>	<b>2.00</b>	<b>3,171,800</b>	<b>41,900</b>
Guanacevi	508,000	262	0.64	4,285,200	10,500
Bolanitos	238,000	104	1.81	798,300	13,800
El Cubo	453,000	159	1.71	2,311,100	24,900
<b>Total Probable</b>	<b>1,199,000</b>	<b>192</b>	<b>1.28</b>	<b>7,394,600</b>	<b>49,200</b>
<b>Total Proven &amp; Probable</b>	<b>1,852,000</b>	<b>177</b>	<b>1.53</b>	<b>10,566,400</b>	<b>91,100</b>

  

Resources	Tonnes	Ag g/t	Au g/t	Ag oz	Au oz
Guanaceví	69,000	248	0.47	550,300	1,000
Bolañitos	89,000	150	2.29	427,600	6,500
El Cubo	213,000	192	3.13	1,318,500	21,400
<b>Total Measured</b>	<b>371,000</b>	<b>193</b>	<b>2.43</b>	<b>2,296,400</b>	<b>28,900</b>
Guanaceví	2,271,000	296	0.72	21,595,600	52,800
Bolañitos	698,000	162	2.04	3,630,300	45,800
El Cubo	732,000	194	2.44	4,561,100	57,400
Terronera	2,938,000	211	1.65	19,912,000	156,000
Guadalupe y calvo	1,861,000	119	2.38	7,147,300	142,500
<b>Total Indicated</b>	<b>8,500,000</b>	<b>208</b>	<b>1.66</b>	<b>56,846,300</b>	<b>454,500</b>
<b>Total Measured &amp; Indicated</b>	<b>8,871,000</b>	<b>207</b>	<b>1.70</b>	<b>59,142,700</b>	<b>483,400</b>
Guanaceví	638,000	379	0.82	7,769,400	16,900
Bolañitos	1,150,000	153	2.29	5,674,700	84,800
El Cubo	1,453,000	214	2.78	10,004,000	129,900
Terronera	1,213,000	218	1.39	8,500,000	54,400
Guadalupe y calvo	154,000	94	2.14	464,600	10,600
<b>Total Inferred</b>	<b>4,608,000</b>	<b>219</b>	<b>2.00</b>	<b>32,412,700</b>	<b>296,600</b>

Silver-Lead-Zinc Reserves & Resources (as of December 31, 2016)					
Resources	Tonnes	Ag g/t	Au g/t	Ag oz	Au oz
Guanaceví	363,000	208	0.26	2,420,500	3,100
Parral	1,631,000	49	0.90	2,589,900	47,200
<b>Total Indicated</b>	<b>1,994,000</b>	<b>78</b>	<b>0.78</b>	<b>5,010,400</b>	<b>50,300</b>
Guanaceví	488,000	132	0.16	2,076,000	2,500
Parral	1,303,000	63	0.88	2,658,900	36,900
<b>Total Inferred</b>	<b>1,791,000</b>	<b>82</b>	<b>0.68</b>	<b>4,734,900</b>	<b>39,400</b>

#### Notes to Reserves and Resource Tables

- Reserve and resource cut-off at Guanaceví is 198 g/t Silver equivalents
- Reserve and resource cut-off at Bolañitos is 162 g/t Silver equivalents
- Reserve and resource cut-off at El Cubo is 177 g/t Silver equivalents
- Mining width is 0.8 metres at Guanaceví
- Mining width of 0.8 metres at Bolañitos
- Mining width of 0.8 metres at El Cubo
- At Guanaceví dilution is 29% after it has been diluted to a minimum mining width if required
- At Bolañitos dilution is 21% after it has been diluted to a minimum mining width if required
- At El Cubo dilution is 30% after it has been diluted to a minimum mining width if required
- Dilution factors are calculated based on internal stope dilution calculations and external dilution factors of 15% for cut and fill and 30% for long hole mining methods
- Measured and Indicated cut-off at Terronera is 150 g/t Silver equivalents
- Inferred resources cut-off at operations are the same cut-offs used as for the Measured and Indicted resources
- Inferred resources cut off for the Terronera property is 150 g/t Ag equivalent
- Mineral resources are not mineral reserves and do not have demonstrated economic viability. There is no certainty that all or any part of the mineral resources estimated will be converted into mineral reserves
- Price assumptions are \$16.29 per ounce of silver and \$1,195 per ounce of gold
- Silver equivalents are based on a 75:1 silver:gold price ratio
- Resource cut off for the Guadalupe y Calvo property is 100 g/t Ag equivalent
- At the Parral project a cut-off using net smelter return of \$40 is used with the prices listed below:

Description	Parameter	Description	Parameter
Gold Price	U.S.\$1,000/oz	Gold Recovery (Overall)	75%
Silver Price	U.S.\$16/oz	Silver Recovery (Overall)	71%
Lead Price	U.S.\$0.65/lb	Lead Recovery (Overall)	80%
Zinc Price	U.S.\$0.65/lb	Zinc Recovery (Overall)	74%
Smelter Terms	Generic Contract		

- Figures in the tables are rounded to reflect estimate precision, small differences generated by rounding are not material to the estimates
- Mineral resources are not mineral reserves and do not have demonstrated economic viability. There is no certainty that any or all part of the mineral resources will be converted into mineral reserves.
- Resources are exclusive of and in addition to mineral reserves
- See Cautionary Note to U.S. Investors concerning Estimates of Mineral Reserves and Measured, Indicated and Inferred Mineral Resources



## **Guanacevi Mines Project, Durango State, Mexico**

The following summary of the Guanacevi Mines Project is extracted from a technical report titled “*NI 43-101 Technical Report Updated Mineral Resource and Reserve Estimates for the Guanacevi Project, Durango State, Mexico*” prepared by Hard Rock Consulting LLC, with an effective date of December 31, 2016 and dated March 3, 2017. The complete report can be viewed on SEDAR at [www.sedar.com](http://www.sedar.com). The technical report is incorporated by reference in its entirety into this AIF.

### **Executive Summary**

#### **Introduction**

Hard Rock Consulting, LLC (“HRC”) was retained by Endeavour Silver Corp. (“EDR”) to complete an independent technical audit and to update the mineral resource and reserve estimates for the Guanacevi Project (the “Project”) located in Durango State, Mexico. This report presents the results of HRC’s efforts, and is intended to fulfill the Standards of Disclosure for Mineral Projects according to Canadian National Instrument 43-101 (“NI 43-101”). This report was prepared in accordance with the requirements and guidelines set forth in Companion Policy 43-101CP and Form 43-101F1 (June 2011), and the mineral resources and reserves presented herein are classified according to Canadian Institute of Mining, Metallurgy and Petroleum (“CIM”) Definition Standards - For Mineral Resources and Mineral Reserves, prepared by the CIM Standing Committee on Reserve Definitions and adopted by CIM Council on May 10, 2014. The mineral resource and mineral reserve estimates reported here are based on all available technical data and information as of December 31, 2016.

#### **Property Description and Ownership**

The Guanacevi Project is located in the northwest portion of the Mexican state of Durango, approximately 3.6 km west of the town of Guanacevi and 260 km northwest of the capital city of Durango. The approximate geographic center of the Project is 105°58’20”W longitude and 25°54’47”N latitude. At present, the Project is comprised of 51 mineral concessions for a total property area of 4,171.5546 ha.

EDR controls the Guanacevi Project through its 100% owned Mexican subsidiary, Endeavour Gold Corporation S.A. de C.V. (Endeavour Gold). Endeavour Gold holds the project through its two 100% owned subsidiaries, Minera Plata Adelante S.A. de C.V. (Minera Plata Adelante) and Refinadora Plata Guanacevi S.A. de C.V. (Refinadora Plata Guanacevi).

#### **Geology and Mineralization**

The Guanacevi silver-gold district hosts classic, high-grade silver-gold, epithermal vein deposits characterized by low sulphidation mineralization and adularia-sericite alteration. The Guanacevi veins are typical of most other epithermal silver-gold vein deposits in Mexico in that they are primarily hosted in the Tertiary Lower Volcanic series of andesite flows, pyroclastics and epiclastics, overlain by the Upper Volcanic series of rhyolite pyroclastics and ignimbrites. Evidence is accumulating in the Guanacevi mining district that the mineralization is closely associated with a pulse of silicic eruptions that either signaled the end of Lower Volcanic Sequence magmatism or the onset of Upper Volcanic Sequence activity.

Mineralization at Guanaceví occurs in association with an epithermal low sulphidation, quartz-carbonate, fracture-filling vein hosted by a structure trending approximately N45°W, dipping 55° southwest. The Santa Cruz vein is the principal host of silver and gold mineralization at Guanaceví, and is located on the west side of the horst of the Guanaceví Formation. The mineralized vein is part of a major fault system that trends northwest and principally places the Guanaceví Formation in the footwall against andesite and/or rhyolite in the hanging wall. The fault and vein comprise a structural system referred to locally as the Santa Cruz vein structure or Santa Cruz vein fault. The Santa Cruz vein itself has been traced for 5 km along trend, and averages approximately 3.0 m in width. High-grade mineralization in the system is not continuous, but occurs in steeply northwest-raking shoots up to 200 m in strike length. A secondary mineralized vein is located sub-parallel and subjacent to the Santa Cruz vein, in the footwall, and while less continuous is economically significant in the Porvenir Dos and North Porvenir portions of the Project.

### **Status of Exploration**

In 2016, EDR spent US \$1,297,698 (including property holding costs) on exploration activities, primarily at the Porvenir and Santa Cruz mines. Surface and underground drilling programs were carried out at both mine localities, totaling 6,985 m in 30 holes, with a total of 3,070 samples submitted for assay. Regional field exploration was conducted over several concessions peripheral to the Guanaceví Project, and included collection and analysis of 323 rock samples.

Since acquisition of the Guanaceví Project in 2004, and prior to the 2016 exploration season, EDR had completed 690 diamond drill holes totaling 191,116 m and 22 reverse circulation drill holes totaling 2,977 m on the entire Guanaceví Mines Project. Of this total, approximately 147,718 m of diamond drilling in 504 holes were completed on the Santa Cruz vein structure. Holes were drilled from both surface and underground drill stations, and 54,799 samples were collected and submitted for assay.

### **Development and Operations**

Conventional cut and fill mining or by long hole stope methods are employed at Guanaceví. Cut and fill stopes are generally 15m long and 5m high, and long hole stopes are 15m long and 20m high. Access to the stoping areas is provided by a series of primary and secondary ramps located in the footwall. The ramps have grades from minus 15% to plus 12%, with plus or minus 12% as standard. The cross-cuts are 4 m by 4 m for the primary ramps and 3.5 m by 3.5 m for the secondary ramps.

In the upper parts of the mine, stope access is by short (10m to 40m) cross-cuts from the ramp to the vein/stope. These cross-cuts are generally 3.5m by 3.5m in cross-section and are usually driven down at minus 18% to intersect with the stope. As the stope advances up-dip on the vein, the back is taken down the cross-cuts to maintain access until the cross-cut reaches a maximum inclination of 15%. In the lower parts of the mine (below the water table) stope access is by 90m long cross-cuts to the vein/stope. The cross-cuts are generally 3.0m by 3.5m in cross-section and are driven at plus 1% to intersect the stope (for water drainage). As the stope advances up-dip on the vein, the back is taken down in these cross-cuts to maintain access until the cross-cut reaches a maximum inclination of plus 15%.

Mining in the stopes is done with jackleg drills. Back cuts are taken 2m to 2.5m high via vertical up-hole drilling or by breasting. The broken material is mucked out using scooptrams (2 yard or 3.5 yard depending on vein width). Waste fill from mine development is placed in the stope by the same scooptrams to within 2 m to 2.5 m of the back. When the vein is less than minimum mining width, the footwall is slashed to provide adequate width. This slashing is done during the fill cycle and the slashed material remains in the stope as fill.

In 2016, the total ore production was approximately 19% from the Porvenir North mine, 74% from the Santa Cruz mine and 7% from Porvenir 4.

The production from the Porvenir North mine was distributed in three main areas of the mine (Upper Porvenir North, Deep Porvenir North and Central Porvenir North). The area of Upper Porvenir North, provided 34% of production from the mine. The stopes that contributed the most in this area were the R-3122, 3123-R and R-3124. In Deep Porvenir North, production was from the R-3133 and R-3134 stopes which represented 8% of the production. Central Porvenir North produced the most tonnage providing 39% of the total production. Stopes that contributed from this were the R-3145-2, R-3146-2, R-3149 and R-3150. The development from Porvenir North produced 15% of production from the mine. In the Upper Porvenir North mine development was from the S-3117, S-3122 and S-3123 levels. In Central Porvenir North mine development was from the S-3149, 3150-S and S-3157 levels.

In the Santa Cruz mine, the main ramp development was advanced to the 3359 and 3360 levels. During 2016 continued side ramps were developed to enter the main vein at the southern end of mine. Lateral ramps were developed from the ramp on the 4118, R-3348, 3349-R, R-3350 and R-3351 levels. Historic workings on level 13 were also opened to extract remnant ore zones. Production from stopes concentrated on the R-3352, R-3353, R-3354, R-3356, 3357-R and R-3359 stoping levels with R-3352 being the largest contributor. These stopes presented approximately 80% of the total production from Santa Cruz during 2016. Development ore represented approximately 7% of the total production.

In the Porvenir 4 mine development concentrated on the 3508 and 3509 ramps. Production from the mine was mainly from the S-3507, S-3508 and B S-3509 levels. Ore from these stopes represented approximately 24% of ore generated from the mine. Stope production concentrated on the R-3506, R-3507, R-3508, R-3508 B INT B Y R-3509 stopes.

As of December 31, 2016, the Guanaceví mines project had a roster of 546 employees and an additional 387 contractors. The mine operates on two 10-hour shifts, 7 days a week, whereas the mill operates on a 24/7 schedule.

### **Mineral Resource Estimate**

Resource geologist Zachary J. Black, SME-RM, of HRC is responsible for the mineral resource estimate presented in this report. Mr. Black is a Qualified Person as defined by NI 43-101, and is independent of EDR. The mineral resources reported herein are classified as Measured, Indicated and Inferred according to CIM Definition Standards.

HRC estimated the mineral resource for the Guanaceví Project based on drillhole data constrained by geologic vein boundaries with an Inverse Distance Weighted (“ID”) algorithm. Datamine Studio RM® V1.0.73.0 (“Datamine”) software was used to complete the resource estimate in conjunction with Leapfrog Geo® V.3.0.0 (“Leapfrog”), which was used to produce the geologic model. The metals of interest at Guanaceví are gold and silver.

