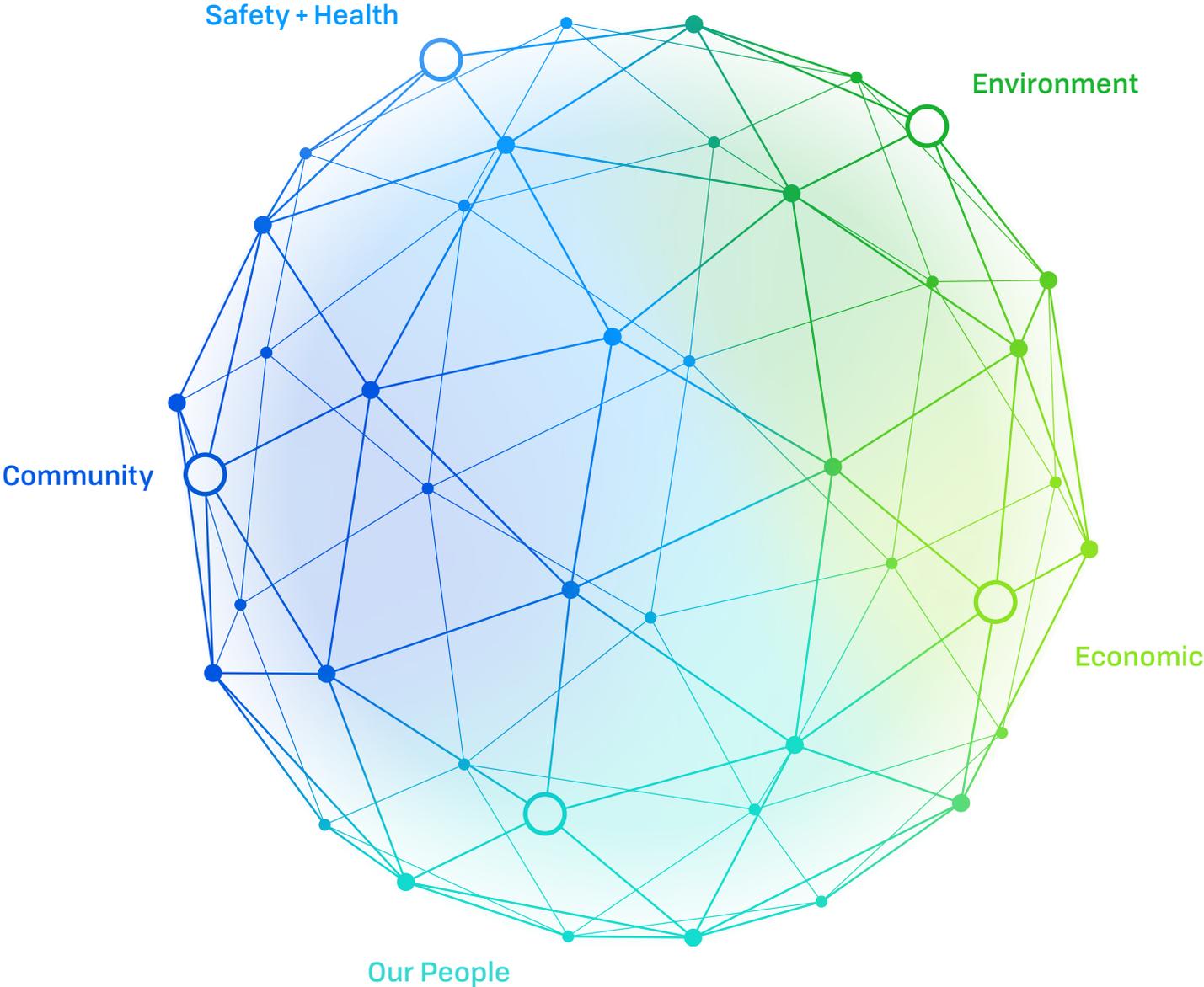


# We Are All Connected

2017 ANNUAL REVIEW & SUSTAINABILITY REPORT



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We are all connected

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# About This Report

In this 2017 Annual Review and Sustainability Report, we discuss our commitments and performance last year related to the operational and sustainability topics that matter most to our stakeholders.

## Content

Our material results and impacts shape the content of the report, and our process for identifying these is detailed on page 27. We view material issues as those topics that:

- have a direct or indirect impact on our business, including the ability to create and preserve economic, social and environmental value
- have the potential to influence the perception of stakeholders who make decisions or assessments regarding our significant economic, environmental and social impacts

## Structure

This report is structured into four sections:

1. **Annual Review:** Presents a corporate overview of our operating and financial highlights along with a snapshot of each of our mining operations.
2. **Sustainability Overview:** Outlines our approach to sustainability and how we do business, including our governance and risk management processes.
3. **Sustainability Performance:** Presents the five pillars of our sustainable business framework – Safety and Health, Our People, Community, Environment and Economic Performance – along with our management approach and performance related to each of our 12 material topics.
4. **Performance Data Tables and Global Reporting Initiative (GRI) Index:** Provides detailed data tables and information for analysts.

## Scope

Endeavour's Head Office is in Canada and has operating mines in Mexico. This report encompasses:

- Three producing silver mines – the Guanaceví mine in the state of Durango, and the Bolañitos and El Cubo mines in the state of Guanajuato
- Head office in Vancouver, Canada and administrative office in León, Mexico

In addition, we report relevant indicators for development and exploration projects which are in varying stages of operation.

This report contains data that reflects performance for our fiscal year, January to December 2017. Throughout this document, "Endeavour", "we", "our" and "us" refers to Endeavour Silver and its major subsidiaries. **All monetary amounts are reported in U.S. dollars, unless otherwise noted.\***

## Sustainability Reporting Framework And Process

2017 marks our fifth consecutive year of sustainability reporting using the GRI as our reporting framework. A complete GRI Index and Aspect Boundary Table is provided on pages 77-82.

Reporting Period	Jan. 1–Dec. 31, 2017
Reporting Cycle	Annual
Date Of Last Report	Published May 2017
Reporting Framework	Global Reporting Initiative (G4 and Mining & Metals Sector Disclosures)
In Accordance Option (GRI)	Core

We place a high priority on the quality control of our management and data collection systems to accurately benchmark and report our sustainability performance. To ensure accuracy and adequate coverage of material topics, this report was prepared by management with the assistance of independent sustainability consultants, and included an extensive review process, including by various departments and Endeavour's Board.

For a complete picture of our business activities and performance, this report should be read in conjunction with our Annual Information Form, Management's Discussion and Analysis, and Financial Statements. **Also view our sustainability website at [csr.edrsilver.com](http://csr.edrsilver.com).**