The Guanaceví mineral resource is comprised of 22 individual veins. The veins are further subdivided by area and modeling method. The mineral resources have been estimated using either a Vertical Longitudinal Projection (VLP) polygonal method (4 veins) or as 3-dimensional (“3D”) block model (18 veins).

The resources based on the 2D polygonal methods are estimated by using a fixed distance VLP from sample points. The VLPs are created by projecting vein geology and underground workings onto a vertical 2D long section. The 2D estimates were classified based on the distance to the nearest sample. Measured mineral resources are the area of the defined resource blocks within 10 meters of a sample. Indicated mineral resources are the area of the defined resource blocks within 20 meters of a sample. Inferred mineral resources are those blocks greater than 20 meters from a sample and have a value for estimated silver.

HRC constructed the 3D vein models using Leapfrog. Eighteen veins were modeled using a linear interpolation methodology and sample intervals. Cross-sections orthogonal to the strike of the vein were used to select intervals from drillholes representing the vein material. Level sections were used to select vein material from channel samples. Points representing the hanging wall and footwall contacts were extracted by the software to interpolate hanging wall and footwall surfaces. These surfaces were used to delineate each vein solid. The surfaces were evaluated in 3-dimensions to ensure that both the down dip and along strike continuity was maintained throughout the model. Veins were clipped against younger veins, topography, and the concession boundaries.

The mineral resource estimate includes all analytical data obtained as of December 31, 2016. Mineral resources are not mineral reserves and may be materially affected by environmental, permitting, legal, socio-economic, political, or other factors. Mineral resources are reported above a silver equivalent grade of 198 gpt, assuming a silver price of \$16.29 per ounce. HRC used a cutoff grade to test for reasonable prospects for economic extraction.

The mineral resources for the Guanaceví mine as of December 31, 2016, are summarized in Table 1-1. The resources are exclusive of the mineral reserves.

**Table 1-1 Mineral Resource Estimate, Effective Date December 31, 2016**

Classification	Tonnes	Silver Equivalent	Silver		Gold	
		g/t	g/t	oz.	g/t	oz.
Measured	69,000	284	248	550,300	0.47	1,000
Indicated	2,271,000	351	296	21,595,600	0.72	52,800
Measured +Indicated	2,340,000	349	295	22,145,900	0.71	53,800
Inferred	638,000	441	379	7,769,400	0.82	16,900

1. Measured, Indicated and Inferred resource cut-off grades were 198 g/t silver equivalent at Guanaceví.
2. Mineral resources are not mineral reserves and do not have demonstrated economic viability. There is no certainty that all or any part of the mineral resources estimated will be converted into mineral reserves.
3. Metallurgical recoveries were 82.5% silver and 85.4% gold.
4. Silver equivalents are based on a 75:1 silver: gold ratio
5. Price assumptions are \$16.29 per ounce for silver and \$1,195 per ounce for gold for resource cutoff calculations.
6. Mineral resources are estimated exclusive of and in addition to mineral reserves.

### Mineral Reserve Estimate

Mr. Jeff Choquette, P.E., MMSA-QP, of HRC is responsible for the mineral reserve estimate presented in this report. Mr. Choquette is Qualified Person as defined by NI 43-101 and is independent of EDR. The mineral reserve estimate for EDR's Guanaceví Project has an effective date of December 31st, 2016. The mineral reserve estimate includes the Santa Cruz and Porvenir Norte areas of the mine and the ore stockpiles at the mill site. Stope designs for reporting the mineral reserves were created utilizing the updated resources and cutoffs established for 2016. All the stopes are within readily accessible areas of the active mining areas. Ore is processed in the on-site mill, leaching circuit and Merrill Crowe process capable of processing 1,300 tpd.

HRC utilized Datamine’s Mineable Shape Optimizer (“MSO”) program to generate the stopes for the reserve mine plan. The MSO stope designs are then used to design stopes on levels along with the required development for the final mine plans. The stopes were created based solely on Measured and Indicated resources above the calculated cutoff, which have demonstrated to be economically viable; therefore, Measured and Indicated mineral resources within the stopes have been converted to Proven and Probable mineral reserves as defined by CIM. Inferred mineral resources are classified as waste. Dilution is applied to Measured and Indicated resource blocks depending on the mining method chosen.

The mining breakeven cut-off grade, which includes internal stope dilution, was utilized in Datamine’s MSO to generate the stope designs for defining the reserves. The cut-off is stated as silver equivalent since the ratio between gold and silver is variable and both commodities are sold. The average cut-off grade used for the Guanaceví property is 198 g/t Ag equivalent. Silver equivalent grade is calculated as the silver grade + (gold grade \* 75), taking into account gold and silver prices and expected mill recoveries.

Mineral reserves are derived from Measured and Indicated resources after applying the economic parameters as stated above, and utilizing Datamine’s MSO program to generate stope designs for the reserve mine plan. The Guanaceví Project mineral reserves are derived and classified according to the following criteria:

- Proven mineral reserves are the economically mineable part of the Measured resource for which mining and processing / metallurgy information and other relevant factors demonstrate that economic extraction is feasible. For Guanaceví Project, this applies to blocks located within approximately 10m of existing development and for which EDR has a mine plan in place.
- Probable mineral reserves are those Measured or Indicated mineral resource blocks which are considered economic and for which EDR has a mine plan in place. For the Guanaceví mine project, this is applicable to blocks located a maximum of 35m either vertically or horizontally from development with one exception in the main lower Santa Cruz vein the maximum distance to development was extended to 110m as this area is currently being developed.

The Proven and Probable mineral reserves for the Guanaceví mine as of December 31, 2016 are summarized in Table 1-2. The reserves are exclusive of the mineral resources reported in Section 14 of this report.

**Table 1-2 Mineral Reserve Estimate**

<b>Classification</b>	<b>Tonnes (t x 1,000)</b>	<b>AgEq g/t</b>	<b>Ag g/t</b>	<b>Ag (oz) * 1,000</b>	<b>Au g/t</b>	<b>Au (oz) * 1,000</b>	<b>% Dilution</b>
Proven	86.5	284	247	686.2	0.49	1.37	26%
Probable	508.2	311	262	4,285.20	0.64	10.48	30%
<b>Total Proven and Probable Reserves</b>	<b>594.7</b>	<b>307</b>	<b>260</b>	<b>4,971.40</b>	<b>0.62</b>	<b>11.84</b>	<b>29%</b>

1. Reserve cut-off grades are based on a 198 g/t silver equivalent.
2. Metallurgical Recoveries were 82.5% silver and 85.4% gold.
3. Mining Recoveries of 95% were applied.
4. Minimum mining widths were 1.4 meters.
5. Dilution factors averaged 29%. Dilution factors are calculated based on internal stope dilution calculations and external dilution factors of 15% for cut and fill and 30% for long hole.
6. Silver equivalents are based on a 75:1 silver:gold ratio.
7. Price assumptions are \$16.29 per ounce for silver and \$1,195 per ounce for gold.
8. Mineral resources are estimated exclusive of and in addition to mineral reserves.
9. Figures in table are rounded to reflect estimate precision; small differences generated by rounding are not material to estimates.

## **Conclusions and Recommendations**

The QP considers the Guanaceví resource and reserve estimates presented here to conform with the requirements and guidelines set forth in Companion Policy 43-101CP and Form 43-101F1 (June 2011), and the mineral resources and reserves presented herein are classified according to Canadian Institute of Mining, Metallurgy and Petroleum (“CIM”) Definition Standards - For Mineral Resources and Mineral Reserves, prepared by the CIM Standing Committee on Reserve Definitions and adopted by CIM Council on May 10, 2014. These resources and reserves form the basis for EDR’s ongoing mining operations at the Guanaceví Mines Project.

The QP is unaware of any significant technical, legal, environmental or political considerations which would have an adverse effect on the extraction and processing of the resources and reserves located at the Guanaceví Mines Project. Mineral resources which have not been converted to mineral reserves, and do not demonstrate economic viability shall remain mineral resources. There is no certainty that all or any part of the mineral resources estimated will be converted into mineral reserves.

The QP considers that the mineral concessions in the Guanaceví mining district controlled by EDR continue to be highly prospective both along strike and down dip of the existing mineralization.

EDR’s Guanaceví Mines Project has an extensive mining history with well-known silver and gold bearing vein systems. Ongoing exploration has continued to demonstrate the potential for the discovery of additional resources at the project and within the district surrounding the mine. Since EDR took control of the Guanaceví mines Property, new mining areas have enabled EDR to increase production by providing additional sources of mill feed. EDR’s operation management teams continue to search for improvements in efficiency, lowering costs and researching and applying low-cost mining techniques.

2017 exploration budgets for Guanaceví are approved for 8,000 meters of drilling. The approved budget for this drilling is estimated at US \$1,200,000 for the year.

HRC recommends that the continuation of the conversion of all resources into reserves from 2D polygons to 3D block models be continued. During 2015 and 2016, considerable progress was made in this regard. Additional modeling efforts should be made to define the mineralized brecciated areas as they have been an important source of economic material encountered in the current operation, and could provide additional tonnage to support the mine plan.

Currently EDR utilizes the exploration drilling and chip and muck samples in their resource and reserve calculations. HRC recommends that future efforts focus on constructing block models for resource and reserve reporting utilizing only the exploration and underground drilling results. The chip and muck samples should be used to develop the production model. This will help in keeping data densities consistent in each modeling effort and allow another level into the reconciliation process to compare modeling results.

Although the reconciliations conducted by EDR show good comparisons on planned values versus actual values the reconciliation process should be improved to include the estimated tonnes and grade from the resource models. By comparing the LOM plan on a monthly basis to the plant production the actual physical location of the material mined may be different in the plan versus the actual area that was mined. Due to the many faces that are mined during a day this can only be completed on an average monthly basis to account for the blending of this material at the mill. The monthly surveyed as mined areas should be created and saved on a monthly basis for reporting the modeled tonnes for each month. The combination of the 3D block models and 2D and polygonal reserves makes this process difficult but considerable progress has been made during the last year to get all resources and reserves into 3D block models. The model predicted results versus actuals can then be used to determine if dilution factors need to be adjusted or perhaps the resource modeling parameters may require adjustment if there are large variances. On a yearly basis, the mill production should be reconciled to the final concentrate shipments and resulting adjustment factors should be explained and reported.

## **Bolañitos Mines Project (formerly the Guanajuato Mines Project), Guanajuato State, Mexico**

The following summary of the Bolañitos Mines Project is extracted from the technical report titled “NI 43-101 Technical Report: Updated Minerals Resource and Reserve Estimates for the Bolañitos Project Guanajuato State Mexico” prepared by Hard Rock Consulting LLC, with an effective date of December 31, 2016 and dated March 3, 2017. The complete report can be viewed on SEDAR at [www.sedar.com](http://www.sedar.com). The technical report is incorporated by reference in its entirety into this AIF.

### **Executive Summary**

#### **Introduction**

Hard Rock Consulting, LLC (“HRC”) was retained by Endeavour Silver Corp. (“EDR”) to complete an independent technical audit and to update the mineral resource and reserve estimates for the Bolañitos Project (the “Project”) located in Guanajuato State, Mexico. This report presents the results of HRC’s efforts, and is intended to fulfill the Standards of Disclosure for Mineral Projects according to Canadian National Instrument 43-101 (“NI 43-101”). This report was prepared in accordance with the requirements and guidelines set forth in Companion Policy 43-101CP and Form 43-101F1 (June 2011), and the mineral resources and reserves presented herein are classified according to Canadian Institute of Mining, Metallurgy and Petroleum (“CIM”) Definition Standards - For Mineral Resources and Mineral Reserves, prepared by the CIM Standing Committee on Reserve Definitions and adopted by CIM Council on May 10, 2014. The mineral resource and mineral reserve estimates reported here are based on all available technical data and information as of December 31, 2016.

#### **Property Description and Ownership**

In 2007, EDR acquired the Bolañitos mine from Industrias Peñoles S.A. de C.V. (Peñoles), the owner at the time, and Minas de la Luz, S.A. de C.V. (Minas de la Luz), the operator at the time. The acquisition included the Mina Cebada, Mina Bolañitos, Mina Golondrinas and Mina Asunción (as well as a few other currently closed mines). Minas de la Luz continued as the operator of the mines until June, 2007, when EDR assumed control. The Mina Asunción is very close to the Mina Bolañitos and the two are currently connected underground.

The Bolañitos Project is located in the state of Guanajuato, Mexico. The mine consists of three operating mines: the Bolañitos, Lucero, and Asuncion mines, which are located near the town of La Luz, about 12 km to the northeast of Guanajuato. All of the mines are readily accessed by paved and gravel roads. EDR also owns the inactive Cebada mine, located about 5 km north of the city of Guanajuato, and the inactive Golondrinas mine, which is 3.5 km to the southwest of Cebada.

#### **Geology and Mineralization**

The Bolañitos mine is located in eastern part of the Guanajuato mining district, in the southeastern portion of the Sierra de Guanajuato, which is an anticlinal structure about 100 km long and 20 km wide. Bolañitos is located on the northeast side of this structure where typical primary bedding textures dip 10° to 20° to the north-northeast. Economic mineralization at Bolañitos is known to extend as much as 250 m vertically from 2300 m to 2050 m elevation with the exception of the La Luz vein that extends 400 m vertically from 2300 m to 1900 m.

The Guanajuato mining district is characterized by classic, high grade silver-gold, epithermal vein deposits with low sulfidation mineralization and adularia-sericite alteration. Veins in the Guanajuato district are typical of most epithermal silver-gold vein deposits in Mexico with respect to the volcanic or sedimentary host rocks and the paragenesis and tenor of mineralization. The Guanajuato mining district hosts three major mineralized fault systems, the La Luz, Veta Madre and Sierra systems.

Of the geological formations associated with the Guanajuato district, only the Esperanza and La Luz Formations occur in the Bolañitos mine area with mineralization residing primarily within the La Luz Formation. Mineralization is known to dissipate at the contact with the Esperanza Formation.

The Veta Madre historically was the most productive vein in the Guanajuato district, and is by far the most continuous, having been traced on the surface for nearly 25 km. The vein dips from 35° to 55° to the southwest with measured displacement of around 1,200m near the Las Torres mine and 1,700 m near La Valenciana mine. The most productive veins at Bolañitos strike parallel to the Veta Madre system.

Bolañitos mineralization is directly related to faulting. Mineralization occurs as open-space fillings in fracture zones or impregnations in locally porous wall rock. Veins which formed in relatively open spaces are the main targets for mining.

Mineralized veins at Bolañitos consist of the classic banded and brecciated epithermal variety. Silver occurs primarily in dark sulfide-rich bands within the veins, with little mineralization within the wall rocks. The major metallic minerals reported include pyrite, argentite, electrum and ruby silver, as well as some galena and sphalerite, generally deeper in the veins. Mineralization is generally associated with phyllic (sericite) and silicification alteration which forms haloes around the mineralizing structures. The vein textures are attributed to the brittle fracturing-healing cycle of the fault-hosted veins during and/or after faulting.

Economic concentrations of precious metals are present in “shoots” distributed vertically and laterally between non-mineralized segments of the veins. Overall, the style of mineralization is pinch-and-swell with some flexures resulting in closures and others generating wide sigmoidal breccia zones.

### **Status of Exploration**

In 2016, EDR spent US \$240,249 (including property holding costs) on exploration activities, including drilling, at the Bolañitos Project. The target areas explored at the Bolañitos Project in 2016 included:

- Bolañitos North (La Luz-San Antonio de los Tiros),
- La Loba Margaritas, and
- Bolañitos South (San Cayetano and Emma)

A combined total of 9 drillholes were completed in the Bolañitos North (4 holes) and Bolañitos South (5 holes) areas for a total of 2,528 meters. Geological mapping and surface sampling was conducted in all three of the areas explored.

### **Mineral Resource Estimate**

Resource geologist Zachary J. Black, SME-RM, of HRC is responsible for the mineral resource estimate presented here. Mr. Black is a Qualified Person as defined by NI 43-101, and is independent of EDR. EDR estimated the mineral resource for the Bolañitos mine Project based on drillhole data constrained by geologic vein boundaries under the direct supervision of HRC. Datamine Studio RM® V1.0.73.0 (“Datamine”) software was used to audit the resource estimate in conjunction with Leapfrog Geo® V.3.0.0 (“Leapfrog”), which was used to produce a geologic model. The metals of interest at Bolañitos are gold and silver.

The Bolañitos mineral resource is comprised of 21 individual veins. The veins are further subdivided into areas and modeling method. The mineral resources have been estimated using either a Vertical Longitudinal Projection (VLP) polygonal method (9 veins) or as 3-dimensional (“3D”) block model (12 veins). The 3D models have been split into 2 areas based on the vein location within the deposit.



The resources based on the 2D polygonal methods are estimated by using a fixed distance Vertical Longitudinal Projection (VLP) from sample points. The VLPs are created by projecting vein geology and underground workings onto a vertical 2D long section. Resource blocks are constructed on the VLP based on the sample locations in the plane of the projection. EDR geologists review the data for sample trends and delineate areas with similar characteristics along the sample lines. The areas are then grouped based on mining requirements and the average grades and thicknesses of the samples are tabulated for each block. Resource volumes are calculated from the delineated area and the horizontal thickness of the vein, as recorded in the sample database. The volume and density are used to determine the overall resource tonnage for each area, and the grades are reported as a length weighted average of the samples inside each resource block.

HRC validated the vein models provided by EDR using Leapfrog. Ten veins were modeled by EDR using a series of cross-sectional interpretations. The sectional interpretations are based primarily on composite intercepts and are used to construct 3D vein solids in Vulcan. Cross-sections orthogonal to the strike of the vein and level plan sections were used to insure sample selections for compositing were contained within the modeled veins. HRC confirmed the areas reported in EDR resource sheets loading AutoCAD® long VLP's provided by EDR into ArcGIS® software, and tracing the perimeter of the resource blocks and measuring the area with the built-in measuring tool. The dip of the vein and true thickness are known variables.

The mineral resource estimate for the Bolañitos Project as of December 31<sup>st</sup>, 2016, is summarized in Table 1-1. The mineral resources are exclusive of the mineral reserves.

**Table 1-1 Mineral Resource Estimate, Effective Date December 31st, 2016**

Classification	Tonnes	Silver Equivalent	Silver		Gold	
		g/t	g/t	oz	g/t	oz
Measured	89,000	329	150	427,600	2.29	6,500
Indicated	698,000	325	162	3,630,300	2.04	45,800
Measured + Indicated	787,000	325	161	4,057,900	2.07	52,300
Inferred	1,150,000	330	153	5,674,700	2.29	84,800

1. Measured, Indicated and Inferred resource cut-off grades were 162 g/t silver equivalent at Bolañitos.
2. Mineral resources are not mineral reserves and do not have demonstrated economic viability. There is no certainty that all or any part of the mineral resources estimated will be converted into mineral reserves.
3. Metallurgical recoveries were 79.6% silver and 84.5% gold.
4. Silver equivalents are based on a 75:1 silver:gold ratio
5. Price assumptions are \$16.29 per ounce for silver and \$1,195 per ounce for gold for resource cutoff calculations.
6. Mineral resources are estimated exclusive of and in addition to mineral reserves.

### Mineral Reserve Estimate

Mr. Jeff Choquette, P.E., MMSA QP Member, of HRC is responsible for the mineral reserve estimate presented in this report. Mr. Choquette is Qualified Person as defined by NI 43-101 and is independent of EDR. The reserve calculation for the Bolañitos Project was completed in accordance with NI 43-101 and has an effective date of December 31<sup>st</sup>, 2016. Stope designs for reporting the reserves were created utilizing the updated resources and cutoffs established for 2016. All of the stopes are within readily accessible areas of the active mining areas. Ore is processed in the on-site mill and floatation process capable of processing 1,600 tpd.

HRC utilized Datamine's MSO (Mineable shape optimizer) program to generate the stopes for the reserve mine plan. The stopes were created based solely on Measured and Indicated resources above the calculated cutoff, which have demonstrated to be economically viable; therefore, Measured and Indicated mineral resources within the stopes have been converted to Proven and Probable mineral reserves as defined by CIM. Inferred mineral resources are classified as waste. Dilution is applied to Measured and Indicated resource blocks depending on the mining method chosen.

The mining breakeven cut-off grade, which includes internal stope dilution, was utilized in Datamine's MSO to generate the stope designs for defining the reserves. The cut-off is stated as silver equivalent since the ratio between gold and silver is variable and both commodities are sold. The average cut-off grade used for the Bolañitos property is 162 g/t Ag equivalent. Silver equivalent grade is calculated as the silver grade + (gold grade \* 75), taking into account gold and silver prices and expected mill recoveries.

Mineral reserves are derived from Measured and Indicated resources after applying the economic parameters as previously stated, and utilizing Datamine's MSO program to generate stope designs for the reserve mine plan. The Bolañitos Project mineral reserves are derived and classified according to the following criteria:

- Proven mineral reserves are the economically mineable part of the Measured resource for which mining and processing / metallurgy information and other relevant factors demonstrate that economic extraction is feasible. For Bolañitos Project, this applies to blocks located within approximately 10m of existing development and for which EDR has a mine plan in place.
- Probable mineral reserves are those Measured or Indicated mineral resource blocks which are considered economic and for which EDR has a mine plan in place. For the Bolañitos mine project, this is applicable to blocks located a maximum of 35m either vertically or horizontally from development.

The Proven and Probable mineral reserves for the Bolañitos Project as of December 31, 2016 are summarized in Table 1-2. The reserves are exclusive of the mineral resources reported in Section 14 of this report.

**Table 1-2 Mineral Reserve Estimate**

<b>Classification</b>	<b>Tonnes (t x 1,000)</b>	<b>AgEq g/t</b>	<b>Ag g/t</b>	<b>Ag (oz) * 1,000</b>	<b>Au g/t</b>	<b>Au (oz) * 1,000</b>	<b>% Dilution</b>
Proven	157.2	311	90	456.7	2.84	14.34	21%
Probable	238.2	245	104	798.3	1.81	13.82	20%
<b>Total Proven and Probable Reserves</b>	<b>395.4</b>	<b>271</b>	<b>99</b>	<b>1255.0</b>	<b>2.22</b>	<b>28.17</b>	<b>21%</b>

1. Reserve cut-off grades are based on a 162 g/t silver equivalent.
2. Metallurgical Recoveries were 79.6% silver and 84.5% gold.
3. Mining Recoveries of 95% were applied.
4. Minimum mining widths were 0.8 meters.
5. Dilution factors averaged 21.0%. Dilution factors are calculated based on internal stope dilution calculations and external dilution factors of 15% for cut and fill and 30% for long hole.
6. Silver equivalents are based on a 75:1 silver:gold ratio.
7. Price assumptions are \$16.29 per ounce for silver and \$1,195 per ounce for gold.
8. Mineral resources are estimated exclusive of and in addition to mineral reserves.
9. Figures in table are rounded to reflect estimate precision; small differences generated by rounding are not material to estimates.

## **Conclusions and Recommendations**

The QP considers the Bolañitos mineral resource and reserve estimates presented herein to conform with the requirements and guidelines set forth in Companion Policy 43-101CP and Form 43-101F1 (June 2011), and the mineral resources and reserves presented herein are classified according to Canadian Institute of Mining, Metallurgy and Petroleum (“CIM”) Definition Standards - For Mineral Resources and Mineral Reserves, prepared by the CIM Standing Committee on Reserve Definitions and adopted by CIM Council on May 10, 2014. These mineral resources and reserves form the basis for EDR’s ongoing mining operations at the Bolañitos Mines Project.

The QP is unaware of any significant technical, legal, environmental or political considerations which would have an adverse effect on the extraction and processing of the resources and reserves located at the Bolañitos Mines Project. Mineral resources which have not been converted to mineral reserves, and do not demonstrate economic viability shall remain mineral resources. There is no certainty that all or any part of the mineral resources estimated will be converted into mineral reserves.

The QP considers that the mineral concessions in the Bolañitos mining district controlled by EDR continue to be highly prospective both along strike and down dip of the existing mineralization.

EDR’s Bolañitos Mines Project has an extensive mining history with well-known silver and gold bearing vein systems. Ongoing exploration has continued to demonstrate the potential for the discovery of additional resources at the project and within the district surrounding the mine. Outside of the currently known reserve/resource areas, the mineral exploration potential for the Bolañitos Project is considered to be very good. Parts of the known vein splays beyond the historically mined areas also represent good exploration targets for additional resource tonnage.

Since EDR took control of the Bolañitos Mines Project, new mining areas have enabled EDR to increase production by providing additional sources of mill feed. EDR’s operation management teams continue to search for improvements in efficiency, lowering costs and researching and applying low-cost mining techniques.

In 2017, EDR will conduct a surface drilling program in the Bolañitos South and Bolañitos North areas. The planned program included 6,000 meters of drilling at an estimated cost of \$900,000.

HRC recommends that the process of converting mineral resources into reserves from 2D polygons to 3D block models be continued. During the last couple of years, considerable progress has been made on this process with only nine veins remaining to be converted to 3D. Additional modeling efforts should be made to define the mineralized brecciated areas as they have been an important source of economic material encountered in the current operation, and could provide additional tonnage to support the mine plan.

EDR currently utilizes the exploration drilling and chip and muck samples in their resource and reserve calculations. HRC recommends that future efforts focus on constructing block models for resource and reserve reporting utilizing only the exploration and underground drilling results. The chip and muck samples should be used to develop the production model. This will help keep data densities consistent in each modeling effort and will provide another level in the reconciliation process to compare modeling results.

Although the reconciliations conducted by EDR show good comparison between planned versus actual values, the reconciliation process should be improved to include the estimated tonnes and grade from the resource models. Because the LOM plan is compared to the plant production on a monthly basis, the actual physical location of the material mined may be different than the planned location. Due to the many stopes that are mined during a day this can only be completed on an average monthly basis due to blending of stope material into the mill. The monthly surveyed as mined areas should be created into triangulation solids and saved on a monthly basis for reporting the modeled tonnes for each month. The combination of the 3D block models and 2D and polygonal reserves makes this process difficult but considerable progress has been made during the last year to get all resources and reserves into 3D block models. The model-predicted results versus actual can then be used to determine if dilution factors need to be adjusted, or perhaps the resource modeling parameters may require adjustment if there are large variances. The mill production should be reconciled to the final concentrate shipments on a yearly basis, and resulting adjustment factors should be explained and reported.

### **El Cubo Mines Project, Guanajuato State, Mexico**

The following summary of the El Cubo Mines Project is extracted from the technical report titled “NI 43-101 Technical Report: Updated Mineral Resource and Reserve Estimates for the El Cubo Project, Guanajuato State Mexico” prepared by Hard Rock Consulting LLC, with an effective date of December 31, 2016 and dated March 3, 2017. The complete report can be viewed on SEDAR at [www.sedar.com](http://www.sedar.com). The technical report is incorporated by reference in its entirety into this AIF.

## **Executive Summary**

### **Introduction**

Hard Rock Consulting, LLC (“HRC”) was retained by Endeavour Silver Corp. (“EDR”) to complete an independent technical audit and to update the mineral resource and reserve estimates for the El Cubo Project (the “Project”) located in Guanajuato State, Mexico. This report presents the results of HRC’s efforts, and is intended to fulfill the Standards of Disclosure for Mineral Projects according to Canadian National Instrument 43-101 (“NI 43-101”). This report was prepared in accordance with the requirements and guidelines set forth in Companion Policy 43-101CP and Form 43-101F1 (June 2011), and the mineral resources and reserves presented herein are classified according to Canadian Institute of Mining, Metallurgy and Petroleum (“CIM”) Definition Standards - For Mineral Resources and Mineral Reserves, prepared by the CIM Standing Committee on Reserve Definitions and adopted by CIM Council on May 10, 2014. The mineral resource and mineral reserve estimates reported here are based on all available technical data and information as of December 31, 2016.

### **Property Description and Ownership**

EDR acquired a 100% interest in the El Cubo Project in July 2012, through purchase of issued and outstanding shares of Mexgold and ensuing acquisition of Mexgold subsidiaries Compañía Minera Del Cubo, S.A. de C.V., AuRico Gold GYC, S.A. de C.V. and Metales Interamericanos, S.A. de C.V.

The El Cubo property is located in central Mexico, in Guanajuato State near the village of El Cubo, approximately 10 km east of the City of Guanajuato and about 280 km northwest of Mexico City. The geographic center of the property is located at roughly 21°00’17” N Latitude and 101°12’ 25” W Longitude, at an elevation of 2265 m above mean sea level. The El Cubo property consists of 57 mining concessions covering an area of approximately 8,141 ha, including several mine adits, ramps, shafts, and the 2000 tpd El Tajo flotation plant.

## **Geology and Mineralization**

The El Cubo mine is located on the southeast flank of the Sierra Madre Occidental geological province in the southeastern portion of the Sierra de Guanajuato, an anticlinal structure about 100 km long and 20 km wide. The property is underlain by a volcano-sedimentary sequence of Mesozoic to Cenozoic age volcanic, sedimentary, and intrusive rocks, some members of which host the veins exploited by the mine. The Cenozoic rocks may have been emplaced in a caldera setting with hydrothermal alteration occurring at approximately 27 Ma (Buchanan, 1980).

The Guanajuato mining district is characterized by classic, high grade silver-gold, epithermal vein deposits with low sulfidation mineralization and adularia-sericite alteration. Veins in the Guanajuato district are typical of most epithermal silver-gold vein deposits in Mexico with respect to the volcanic or sedimentary host rocks and the paragenesis and tenor of mineralization. The Guanajuato mining district hosts three major mineralized fault systems, the La Luz, Veta Madre and Sierra systems. The El Cubo mine exploits veins of the Sierra fault system.

The northwest striking and southwest dipping faults are the main structures containing the very important Villalpando, La Loca, Dolores and Pastora-Fortuna veins. These veins are generally steeply dipping with some northeast dipping sections. The Capulin fault offsets the northwest-striking vein systems at the south end of the El Cubo mine, displacing the Dolores vein downward to the south.

Veins are the main targets for mining. Some weak stockworks that grade into disseminations are viable targets, especially if they are close enough to surface and can be mined from an open pit. An historic open cut exists on the Dolores vein in the vicinity of the El Tajo mill. The Villalpando and the Dolores veins have been actively mined since the early stages of mining at El Cubo.

Mineralized veins at El Cubo consist of the classic banded and brecciated epithermal variety. Silver occurs primarily in dark sulfide-rich bands within the veins, generally with little mineralization within the wall-rocks. The major metallic minerals reported include pyrite, argentite, electrum and ruby silver, as well as some galena and sphalerite, generally deeper in the veins. Mineralization is generally associated with phyllic (sericite) alteration and silicification which form haloes around the mineralizing structures. The vein textures are attributed to the brittle fracturing-healing cycle of the fault-hosted veins during and/or after faulting.

Economic concentrations of precious metals are present in “shoots” distributed vertically and laterally between non-mineralized segments of the veins, and at important vein intersections. The silver-rich veins, such as Villalpando, contain quartz, adularia, pyrite, acanthite, naumannite and native gold. Native silver is widespread in small amounts. Much of the native silver is supergene. Silver sulfosalts (pyrargyrite and polybasite) are commonly found at depth. Gold-rich veins, such as San Nicolas, contain quartz, pyrite, minor chalcopyrite and sphalerite, electrum, and aguilarite.

## **Status of Exploration**

Historical exploration at El Cubo was largely conducted by drifting along known veins, with very little drilling. Drilling exploration prior to 2000 was sporadic, and the associated information poorly organized. Drilling activity at the El Cubo Project increased significantly between 2000 and 2009, in conjunction with the acquisition of El Cubo by Mexgold, and later by Aurico, producing credible data for 844 drillholes (approximately 180,019 m). The drillhole data applies to both surface and underground drilling, at a variety of drillhole diameters, which occurred mainly over the Villalpando, Dolores, La Loca, San Nicolas, San Eusebio, Pastora, Puertecito and La Cruz structures.

In 2009, AuRico began the year with a dedicated six-month program of data compilation followed by extensive field mapping over the Sierra Vein system. At year end, AuRico had completed 16 core holes for 3,361 m in the Dolores SE target. Exploration carried out in 2010 consisted of drilling in the Dolores, Capulin, Villalpando Sur, Villalpando Gap, Puertecito, and La Cruz target areas. Exploration activities carried out in 2011 focused on drilling the step-out and in-fill on the 2009 Dolores Vein discovery.

In early 2012, AuRico drilled 16 drillholes on the Dolores SE target, but all surface exploration drilling was put on hold subject to AuRico completing the purchase and sale agreement for the El Cubo mine. At that time, El Cubo exploration geologists were in the process of geologically mapping and surface sampling the Cebolletas, Villalpando Sur, Cabrestantes and San Nicolás areas.

Between 2012 and 2015, EDR's drilling and field exploration efforts were focused on locating mineralized bodies over primary and secondary structures, mainly near the current production areas. Surface drilling was conducted over the Villalpando (Villalpando Gap, Asunción & Villalpando South), Dolores (Dolores North), La Loca & La Paz veins. The mine exploration drilling program was undertaken to determine the extent of additional mineralization near areas currently being mined. The principal targets were the Villalpando (Area II and IV) and Dolores (II) vein systems, though a number of other structures also explored. As of December 2014, a total of 72,969 m of drilling had been completed in 277 holes, with an associated 16,522 samples.

In 2015, EDR spent US \$1,686,569 (including property holding costs) on exploration activities, including drilling, at the El Cubo Project. Field exploration activities at El Cubo were mainly focused on the Cubo North area, with the intent of continuing to define targets of interest for possible future drilling programs. Geological mapping, trenching and sampling were also conducted in the Cubo Central and Cubo South areas, as well the surrounding Nayal-Cabrestantes, Los Pinguicos, Olga Margarita-Janet, La Providencia and El Eden areas.

During 2015, Endeavour Silver completed a total of 7,178.55 m in 25 surface diamond drillholes at the El Cubo Mines Project. A total of 2,603 samples were collected and submitted for assays. Surface drilling exploration carried out in 2015 is summarized in Table 1-1.

**Table 1-1 Exploration Drilling Activities in 2015**

<b>Project Area</b>	<b>Number of Holes</b>	<b>Total Meters</b>	<b>Number of Samples Taken</b>
Violeta	4	1,655.90	446
Asunción	2	305.80	156
Cubo Central	8	2,116.50	642
Villalpando North	4	1,349.10	596
Nayal-Cabrestantes	7	1,751.25	763
<b>Total</b>	<b>25</b>	<b>7,178.55</b>	<b>2,603</b>

In 2016, Endeavour Silver spent US \$1,060,668 (including property holding costs) on exploration activities mainly in the Nayal-Cabrestantes, Asunción (Villalpando vein) and Cubo Central areas in a continuing effort to identify and evaluate mineralized zones as potential targets for further exploration. A total of 3,799 m were drilled in 13 surface diamond drill holes at the Project, and a total of 777 samples were collected and submitted for assay. Surface exploration drilling undertaken during 2016 is summarized in Table 1-2.

**Table 1-2 Exploration Drilling Activities in 2016**

Project Area	Number of Holes	Total Metres	Number of Samples Taken
Asunción	5	1,901.60	314
Nayal-Cabrestantes	8	1,897.60	463
<b>Total</b>	<b>13</b>	<b>3,799.20</b>	<b>777</b>

An underground drilling exploration program was also conducted in 2016 on targets (La Loca, Vein 274, SJD & San Nicolás) located in close proximity to active mines. A total of 12 underground drill holes were completed for 1,710 m at the El Cubo Project (Table 1-3), and a total of 584 samples were collected and submitted for analysis.

**Table 1-3 Underground Exploration Drilling Activities in 2016**

Project Area	Number of Holes	Total Metres	Number of Samples Taken
Mine Exploration	12	1,709.90	584
<b>Total</b>	<b>12</b>	<b>1,709.90</b>	<b>584</b>

In 2017, EDR plans to conduct a surface drilling program (approximately 3,000 m of drilling) mainly focused on the Cubo North La Saucedá areas. Planned underground drilling (approximately 3,000 m of drilling) will focus on structures near active mining areas. Regional exploration in 2017 will continue in and proximal to the La Saucedá area.

## **Development and Operations**

The El Cubo Mine is now organized into two discrete physical areas, previously the mine was organized into four areas. Area 1 covers the north end of the Villalpando system with access through the Sta. Cecilia ramp, the previous level 3 of the upper La Loca vein and the previous area 4 of the lower El Cubo concessions with access from the Sta. Lucia shaft. Area 2 includes the southern end of the Villalpando and Dolores vein systems, and is principally accessed from the Dolores ramp at El Tajo and from a crosscut on Level 4. Each area has separate crews and infrastructure for access, stoping, ventilation, and ore haulage. The area separations are geographic, and by level.

Conventional drill and blast methods are used to extract the ore at El Cubo, and access to the mining areas is provided by ramps, adits and shafts. Mine development headings are drilled by jumbo and by jackleg. The choice of equipment is generally guided by the anticipated vein widths, stoping method, and equipment availability. The stoping methods used at El Cubo are 80% mechanized cut-and-fill and 20% longhole open- stoping.

It is standard procedure throughout the mine to install systematic ground control. Ground control is carried out using a combination of split sets, mesh, w-straps, and cable bolts. The type of support varies according to the conditions encountered, but split sets are most common and are complemented as needed with mesh and/or w-straps. Cable bolting is required during the preparation of stopes for longhole blasting. The cable bolts are installed by drilling holes in the hanging wall and fixing the bolts in place with cement pumped into the hole.

The upper levels of the mine are dry. Water inflows are a factor in the lowest development levels where it is collected, pumped, and distributed as additional water for the needs of mine production.

The lowest historic development level of the mine, Level 9 of the Villalpando vein, was flooded until the latter part of 2013. The mine has been gradually dewatered and new development is pursuing mineral in the lower levels.

After the strike ended in 2011, Blake (2011) provided a preliminary geotechnical study to AuRico to determine if ground deterioration had occurred and if so, what rehabilitation effort might be needed in order for mining to resume. The geotechnical study concluded that in most cases, scaling and spot bolting would sufficiently mitigate deterioration, and rehabilitation work was carried out in three stopes according to recommendations.

The ventilation system at El Cubo is a combination of natural and mechanical, but relies mostly on natural ventilation. Air flow enters through the various access ramps, shafts, raise bore holes, and old mine openings, and moves down to the lower part of the mine, exhausting through a series of partially open old areas of the mine, raise bore holes, and conventional driven raises.

As of December 31, 2016, the company had a total of 610 direct employees distributed in different departments. There are 290 contract persons for personal transport, security, underground development, underground mining and ore transport from underground to surface and to the plant.

### **Mineral Resource Estimate**

Resource geologist Zachary J. Black, SME-RM, of HRC is responsible for the mineral resource estimate presented here. Mr. Black is a Qualified Person as defined by NI 43-101, and is independent of EDR. HRC estimated the mineral resource for the El Cubo Mine Project based on drillhole data constrained by geologic vein boundaries with an Inverse Distance Weighted (“ID”) algorithm. Datamine Studio RM® V1.0.73.0 (“Datamine”) software was used to complete the resource estimate in conjunction with Leapfrog Geo® V.3.0.0 (“Leapfrog”), which was used to produce the geologic model. The metals of interest at El Cubo are gold and silver.

HRC constructed the vein models using Leapfrog. Twenty-two veins were modeled using a linear interpolation methodology and sample intervals. Cross-sections orthogonal to the strike of the vein were used to select intervals from drillholes representing the vein material. Level sections were used to select vein material from channel samples. Points representing the hanging wall and footwall contacts were extracted by the software to interpolate hanging wall and footwall surfaces. These surfaces were used to delineate each vein solid. The surfaces were evaluated in 3-dimensions to ensure that both the down dip and along strike continuity was maintained throughout the model. Vein volumes were clipped using a distance buffer of 100 meters, except the Villalpando vein, which used a distance buffer of 125 meters, from the selected vein intercepts. Veins were clipped against younger veins, topography, and the concession boundaries.

The 3D geologic solids were converted to block models using Datamine. Block model prototypes were created for each of the 3D veins. The model prototypes are rotated along strike and down dip and encompass the entire vein. A block size of 10m x 10m in the strike and dip directions was established. The blocks in the z direction were sub-blocked to the vein thickness. The El Cubo 3D models were validated by comparison of the global descriptive statistics from the Inverse Distance Weighting (“ID”), Ordinary Kriging (“OK”), Nearest Neighbor (“NN”), and composite data, and inspection of the ID block model on long section in comparison to the composite grades.



HRC used the kriging efficiency, distance from samples, and the number of samples to classify the mineral resources into measured, indicated, inferred. Measured mineral resources are those blocks with at least 15 composites, a kriging efficiency of at least 75%, and a distance no greater than 10 meters. Indicated mineral resources are those blocks at least 20 meters from a sample. Inferred mineral resources are those blocks greater than 20 meters from a sample and have a value for estimated silver.

The mineral resource estimate includes all analytical data obtained as of December 31, 2016. Mineral resources are not mineral reserves and may be materially affected by environmental, permitting, legal, socio-economic, political, or other factors. Mineral resources are reported above a silver equivalent grade of 177 gpt, assuming a silver price of \$16.29 per ounce. HRC used a cutoff grade to test for reasonable prospects for economic extraction.

The mineral resources for the El Cubo mine as of December 31, 2016, are summarized in Table 1-4. The resources are exclusive of the mineral reserves.

**Table 1-4 Mineral Resource Estimate, Effective Date December 31, 2016**

Classification	Tonnes	Silver Equivalent	Silver		Gold	
		g/t	g/t	oz.	g/t	oz.
Measured	213,000	414	192	1,318,500	3.13	21,400
Indicated	732,000	366	194	4,561,100	2.44	57,400
Measured + Indicated	945,000	377	194	5,879,600	2.60	78,800
Inferred	1,453,000	411	214	10,004,000	2.78	129,900

1. Measured, Indicated and Inferred resource cut-off grades were 177 g/t silver equivalent at El Cubo.
2. Mineral resources are not mineral reserves and do not have demonstrated economic viability. There is no certainty that all or any part of the mineral resources estimated will be converted into mineral reserves.
3. Metallurgical recoveries were 87.8% for silver and 84.7% for gold.
4. Silver equivalents are based on a 75:1 silver:gold ratio
5. Price assumptions are \$16.29 per ounce for silver and \$1,195 per ounce for gold for resource cutoff calculations.
6. Mineral resources are estimated exclusive of and in addition to mineral reserves.

### Mineral Reserve Estimate

Mr. Jeff Choquette, P.E., MMSA QP, of HRC is responsible for the mineral reserve estimate presented here. Mr. Choquette is Qualified Person as defined by NI 43-101 and is independent of EDR. The mineral reserve calculation for EDR's El Cubo Mine in Guanajuato, Mexico was completed in accordance with NI 43-101, and based on all data and information available as of December 31<sup>st</sup>, 2016. Stope designs for reporting the reserves were created utilizing the updated resources and cutoffs established for 2016. All of the stopes are within readily accessible areas of the active mining areas. Ore is processed in the on-site mill and floatation facility capable of processing 1,600 tpd, if excess mined tonnage is produced the ore is trucked to EDR's Bolañitos mill for processing.

HRC utilized Datamine’s Mineable Shape Optimizer (“MSO”) program to generate the stopes for the reserve mine plan. The MSO stope designs are then used to design stopes on levels along with the required development for the final mine plans. The stopes were created based solely on Measured and Indicated resources above the calculated cutoff, which have demonstrated to be economically viable; therefore, Measured and Indicated mineral resources within the stopes have been converted to Proven and Probable mineral reserves as defined by NI 43-101. Measured and Indicated mineral resources generated from the 2D polygon resource model were also converted to mineral reserves, provided that associated grades fell above the calculated cutoff and economic viability could be demonstrated. Inferred mineral resources are classified as waste. Dilution is applied to Measured and Indicated resource blocks depending on the mining method chosen.

The mining breakeven cut-off grade was utilized in Datamine’s MSO to generate the stope designs for defining the reserves. The cut-off is stated as silver equivalent since the ratio between gold and silver is variable and both commodities are sold. The average cut-off grade used for the El Cubo property is 177 g/t Ag equivalent. Silver equivalent grade is calculated as the silver grade + (gold grade \* 75), taking into account gold and silver prices and expected mill recoveries.

Mineral reserves are derived from Measured and Indicated resources after applying the economic parameters as stated Section 15.1.2, utilizing Datamine’s MSO program to generate stope designs for the reserve mine plan. The MSO stope designs are then used to design stopes on levels along with the required development for the final mine plans. Mineral reserves for the El Cubo Project have been derived and classified according to the following criteria:

- Proven mineral reserves are the economically mineable part of the Measured resource for which mining and processing / metallurgy information and other relevant factors demonstrate that economic extraction is feasible. For El Cubo, this applies to blocks located within approximately 10 m of existing development, and for which EDR has a mine plan in place.
- Probable mineral reserves are those Measured or Indicated mineral resource blocks which are considered economically viable and for which EDR has a mine plan in place. For the El Cubo Project, this applies to all blocks for which EDR has a mine plan in place.

The Proven and Probable mineral reserves for the El Cubo Project as of December 31, 2016 are summarized in Table 1-5. The reserves are exclusive of the mineral resources reported in Section 14 of this report.

**Table 1-5 Mineral Reserve Estimate**

<b>Classification</b>	<b>Tonnes (t x 1,000)</b>	<b>AgEq g/t</b>	<b>Ag g/t</b>	<b>Ag (oz) * 1,000</b>	<b>Au g/t</b>	<b>Au (oz) * 1,000</b>	<b>% Dilution</b>
Proven	409.3	295	154	2,028.9	1.99	26.24	26%
Probable	452.7	280	159	2,311.1	1.71	24.85	33%
<b>Total Proven and Probable Reserves</b>	<b>861.9</b>	<b>287</b>	<b>157</b>	<b>4,340.0</b>	<b>1.84</b>	<b>51.09</b>	<b>30%</b>

1. Reserve cut-off grades are based on a 184 g/t silver equivalent.
2. Metallurgical Recoveries were 87.8% silver and 84.7% gold.
3. Mining Recoveries of 95% were applied.
4. Minimum mining widths were 0.8 meters.
5. Dilution factors averaged 30%. Dilution factors are calculated based on internal stope dilution calculations and external dilution factors of 15% for cut and fill and 30% for long hole.
6. Silver equivalents are based on a 75:1 silver:gold ratio.
7. Price assumptions are \$16.29 per ounce for silver and \$1,195 per ounce for gold.
8. Mineral resources are estimated exclusive of and in addition to mineral reserves.
9. Figures in table are rounded to reflect estimate precision; small differences generated by rounding are not material to estimates.

## **Conclusions and Recommendations**

The QP considers the El Cubo resource and reserve estimates presented here to conform with the requirements and guidelines set forth in Companion Policy 43-101CP and Form 43-101F1 (June 2011), and the mineral resources and reserves presented herein are classified according to Canadian Institute of Mining, Metallurgy and Petroleum (“CIM”) Definition Standards - For Mineral Resources and Mineral Reserves, prepared by the CIM Standing Committee on Reserve Definitions and adopted by CIM Council on May 10, 2014. These resources and reserves form the basis for Endeavour Silver’s ongoing mining operations at the El Cubo Mines Project.

The QP is unaware of any significant technical, legal, environmental or political considerations which would have an adverse effect on the extraction and processing of the resources and reserves located at the El Cubo Mines Project. Mineral resources which have not been converted to mineral reserves, and do not demonstrate economic viability shall remain mineral resources. There is no certainty that all or any part of the mineral resources estimated will be converted into mineral reserves.

The QP considers that the mineral concessions in the El Cubo mining district controlled by Endeavour Silver continue to be highly prospective both along strike and down dip of the existing mineralization. The El Cubo mine has been in nearly continuous production for decades. A substantial effort combining direct underground exploration, underground drilling, and surface drilling will be necessary to sustain the mine and continually expand mineral resources and reserves. The El Cubo concessions cover at least 5 km of the trace of the vein system across the district. The Villalpando-Asunción area continues to provide the bulk of production from the mine, and is currently the focus of future mineral resource and reserve development. The Dolores vein is an important parallel structure along which new mineral resources and reserves have been added through a combination of underground development and diamond drilling.

The mine has considerable potential to develop both exploration targets close to existing operations outlined by underground drilling and those identified by surface exploration. The 2017 exploration for El Cubo is approved for 6,000 meters of drilling. The approved budget for this drilling is estimated at US \$900,000 for the year.

HRC recommends that the process of converting mineral resources into reserves from 2D polygons to 3D block models be continued. Considerable progress has been completed via this process with 22 of the 37 veins now converted into 3D block models. Additional modeling efforts should be made to define the mineralized brecciated areas as they have been an important source of economic material encountered in the current operation, and could provide additional tonnage to support the mine plan.

EDR currently utilizes the exploration drilling and chip and muck samples in their resource and reserve calculations. HRC recommends that future efforts focus on constructing block models for resource and reserve reporting utilizing only the exploration and underground drilling results. The chip and muck samples should be used to develop the production model. This will help keep data densities consistent in each modeling effort and will provide another level in the reconciliation process to compare modeling results.

Although the reconciliations conducted by EDR show good comparison between planned versus actual values, the reconciliation process should be improved to include the estimated tonnes and grade from the resource models. Because the LOM plan is compared to the plant production on a monthly basis, the actual physical location of the material mined may be different than the planned location. Due to the many stopes that are mined during a day this can only be completed on an average monthly basis due to blending of stope material into the mill. The monthly surveyed as mined areas should be created into triangulation solids and saved on a monthly basis for reporting the modeled tonnes for each month. The combination of the 3D block models and 2D and polygonal reserves makes this process difficult but considerable progress has been made during the last year to get all resources and reserves into 3D block models. The model-predicted results versus actual can then be used to determine if dilution factors need to be adjusted, or perhaps the resource modeling parameters may require adjustment if there are large variances. The mill production should be reconciled to the final concentrate shipments on a yearly basis, and resulting adjustment factors should be explained and reported.

### **Terronera Project, Jalisco State, Mexico**

On May 13, 2015, the Company filed the NI 43-101 Technical Report Preliminary Economic Assessment for the Terronera Project, Jalisco State, Mexico (“Terronera PEA”) prepared by Smith Foster and Associates with an effective date of March 25, 2015 and dated April 30, 2015. With the exception of some minor changes to terms for consistency with terms used in this AIF, the below summary is a direct extract and reproduction of the summary contained in the Terronera PEA, without material modification or revision. The complete report can be viewed on SEDAR at [www.sedar.com](http://www.sedar.com). The Terronera PEA is incorporated by reference in its entirety into this AIF.

#### **Executive Summary**

##### **Introduction**

Endeavour commissioned Smith Foster & Associates Inc. to prepare a Preliminary Economic Assessment for the Terronera Project compliant with NI 43-101. The project was formerly known as the San Sebastián Project but, in March 2015, Endeavour formally changed the name to the Terronera Project.

The Terronera PEA has an effective date of March 25, 2015. The mineral resource estimates reported in the Terronera PEA comply with the CIM Definition Standards for Mineral Resources and Mineral Reserves, as required under NI 43-101.

The term San Sebastián Property, in the Terronera PEA, refers to the entire area covered by the mineral concessions, while the term Terronera Project refers to the area within the mineral concession on which the current exploration programs and proposed mining and processing will be conducted.

The Terronera PEA includes technical information which requires subsequent calculations or estimates to derive sub-totals, totals, and weighted averages. Such calculations or estimations inherently involve a degree of rounding and consequently introduce a margin of error. The QPs for the Terronera PEA do not consider such errors to be material to the calculations presented herein.

The conclusions and recommendations in the Terronera PEA reflect the QPs’ best independent judgment in light of the information available at the time of writing the Terronera PEA.

Summarized briefly below is key information in the Terronera PEA, including property description and ownership, history, geology and mineralization, the status of exploration and development, mineral resource estimates, mineral processing and metallurgical testing, environmental studies and permitting, capital and operating costs, economic analysis, conclusions, and recommendations.

## **Location and Property Description**

San Sebastián del Oeste (San Sebastián) is an historic silver and gold mining district located in southwestern Jalisco State, approximately 155 km west of Guadalajara and 50 km northeast of Puerto Vallarta, accessible by paved and gravel roads. One small, high grade, underground silver-gold mine, La Quiteria (130 tonnes per day), continues to operate in the district. The San Sebastián properties acquired by Endeavour surround the La Quiteria mine and represent a new silver-gold exploration opportunity for Endeavour.

## **Ownership**

In February 2010, Endeavour acquired an option to purchase the San Sebastián silver-gold properties in Jalisco State from IMMSA, also known as Grupo Mexico, one of the largest mining companies in Mexico.

Endeavour holds the Terronera Project through its 100% owned Mexican subsidiary, Endeavour Gold Corporation S.A. de C.V. ("**Endeavour Gold**"). Endeavour Gold holds the Terronera Project through its 100% owned subsidiary Minera Plata Adelante S.A. de C.V. ("**Minera Plata**").

At present, the Terronera Project is comprised of 13 mineral concessions. The core group of 10 concessions totalling 3,388 hectares (ha) were owned by IMMSA. These concessions cover the main area of the known mining district. In 2013, Endeavour completed the acquisition of a 100% interest in the San Sebastián properties from IMMSA. IMMSA retained a 2% NSR (net smelter return) royalty on mineral production from the San Sebastián properties.

In 2012, Endeavour also filed and received title for 2 concessions (San Sebastián FR. 1 and FR. 2) totalling 2,078 ha. Additionally, in 2013, Endeavour filed a total of 7 concessions (San Sebastian 12, San Sebastian 13, San Sebastian 14, San Sebastian 15, San Sebastian 16, San Sebastian 17 and San Sebastian 18) totalling 4,163 ha. Titling of these concessions is still pending, with the exception of San Sebastian 17 which is already titled (693 ha).

The annual 2014 concession tax for the San Sebastián Properties was 693,658 Mexican pesos (pesos), which is equal to US\$47,838 at an exchange rate of 14.50 pesos to US\$1.00.

## **History**

The San Sebastián silver and gold mines were first discovered in 1542 and San Sebastián del Oeste, a silver and gold mining town, was founded in 1605 during the Spanish colonial period. By 1785, more than 25 mines and a number of foundries had been established in the district and, during the peak mining period, the area was considered one of the principal sources of gold, silver and copper for New Spain. The main mines in the district included Real de Oxtotipan, Los Reyes, Santa Gertrudis, Terronera and La Quiteria. As is the case with many mines in Mexico which were owned by individuals or corporations, the historical production records have not survived the revolutions, passing of the individual owners, closing of the mines, corporate failure, or government seizure of assets. Therefore, the exact silver production of these mines is unknown.

The only significant modern exploration in the district was carried out by IMMSA in the late 1980s and early 1990s.

As of 2013, the La Quiteria mine was still active and mined by Minera Cimarrón S.A. de C.V., a private mining company.

## **Geology and Mineralization**

The San Sebastián properties (5,466 ha) cover a classic, low sulphidation, epithermal vein system in four mineralized vein sub-districts named Los Reyes, Santiago de los Pinos, San Sebastián and Real de Oxtotipan. Each sub-district consists of a cluster of quartz (calcite, barite) veins mineralized with sulphide minerals (pyrite, argentite, galena and sphalerite). Each vein cluster spans about 3 km by 3 km in area. In total, more than 50 small mines were developed historically on at least 20 separate veins.

The San Sebastián veins tend to be large and can carry high grade silver-gold mineralized deposits. For example, the La Quiteria vein ranges up to 15m thick, and the Santa Quiteria mine averages about 280 g/t silver and 0.5 g/t gold over a 3m to 4m width. This high grade mineralized zone appears to extend into the San Sebastián Properties both along strike and immediately down dip.

## **Exploration Program**

### **2010 Exploration Program**

In 2010, Endeavour commenced exploration activities on the Terronera Project. Initial work included mainly data compilation, field mapping and sampling. A total of \$325,586 (including acquisition and property holding costs) was spent on exploration activities on the Terronera Project in 2010.

### **2011 Exploration Program**

In 2011, exploration activities continued on the Terronera Project including geological mapping, rock chip sampling, topographic surveying and diamond drilling. A total of \$2,249,443 (including acquisition and property holding costs) was spent on exploration activities on the Terronera Project in 2011.

### **2012 Exploration Program**

In 2012, exploration activities continued on the Terronera Project, primarily involving surface diamond drilling. A total of \$3,455,816 (including acquisition and property holding costs) was spent on exploration activities on the Terronera Project in 2012.

### **2013 Exploration Program**

In 2013, exploration activities continued on the Terronera Project. Follow-up surface diamond drilling continued in the Terronera vein area. Also, geological mapping, trenching and sampling was conducted in the Terronera South and Quiteria West areas. A total of \$3,944,570 (including acquisition and property holding costs) was spent on exploration activities on the Terronera Project in 2013.

### **2014 Exploration Program**

The 2014 exploration program included 6,250m of core in approximately 20 surface diamond drill holes to delineate resources on the Terronera vein. The field activities included detailed mapping and trenching, mainly focused to the south and northern part of Terronera, and also the west part of Quiteria West vein. Endeavour spent \$2,807,644, mainly on diamond drilling, in 2014.

## 2013 Previous Mineral Resource Estimate

The mineral resource discussed in the previous technical report for the Terronera Project was estimated using the CIM Definition Standards for Mineral Resources and Reserves, prepared by the CIM Standing Committee on Reserve Definitions and adopted by CIM Council on May 10, 2014. The effective date of the previous Terronera Project technical report is December 31, 2013.

### Animas-Los Negros, El Tajo and Real Veins

The estimate was conducted using a polygonal/sectional method. Grade capping (based on log-probability plots) was at 524 g/t and 2.38 g/t for silver and gold, respectively.

### Terronera Vein

The block model used for the previous Terronera Project technical report was developed for the Terronera vein which was tested by more than 55 drill holes. The block size used to match the drilling density on a 50m grid was 25m along strike x 25m down dip x the width of the vein. Grade interpolation was achieved by using the inverse distance cubed (ID3) technique. Grade capping (based on log-probability plots) was at 2,070 g/t and 7.96 g/t for silver and gold, respectively.

### Cut-off Grade

The cut-off grade selected by Endeavour for the current resource estimate is 100 g/t silver equivalent (AgEq), using a 70:1 ratio based on prices of \$18/oz silver and \$1,250/oz gold, with no base metal credits applied. A summary of the mineral resources at a cut-off grade of 100 g/t AgEq is given in the table below.

**Summary of the Current Terronera Mineral Resources at a Cut-off Grade of 100 g/t AgEq  
Effective Date March 15, 2015**

<b>Resource Classification</b>	<b>Tonnes (millions)</b>	<b>Ag g/t</b>	<b>Au g/t</b>	<b>AgEq g/t</b>	<b>Ag Oz (millions)</b>	<b>Au Oz (thousands)</b>
Indicated	2.9	211	1.65	310	19.9	156
Inferred	1.2	218	1.39	302	8.5	54

**Notes:**

- 1) Mineral resources which are not mineral reserves do not demonstrate economic viability. The estimate of mineral resources may be materially affected by environmental, permitting, legal, title, taxation, sociopolitical, marketing, or other relevant issues
- 2) There has been insufficient exploration to define the inferred resources as an indicated or measured mineral resource. It is uncertain if further exploration will result in upgrading them to an indicated or measured mineral resource category
- 3) 74 drill holes were utilized in the current resource calculation
- 4) Grade capping was 1,750 g/t for silver and 7.84 g/t for gold.

## **Mineral Processing and Metallurgical Testing**

A simulation model was made of the beneficiation process based on a medium grade composite sample. In addition, a steady state mass balance was calculated for the entire process including the flotation circuit. The model showed that a fine grind will result in increased metal recovery. Given that the mine plan is based on mining the high grade ores first, the metal recoveries recommended for the economic model are 90% silver and 84% gold as indicated by the test results of the high grade composite sample.

Further test work is recommended to support the future development of the Terronera Project. The tests include flotation locked cycle tests, mineralogical examinations, and ICP (inductively coupled plasma) 32 element analyses on final concentrates and tailing products.

## **Mining Methods**

The mining method selected for the extraction of the mineralized rock is mechanized non-captive cut and fill mining. A nominal cut and fill lift will be 5m high and excavated the width of the mineralized zone. Multiple working faces can be created in the same area by mining a number of lifts at the same time accessed by up-and-down ramps constructed in the backfill.

Primary access to the mineral deposit will be via a 1,748m long track haulage drift (adit) at the 1,440m level. This track haulage drift will also serve as a main drainage and ventilation level. The mine and stope development and production schedules are generally based on mining higher grade ‘Blocks’ first, followed by mining lower grade ‘Blocks’. Mining will generally be completed from the bottom up. The life-of-mine and stope development is estimated to be 46,300m.

## **Recovery Methods**

The Terronera Project will produce a marketable flotation concentrate from precious metal bearing materials originating from the Terronera vein. A beneficiation plant using a flotation process was selected for recovery of precious metals present in the deposit. A fine grind will be required to achieve acceptable levels of gold and silver recovery. Precious metal values will be recovered into a flotation concentrate that may be shipped to a smelter for further processing.

## **Environmental Studies, Permitting, and Social Impact**

Endeavour submitted in December, 2013 a Manifest of Environmental Impact to the Mexico environmental permitting authority known as SEMARNAT (Secretaria de Medio Ambiente y Recursos Naturales). A SEMARNAT permit for the Terronera Project was issued in October, 2014 for a 500 tpd project.

A Terronera Project closure and reclamation plan will be included in an amended 1,000 tpd MIA permit application now being prepared by Endeavour. The Terronera Project will be required to be designed to comply with the environmental regulations and standards in place in México. The mining infrastructure and supporting facilities will need to be designed so as to minimize the impact to the natural environment. Mexican law requires that an environmental monitoring program of surface and underground water, creek sediments, soil, air, vegetation and wildlife conditions be implemented. This program will be required before and during mining operations and after mine closure.

The Terronera Project tailings storage facility (“TSF”) will be designed to store filtered tailings, or “drystack” tailings, to minimize downstream contamination risk and to maximize geotechnical stability in the seismically active coastal area of western Mexico. The conceptual Terronera Project TSF design will accommodate approximately 2.0 million m<sup>3</sup> of compacted tailings which provides a storage capacity, at a process rate of 1,000 tpd, for the first ten years of mine life.



## **Capital and Operating Costs**

The Terronera Project has an estimated total capital cost of \$65,363,000. All estimates were prepared by engineers and construction personnel with direct experience on recent Endeavour mine projects and other construction projects in Mexico.

Operating costs of \$45 per tonne for mining, \$27 per tonne for processing, and \$10 per tonne for General and Administration were all taken from the current mine and plant operations of Endeavour that best match the Terronera Project throughput and conditions.

## **Economic Analysis**

An economic analysis utilizing a pre-tax and after-tax cash flow financial model was prepared for the base case mine plan. The metal prices assumed in the base case are \$18.00/oz silver and \$1,260/oz gold.

The economic analysis is preliminary in nature and is based on production schedules that include Inferred Mineral Resources, which are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as Mineral Reserves. There is no certainty that the Terronera PEA will be realized or that Inferred Mineral Resources will ever be upgraded to Reserves. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability.

The Mexico tax policies for mining changed effective January 1, 2014. An overriding royalty on gross revenues, after smelter deductions, of 0.5% applies to precious metal mines (gold, silver and platinum). A new Special Mining Duty of 7.5% is levied on earnings before income tax and depreciation allowance. Corporate income taxes of 30% are applied to earnings after the usual allowable deductions for depreciation, loss carry-forwards, etc. The Special Mining Duty and the over-riding royalty are also deductible for the purpose of calculating corporate income tax.

The financial model incorporates these taxes in computing the after-tax cash flow amounts, net present value, and internal rate of return. The financial model is constructed on a 100% equity basis, however, in the tax treatment it is assumed that debt procured at the corporate level is charged as a tax credit at the Terronera operating subsidiary level. A total of \$40 million is applied in this manner commencing in year 1 through year 8 at \$5 million per year. The Terronera Project key financial indicators for the base case are as follows:

- After-tax internal rate of return 20.0%
- Project payback period 3.7 years
- After-Tax Net Present Value (5% discount) of \$48,607,000

These key indicators describe a project whose base case is financially profitable and, as the sensitivity analysis in the table below demonstrates, has considerable upside potential should the size of the deposit increase or metal prices improve.

### Base Case After-Tax NPV and IRR Sensitivities

Variance	Operating Cost Sensitivity		Initial Capital Sensitivity		Metal Price Sensitivity	
	NPV (5%)	IRR	NPV (5%)	IRR	NPV (5%)	IRR
-20%	\$82.54	28.5%	\$54.68	23.6%	-\$16.10	-0.8%
-10%	\$66.59	24.6%	\$51.68	21.7%	\$17.89	10.9%
Base Case	\$48.61	20.0%	\$48.61	20.0%	\$48.61	20.0%
+10%	\$27.56	14.1%	\$45.43	18.4%	\$75.10	27.1%
+20%	\$3.47	6.3%	\$42.08	16.9%	\$100.43	33.7%

### Conclusions and Recommendations

The Terronera Project resource estimates presented here conform to the current CIM Definition Standards for Mineral Resources and Mineral Reserves, as required under NI 43-101. We believe that estimation approach and methodology used is reasonable and appropriate based on the data available. There are no known significant technical, legal, environmental or political considerations which would have an adverse effect on the resource estimate or the continued exploration and development of the Terronera Project.

Based on a review of the Terronera Project and the encouraging results thus far, it is recommended that Endeavour proceed to the next stage of development by preparing a pre-feasibility study that includes the following:

- Further environmental studies and permit applications
- A site geotechnical program
- A site hydrology study
- An in-fill drilling program
- Condemnation drilling at all sites
- Further studies to optimize the mine plan
- A re-estimation of the mineral resources and estimation of mineral reserves
- Further metallurgical tests
- Further studies to optimize the grinding and processing circuits
- Preliminary engineering of the TSF
- Tailings transport trade-off study from Dry Tailings Plant to TSF
- More detailed cost estimates

The total estimated cost of the above programs, studies, and tests and preparing a pre-feasibility study is \$3.4 million. The QP further recommends that Endeavour considers more drilling to expand the mineral resource which could improve the economics of the Terronera Project.

### *Terronera Update*

Following completion of the Terronera PEA the Company has continued to advance the project and commissioned a Pre-Feasibility Study (PFS) with completion expected in Q2, 2017. Concurrent with the PFS preparation, management has continued to delineate the published resource, drill prospective targets and explore the prospective area.

During 2015 and 2016, a total of 35,000 metres of drilling was completed, consisting primarily of in-fill drilling. Results were consistent with drill data which supports the resource in the Terronera PEA. The in-fill drilling was designed to raise confidence in the resource estimate and convert inferred resources to the measured and indicated categories. The completed PFS will include an updated resource.

The drilling also increased the mineralized envelope, expanding the resources by an additional 100 metres to depth and along strike at depth. The main mineralized zone extends over 1,400 metres in length, to 400 metres deep and is still open along strike to the southeast and down dip. The Company determined a June 30, 2016 cut-off date of drill results in order update the resource estimate to facilitate mine engineering and economic analysis for the PFS.

Mapping has extended the Terronera vein system over a 7 km by 7 km area and identified nine additional veins in the northern half of the property. Sampling of the vein system confirmed that high-grade, low sulphidation epithermal silver-gold mineralization is present in many of the veins.

In March 2017, the Company announced significant drill results from the La Luz vein. Drilling in the La Luz Vein, located about 2,200 metres northeast of the Terronera Vein, has expanded the new high-grade, mineralized zone over 500 metres long by 250 metres deep starting approximately 100 m below surface and remains open to surface and to depth.

Hole	Structure	From (m)	True Width (m)	Au (gpt)	Ag (gpt)	AgEq (gpt)
LL-02	La Luz	207.45	1.1	58.6	408	4,512
	Including	208.61	0.3	238.0	1365	18,025
LL-04	La Luz	244.10	1.2	4.0	194	478
	Including	244.40	0.2	12.2	751	1,605
LL-06	La Luz	87.80	1.0	2.6	61	246
	Including	87.80	0.4	0.4	102	133
LL-07	La Luz	113.90	1.4	3.1	202	418
	Including	113.90	0.7	6.1	233	661
LL-08	La Luz	95.25	1.4	5.3	86	454
	Including	95.65	0.4	2.6	152	333
	Including	96.45	0.8	8.8	24	637
LL-10	La Luz	127.40	3.3	2.3	140	303
	Including	130.45	0.4	5.6	176	568
LL-12	La Luz	176.10	1.8	0.6	244	283
	Including	176.10	0.6	1.3	548	638
LL-13	La Luz	131.75	1.5	19.0	407	1,735
	Including	132.95	0.4	48.9	680	4,103
LL-14	La Luz	175.30	1.5	29.5	651	2,719
	Including	176.25	0.6	62.9	844	5,247
LL-17	La Luz	124.55	1.4	23.1	245	1,865
	Including	124.55	0.5	47.5	212	3,537
LL-18	La Luz	174.00	2.0	12.8	21	916
	Including	174.00	0.2	49.6	48	3,520
LL-19	La Luz	193.20	1.1	2.7	7	194
	Including	193.75	0.4	5.9	13	426
LL-20	La Luz	169.15	1.5	6.4	40	484
	Including	171.75	0.3	12.4	21	886
LL-21	La Luz	173.10	2.2	57.0	63	4,054
	Including	173.60	0.3	320.0	340	22,740

### **Additional Properties**

#### ***El Compas Project***

In May 2016, the Company acquired a 100% interest in the 3,990 hectare El Compas project located in Zacatecas, Mexico. The El Compas project consists of 28 concessions fully permitted for mining with 22 concessions subject to a 1.5% net smelter return royalty and six concessions subject to a 3.0% net smelter return royalty. At El Compas, two previously explored veins, El Compas and El Orito, contain small but high-grade, historic resources estimated in January 2016 by the previous owner. Endeavour has not yet completed sufficient work to verify the historic resource, and is not relying on it.

Through Minera Oro Silver, the Company also indirectly holds a five year operating lease, renewable for an additional five years, on a 500 tpd ore processing plant located in Zacatecas, Mexico for a total annual lease cost of MXN 1,632,000 (approximately U.S.\$90,000), adjusted annually for inflation. The plant is currently not operational and will require capital investment to restore to an operational state. Preliminary capital investment estimates are \$6.5 million to \$7.5 million to recommence operations at the plant.

Subsequent to acquisition of the El Compas project, the Company spent \$1.7 million on sampling, mapping, drilling 10,500 metres, and initiating a Preliminary Economic Assessment (PEA). The drilling focused on the Ana Camila vein, a splay of the El Orito vein located about 550 metres southeast of El Orito, has outlined a new high-grade, south plunging mineralized zone over 250 metres long by 100 metres deep, starting approximately 100 metres below surface and still open to surface and at depth.

A current resource estimate for El Compas together with a preliminary economic assessment are scheduled for completion in spring 2017.

### **Parral Properties**

In October 2016, the Company acquired a 100% interest in the Parral properties located in the historic silver mining district of Hidalgo de Parral in southern Chihuahua state, Mexico. SGM, the Mexican Geological Survey, estimates historic production of approximately 250 million ounces (oz) of silver from this district. The properties covers 3,432 hectares, across three large properties, Veta Colorada, La Pamilla and San Patricio. These properties are accessible by paved highway and a well maintained gravel road only five kilometres north of the city of Hidalgo Del Parral. The area has excellent infrastructure including grid power, water, labour, services and three nearby 500 tonne-per-day plants. Historical drilling and sampling has shown La Palmilla property has strong potential to discover low-grade mineralization amenable to open pit mining, while all properties have excellent potential to discover new high-grade resources in under-explored areas along strike of Veta Colorada, San Patricio, Palmilla and numerous other veins on the properties. Some of these large veins have been traced for over eight kilometres. Land access agreements are already in place for exploration.

## **ITEM 5: DIVIDENDS**

### **5.1 Dividends**

The Company has not declared any dividends during the past three fiscal years ended December 31, 2016. So long as the Company's Amended Credit Agreement with Scotiabank and related security documentation are in effect, the Company is restricted from declaring and paying any dividends. The Company otherwise has no present intention of paying dividends on its common shares as it anticipates that all available funds will be invested to finance further acquisition, exploration and development of its mineral properties.

## ITEM 6: DESCRIPTION OF CAPITAL STRUCTURE

### 6.1 General Description of Capital Structure

The Company's authorized share capital is comprised of an unlimited number of common shares without par value. All common shares of the Company rank equally as to voting rights, dividends and participation in the distribution of assets upon dissolution, liquidation or winding-up and in all other respects. Each share carries one vote per share at meetings of the shareholders of the Company.

The following table provides a summary concerning the Company's share capital as of December 31, 2016:

	December 31, 2016
<b>Authorized share capital</b>	Unlimited number of common shares without par value
<b>Number of shares issued and outstanding</b>	127,080,264 common shares without par value

As at March 17, 2017, the Company has 127,108,264 common shares issued and outstanding.

### 6.2 Constraints

The Company is not aware of any constraints imposed on the ownership of its securities to ensure that the Company has a required level of Canadian ownership.

### 6.3 Ratings

The Company is not aware of any ratings, including provisional ratings, from rating organizations for the Company's securities that are outstanding and continue in effect.

## ITEM 7: MARKET FOR SECURITIES

### 7.1 Trading Price and Volume

The Company's common shares are listed for trading on the Toronto Stock Exchange ("TSX") under the symbol "EDR" and on the New York Stock Exchange ("NYSE") under the symbol "EXK".

The following table sets forth the price ranges and volume traded of the common shares of the Company for each month in 2016 on the TSX, the Canadian marketplace on which the greatest volume of trading or quotation for the common shares generally occurs.

<b>Month</b>	<b>High (Cdn.\$)</b>	<b>Low (Cdn.\$)</b>	<b>Volume Traded</b>
Dec-16	5.51	4.20	10,282,602
Nov-16	6.82	4.79	16,258,572
Oct-16	6.79	5.28	9,382,708
Sep-16	7.59	5.55	11,864,194
Aug-16	7.75	5.63	11,189,980
Jul-16	6.67	5.19	8,847,477
Jun-16	5.19	3.89	6,175,752
May-16	5.27	3.80	7,340,834
Apr-16	5.36	3.07	7,179,095
Mar-16	3.78	2.12	5,991,479
Feb-16	2.53	1.66	3,117,314
Jan-16	2.10	1.46	1,551,340

The following table sets forth the price ranges and volume traded of the common shares of the Company for each month in 2016 as reported by the NYSE. The data includes common shares sold through the NYSE in connection with the 2015 ATM Offering and the 2016 ATM Offering and common shares sold through certain quotation systems in the United States.

<b>Month</b>	<b>High (U.S.\$)</b>	<b>Low (U.S.\$)</b>	<b>Volume Traded</b>
Dec-16	4.15	3.10	54,332,627
Nov-16	5.06	3.53	50,832,007
Oct-16	5.18	4.00	41,618,979
Sep-16	5.84	4.21	73,524,777
Aug-16	5.95	4.29	63,547,104
Jul-16	5.13	3.99	54,279,621
Jun-16	3.97	2.96	47,716,193
May-16	4.23	2.90	50,115,787
Apr-16	4.28	2.33	51,447,429
Mar-16	2.91	1.58	40,087,975
Feb-16	1.83	1.18	20,864,332
Jan-16	1.48	1.01	10,875,274

## ITEM 8: ESCROWED SECURITIES

### 8.1 Escrowed Securities

To the Company's knowledge, as at December 31, 2016, there were no escrowed common shares of the Company or common shares of the Company subject to contractual restriction on transfer.

## ITEM 9: DIRECTORS AND OFFICERS

### 9.1 Name, Occupation and Security Holding

The following is a list of the current directors and executive officers of the Company, their province/state and country of residence, their current positions with the Company and their principal occupations during the five preceding years. Each director is elected to serve until the next annual general meeting of shareholders or until his successor is elected or appointed, or unless his office is earlier vacated under any of the relevant provisions of the articles of the Company or the *Business Corporations Act* (British Columbia).

<b>Name and Province/State and Country of Residence</b>	<b>Position</b>	<b>Date of Appointment as Director</b>	<b>Principal Occupation During Five Preceding Years</b>
<b>Bradford J. Cooke</b> British Columbia, Canada	Director and Chief Executive Officer	July 25, 2002	Chief Executive Officer of Endeavour
<b>Godfrey J. Walton</b> British Columbia, Canada	Director, President and Chief Operating Officer	July 25, 2002	President and Chief Operating Officer of Endeavour
<b>Ken Pickering</b> <sup>(1)(3)(4)</sup> British Columbia, Canada	Director	August 20, 2012	Independent Director of several public mineral exploration and mining companies
<b>Mario D. Szotlender</b> <sup>(1)(2)(4)</sup> Caracas, Venezuela	Director	July 25, 2002	Independent Consultant and Director of several public mineral exploration and mining companies
<b>Geoffrey Handley</b> <sup>(1)(2)(3)</sup> Sydney, Australia	Director and Chairman	June 14, 2006	Independent Director of public mineral exploration and mining companies
<b>Rex McLennan</b> <sup>(2)(3)(4)</sup> British Columbia, Canada	Director	June 14, 2007	Independent Director; Chief Financial Officer, Viterro Inc. from February 2008 until December 2012
<b>Ricardo Campoy</b> <sup>(1)(3)</sup> New York, USA	Director	July 9, 2010	Managing Director, Headwaters MB
<b>Daniel Dickson</b> British Columbia, Canada	Chief Financial Officer	N/A	Chief Financial Officer of Endeavour
<b>Luis Castro</b> Durango, Mexico	Vice President, Exploration	N/A	Vice President, Exploration of Endeavour since November 2012; prior thereto, Manager of Exploration of Endeavour



<b>Name and Province/State and Country of Residence</b>	<b>Position</b>	<b>Date of Appointment as Director</b>	<b>Principal Occupation During Five Preceding Years</b>
<b>Tomas Iturriaga</b> Morelos, Mexico	Vice President, Operations, Mexico	N/A	Vice President, Operations, Mexico of Endeavour since February 2017; Vice President, North American Operations, Capstone Mining Corp. from August 2015 to February 2017; prior thereto, various positions with Goldcorp Inc., lastly Vice President and General Manager Mexico
<b>Dale Mah</b> British Columbia, Canada	Vice President of Corporate Development	N/A	Vice President of Corporate Development of Endeavour since June 2016; Vice President, Geology, Quintana Resources Capital from April 2014 to May 2016; prior thereto, Mining Analyst, Dundee Capital Markets from January 2012 to April 2013
<b>Bernard Poznanski</b> British Columbia, Canada	Corporate Secretary	N/A	Lawyer, Koffman Kalef LLP, Business Lawyers

- (1) Member of Compensation Committee and Member
- (2) Member of Corporate Governance and Nominating Committee
- (3) Member of Audit Committee
- (4) Member of Sustainability Committee

As at March 17, 2017, the directors and executive officers of the Company as a group beneficially owned, or controlled or directed, directly or indirectly, an aggregate of 1,256,278 common shares of the Company, representing approximately 1.0% of the issued and outstanding common shares of the Company.

## **9.2 Cease Trade Orders, Bankruptcies, Penalties or Sanctions**

Other than as disclosed herein, no director or executive officer of the Company is, as at the date of this AIF, or has been, within the ten years preceding the date of this AIF, a director, chief executive officer or chief financial officer of any company (including the Company) that

- (a) was subject to a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, when such order was issued while the person was acting in the capacity of a director, chief executive officer or chief financial officer of the relevant company, or
- (b) was subject to a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued after such person ceased to be a director, chief executive officer or chief financial officer of the relevant company, and which resulted from an event that occurred while the person was acting in the capacity of a director, chief executive officer or chief financial officer of the relevant company.

Ricardo Campoy was a director of Century Mining Corporation (“Century”) when Century was subject to cease trade orders or management cease trade orders issued in March 2008 and April 2009 that were in effect for more than 30 consecutive days:

- (a) On March 14, 2008, the British Columbia Securities Commission (“BCSC”) issued a cease trade order against the securities of Century until Century filed certain required technical reports in accordance with NI 43-101, it prepared and filed amended interim financial statements, and it prepared and filed amended management’s discussion and analysis for the period ended September 30, 2007. On March 20, 2008 the BCSC revoked the cease trade order and issued instead a management cease trade order relating to the filing of the required records. On July 18, 2008, the BCSC revoked the management cease trade order after Century filed all required records.
- (b) On May 5, 2009, the BCSC issued a management cease trade order in connection with Century’s failure to timely file financial statements and related management’s discussion and analysis for its financial year ended December 31, 2008. On June 16, 2009, the BCSC revoked this management cease trade order after Century filed the required records.

Other than as disclosed herein, no director or executive officer of the Company or any shareholder holding a sufficient number of common shares of the Company to affect materially the control of the Company:

- (a) is, as at the date of this AIF, or has been, within the ten years preceding the date of this AIF, a director or executive officer of any company (including the Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets,
- (b) has, within the ten years preceding the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of that person,
- (c) has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or
- (d) has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision regarding the Company.

Geoffrey Handley was a director of Mirabela Nickel Limited (“Mirabela”) until January 11, 2014. On February 25, 2014, within a year of Mr. Handley ceasing to be a director, Mirabela announced that it had entered into a legally binding plan support agreement (“PSA”) which established a framework for a proposed recapitalization of Mirabela, subject to certain terms and conditions, as well as the appointment of certain persons of KordaMentha, a restructuring firm, as joint and several voluntary administrators under the Australian Corporations Act 2001. Mirabela also announced that, under the PSA, the proposed recapitalization was to be effected through a recapitalization and restructuring plan to be implemented through a deed of company arrangement in Australia and an extrajudicial reorganization proceeding to be filed by Mirabela Brazil before the competent Brazilian court. Trading in securities of Mirabela on the Australian Securities Exchange was suspended from October 7, 2013 to June 30, 2014.

### **9.3 Conflicts of Interest**

The Company's directors and officers may serve as directors or officers of other companies or have significant shareholdings in other resource companies and, to the extent that such other companies may participate in ventures in which the Company may participate, the directors of the Company may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. In the event that such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. From time to time several companies may participate in the acquisition, exploration and development of natural resource properties thereby allowing for their participation in larger programs, permitting involvement in a greater number of programs and reducing financial exposure in respect of any one program. It may also occur that a particular company will assign all or a portion of its interest in a particular program to another of these companies due to the financial position of the company making the assignment. In accordance with the laws of British Columbia, the directors of the Company are required to act honestly, in good faith and in the best interests of the Company. In determining whether or not the company will participate in a particular program and the interest therein to be acquired by it, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at the time.

The directors and officers of the Company are aware of the existence of laws governing the accountability of directors and officers for corporate opportunity and requiring disclosure by the directors of conflicts of interest and the Company will rely upon such laws in respect of any directors' and officers' conflicts of interest in or in respect of any breaches of duty by any of its directors and officers. All such conflicts will be disclosed by such directors or officers in accordance with the *Business Corporations Act* (British Columbia) and they will govern themselves in respect thereof to the best of their ability in accordance with the obligations imposed upon them by law.

To the best of its knowledge, the Company is not aware of any such conflicts of interest.

#### **ITEM 10: PROMOTERS**

Since January 1, 2015 no person or company has acted as a promoter of the Company.

#### **ITEM 11: LEGAL PROCEEDINGS**

##### **11.1 Legal Proceedings**

Other than discussed below, there are no material legal proceedings in the Company's last fiscal year to which the Company is a party or to which any of its property is subject, and there are no such proceedings known to the Company to be contemplated.

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 (U.S.\$5.9 million) tax assessment based on the June 2015 ruling. The 2016 tax assessment is comprised of MXN 41.8 million in taxes owed (U.S.\$2.0 million), MXN 17.7 million (U.S.\$0.9 million) in inflationary charges, MXN 40.4 million (U.S.\$1.9 million) in interest and MXN 23.0 million (U.S.\$1.1 million) 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 and failure to provide appropriate support for loans made to MSCG from affiliated companies and 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 that certain items rejected by the courts were included in the new tax assessment and a number of deficiencies exist within the assessment.

Included in the Company's consolidated financial statements, are net assets of \$595,000, including \$42,000 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 December 30, 2016, the Company recognized an allowance for transferring the shares and assets of MSCG amounting to \$595,000. The Company is currently assessing MSCG's settlement options based on ongoing court proceedings and discussion with the tax authorities.

## **11.2 Regulatory Actions**

During the year ended December 31, 2016, there were no penalties or sanctions imposed against the Company by a court relating to securities legislation or by a securities regulatory authority and there were no settlement agreements that the Company entered into before a court relating to securities legislation or with a securities regulatory authority. Except as described in item 11.1, there are no other penalties or sanctions imposed by a court or regulatory body against the Company that would likely be considered important to a reasonable investor in making an investment decision.

## **ITEM 12: INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

### **12.1 Interest of Management and Others in Material Transactions**

None of the following persons or companies has had any material interest, direct or indirect in any transaction since January 1, 2014 that has materially affected or is reasonably expected to materially affect the Company:

- (a) a director or executive officer of the Company;
- (b) a person or company that beneficially owns, or controls or directs, directly or indirectly more than 10% of any class or series of the outstanding voting securities of the Company; and
- (c) an associate or affiliate of any of the persons or companies referred to in the above paragraphs (a) or (b).

The Company's directors and officers may serve as directors or officers of other public resource companies or have significant shareholdings in other public resource companies and, to the extent that such other companies may participate in ventures in which the Company may participate, the directors of the Company may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. The interests of these companies may differ from time to time. See "Risk Factors – Potential Conflicts of Interest" and "Conflict of Interest"

## **ITEM 13: TRANSFER AGENT AND REGISTRAR**

### **13.1 Transfer Agent and Registrar**

The transfer agent and registrar for the common shares of the Company is Computershare Investor Services Inc. at its principal offices in Vancouver, British Columbia and Toronto, Ontario.

## **ITEM 14: MATERIAL CONTRACTS**

### **14.1 Material Contracts**

Other than noted below, there are no contracts that are material to the Company that were entered into during the financial year ended December 31, 2016 or prior thereto but which are still in effect, other than contracts entered into in the ordinary course of business of the Company:

1. Amended Credit Agreement with Scotiabank (see "Item 3. General Development of the Business-2016-Credit Facility Amendments").

## **ITEM 15: INTERESTS OF EXPERTS**

### **15.1 Names of Experts**

KPMG LLP is the external auditor of the Company and reported on the fiscal 2016 audited financial statements of the Company filed on SEDAR.

The Qualified Persons who completed the reserves and resources estimate for the Guanacevi Project are Zachary J. Black, SME-RM, Jeffery W. Choquette, P.E. and Jennifer J. Brown, SME-RM, of Hard Rock Consulting. They are the authors of the report "*NI 43-101 Technical Report Updated Resource and Reserve Estimates for the Guanacevi Mines Project, Durango State, Mexico*" dated March 3, 2017 (effective date of December 31, 2016) filed on SEDAR.

The Qualified Persons who completed the reserves and resources for the Bolañitos Mines Project are Zachary J. Black, SME-RM, Jeffery W. Choquette, P.E. and Jennifer J. Brown, SME-RM, of Hard Rock Consulting. They are the authors of the report "*NI 43-101 Technical Report: Updated Mineral Resource and Reserve Estimates for the Bolañitos Project, Guanajuato State, Mexico*" dated March 3, 2017 (effective date of December 31, 2016) filed on SEDAR.

The Qualified Persons who completed the estimate of the reserves and resources for the El Cubo Mine are Zachary J. Black, SME-RM, Jeffery W. Choquette, P.E. and Jennifer J. Brown, SME-RM, of Hard Rock Consulting. They are the author of the report "*NI 43-101 Technical Report: Updated Mineral Resource and Reserve Estimates for the El Cubo Project, Guanajuato State, Mexico*" dated March 3, 2017 (effective date of December 31, 2016) filed on SEDAR.

The Qualified Persons who completed the Preliminary Economic Assessment for the Terronera Project are Peter J. Smith, P. Eng. of Smith Foster & Associates, Scott Fleming, P.E. of Amec Foster Wheeler, Jarita Barry, P. Geo., David Burga, P. Geo., Richard Routledge, P. Geo., Richard Sutcliffe, Ph.D., P. Geo., James L. Pearson, P. Eng. of P&E Mining Consultants Inc, and Eugenio Iasillo, P. E. of Processing Engineering L.L.C. They are the authors of the report “*NI 43-101 Technical Report Preliminary Economic Assessment for the Terronera Project, Jalisco State, Mexico*” dated April 30, 2015 (effective date of March 25, 2015) filed on SEDAR.

## **15.2 Interests of Experts**

KPMG LLP is the auditor of the Company and has confirmed with respect to the Company that it is independent within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulations and also that it is a firm of independent accountants with respect to the Company under all relevant United States professional and regulatory standards.

To the best of the Company’s knowledge, the other experts named in Item 15.1 did not have any registered or beneficial interest, direct or indirect, in any securities or other property of the Company when the experts prepared their respective reports or afterwards, nor will they receive any such interest.

## **ITEM 16: ADDITIONAL INFORMATION**

### **16.1 Additional Information**

Additional information relating to the Company may be found on SEDAR at [www.sedar.com](http://www.sedar.com). Additional information, including directors’ and officers’ remuneration and indebtedness, principal holders of the Company’s securities and securities authorized for issuance under equity compensation plans, if applicable, is contained in the Company’s Information Circular for its most recent Annual General Meeting of shareholders held on May 26, 2016. Additional financial information is also provided in the Company’s financial statements and management’s discussion and analysis for its most recently completed financial year ended December 31, 2016.

### **16.2 Audit Committee**

#### ***1. The Audit Committee’s Charter***

National Instrument 52-110 - Audit Committees (“NI 52-110”) requires every issuer to disclose certain information concerning the constitution of its audit committee and its relationship with its independent auditor, as set forth below.

#### ***2. Composition of the Audit Committee***

The Company’s audit committee is comprised of four directors, as set forth below:

Geoffrey Handley                  Ricardo Campoy                  Ken Pickering                  Rex McLennan

As defined in NI 52-110, Geoffrey Handley, Ken Pickering, Ricardo Campoy and Rex McLennan are “independent” directors. The Company therefore meets the requirement in NI 52-110 that all audit committee members be independent directors.

All of the members of the audit committee are financially literate.

### **3. Relevant Education and Experience**

**Geoffrey Handley** – Mr. Handley is a geologist with a Science Degree and over 30 years of experience in the exploration and mining industry which included analyzing the financial statements of mining companies as an investment analyst and, later, as the manager/executive responsible for corporate mergers and acquisition activities at Placer Dome Inc.

**Ricardo Campoy** – Mr. Campoy has a Bachelor of Science in Mine Engineering from the Colorado School of Mines and a Master of International Management (Finance) from the American Graduate School of International Management. Mr. Campoy has over 30 years of experience as a mine engineer, investment banker and financial advisor for the resource industry, financial institutions and investment funds.

**Ken Pickering** - Mr. Pickering is a professional engineer and mining executive with more than 45 years of experience working in the natural resource sector building and managing major mining operations in Canada, Chile, Australia, Peru and the United States.

**Rex McLennan** - Mr. McLennan holds a Master of Business Administration degree from McGill University and a Bachelor of Science degree from the University of British Columbia. Mr. McLennan has an ICD.D designation with the Institute of Corporate Directors. Mr. McLennan was most recently Chief Financial Officer of Viterro Inc., a major global agricultural commodity company, from February 2008 until Viterro was acquired by Glencore Plc in December 2012. From 1997 to 2005, he was the Executive Vice President and Chief Financial Officer for Placer Dome Inc. and, prior thereto, was Vice President and Treasurer with the same company. For more than ten years, he held positions of increasing responsibility in business planning, finance and treasury and was a Senior Advisor in the Treasurer's Department for Imperial Oil, a publicly traded Canadian subsidiary of Exxon Corporation.

### **4. Reliance on Certain Exemptions**

At no time since the commencement of the Company's most recently completed financial year has the Company relied on the following exemptions or provisions under NI 52-110:

- (a) the exemption in section 2.4 (*De Minimis Non-audit Services*),
- (b) the exemption in section 3.2 (*Initial Public Offerings*),
- (c) the exemption in subsection 3.3(2) (*Controlled Companies*)
- (d) the exemption in section 3.4 (*Events Outside Control of Member*),
- (e) the exemption in section 3.5 (*Death, Disability or Resignation of Audit Committee Member*), or
- (f) the exemption in section 3.6 (*Temporary Exemption for Limited and Exceptional Circumstances*)
- (g) section 3.8 (*Acquisition of Financial Literacy*),
- (h) an exemption from NI 52-110, in whole or in part, granted under Part 8 (*Exemptions*).

### **5. Audit Committee Oversight**

At no time since the commencement of the Company's most recently completed financial year has a recommendation of the audit committee to nominate or compensate an external auditor not been adopted by the Board of Directors.

**6. Pre-Approval Policies and Procedures**

The audit committee has not adopted specific policies and procedures for the engagement of non-audit services. Subject to the requirements of NI 52-110, the engagement of non-audit services is considered by the Company's Board of Directors and, where applicable, by the audit committee, on a case-by-case basis.

**7. External Auditor Service Fees (By Category)**

Set forth below are details of certain service fees paid to the Company's external auditor in each of the last two fiscal years for audit services:

<b>Financial Year End</b>	<b>Audit Fees<sup>(1)</sup></b>	<b>Audit-related Fees<sup>(2)</sup></b>	<b>Tax Fees<sup>(3)</sup></b>	<b>All Other Fees<sup>(4)</sup></b>
December 31, 2016	Cdn.\$480,100	Nil	Nil	10,000
December 31, 2015	Cdn.\$497,500	Nil	Nil	Nil

(1) Relates to fees for audit services.

(2) Relates to fees for assurance and related services by the Company's external auditor that are reasonably related to the performance of the audit or review of the issuer's financial statements and are not reported under "Audit Fees".

(3) Relates to fees for professional services rendered by the Company's external auditor for tax compliance, tax advice, and tax planning.

(4) Relates to fees for products and services provided by the Company's external auditor other than the services reported under the other categories. The nature of the services provided in the fiscal period ending December 31, 2016 pertains to review of greenhouse gas emissions related to Mexico regulation disclosures.



## SCHEDULE "A"

### ENDEAVOUR SILVER CORP. (the "Company")

#### **Audit Committee Charter**

(effective August 1, 2012)

This Audit Committee Charter has been approved by the Board of Directors (the "Board") of Endeavour Silver Corp. (the "Company") as of the date set out above.

#### 1. **Purpose Of Audit Committee**

1.1 The purpose of the Audit Committee (the "Committee") is to act as the representative of the Board in carrying out its oversight responsibilities relating to:

- (a) The audit process;
- (b) The financial accounting and reporting process to shareholders and regulatory bodies; and
- (c) The system of internal financial controls.

1.2 All reasonably necessary costs to allow the Committee to carry out its duties shall be paid for by the Company. Also, in carrying out the foregoing duties, the Committee shall have the right and the ability to retain any outside legal, accounting or other expert advice or assistance to assist the Committee members in the proper completion of their duties, for and on behalf of the Company and at the Company's cost, without any requirement for further Board or management approval of such expenditure.

#### 2. **Composition**

The Committee shall consist of a minimum of three Directors, all of whom are "independent" within the meaning of National Instrument 52-110 - Audit Committees in Canada, and as required by all applicable United States securities laws and regulations and the policies of the New York Stock Exchange. The Committee shall be appointed annually by the Board immediately following the Annual General Meeting of the Company. Each member of the Committee shall be financially literate, meaning that each member must be able to read and understand financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements. One member of the Committee must have accounting and financial expertise, meaning that the member possesses financial or accounting credentials or has experience in finance or accounting.

#### 3. **Duties**

3.1 The Committee's duty is to monitor and oversee the operations of management and the external auditor. Management is responsible for establishing and following the Company's internal controls and financial reporting processes and for compliance with applicable laws and policies. The external auditor is responsible for performing an independent audit of the Company's financial statements in accordance with generally accepted auditing standards, and for issuing its

report on the statements. The Committee should review and evaluate this Charter on an annual basis.

3.2 The specific duties of the Committee are as follows:

(a) Management Oversight:

- (i) Review and evaluate the adequacy of the Company's processes for identifying, analyzing and managing financial risks, including foreign exchange and liquidity that may prevent the Company from achieving its objectives;
- (ii) Review and evaluate the adequacy of the Company's processes over internal controls,;
- (iii) Review and evaluate the adequacy of the Company's processes over the status and adequacy of internal information systems and security;
- (iv) Meet with the external auditor at least once a year in the absence of management;
- (v) Request the external auditor's assessment of the Company's financial and accounting personnel;
- (vi) Review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of the Company.

(b) External Auditor Oversight

- (i) Recommend to the Board the selection and, where applicable, the replacement of the external auditor to be appointed or nominated annually for shareholder approval;
- (ii) Recommend to the Board the compensation to be paid to the external auditor;
- (iii) Review and evaluate the external auditor's process for identifying and responding to key audit and internal control risks;
- (iv) Review the scope and approach of the annual audit;
- (v) Inform the external auditor of the Committee's expectations;
- (vi) Review the independence of the external auditor on an annual basis;
- (vii) Review with the external auditor both the acceptability and the quality of the Company's financial reporting standards;
- (viii) Resolve any disagreements between management and the external auditor regarding financial reporting;
- (ix) Review and pre-approve all audit and audit-related services and the fees and other compensation related thereto, and any non-audit services, provided by the Company's external auditor. The authority to pre-approve non-audit services may be delegated by

the Committee to one or more independent members of the Committee, provided that such pre-approval must be presented to the Committee's first scheduled meeting following such pre-approval. Pre-approval of non-audit services is satisfied if:

- A. the aggregate amount of all the non-audit services that were not pre-approved is reasonably expected to constitute no more than 5% of the total amount of fees paid by the Company and subsidiaries to the Company's external auditor during the fiscal year in which the services are provided;
  - B. the Company or a subsidiary did not recognize the services as non-audit services at the time of the engagement; and
  - C. the services are promptly brought to the attention of the Committee and approved, prior to completion of the audit, by the Committee or by one or more of its members to whom authority to grant such approvals has been delegated by the Committee; and
- (x) Confirm with the external auditor that the external auditor is ultimately accountable to the Board and the Committee, as representatives of the shareholders.
- (c) Financial Reporting Oversight
- (i) Review with management and the external auditor the Company's annual and interim financial statements, management's discussion and analysis, any annual and interim earnings press releases and any reports or other financial information to be submitted to any governmental and/or regulatory body, or the public, including any certification, report, opinion, or review rendered by the external auditor, for the purpose of recommending their approval to the Board prior to their filing, issue or publication;
  - (ii) Ensure that adequate procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements (other than the public disclosure referred to in (i) above), as well as review any financial information and earnings guidance provided to analysts and rating agencies, and periodically assess the adequacy of those procedures; and
  - (iii) Discuss with the external auditor the quality and the acceptability of the International Financial Reporting Standards applied by management.
- (d) "Whistleblower" Procedures
- (i) Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters; and
  - (ii) Establish procedures for the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.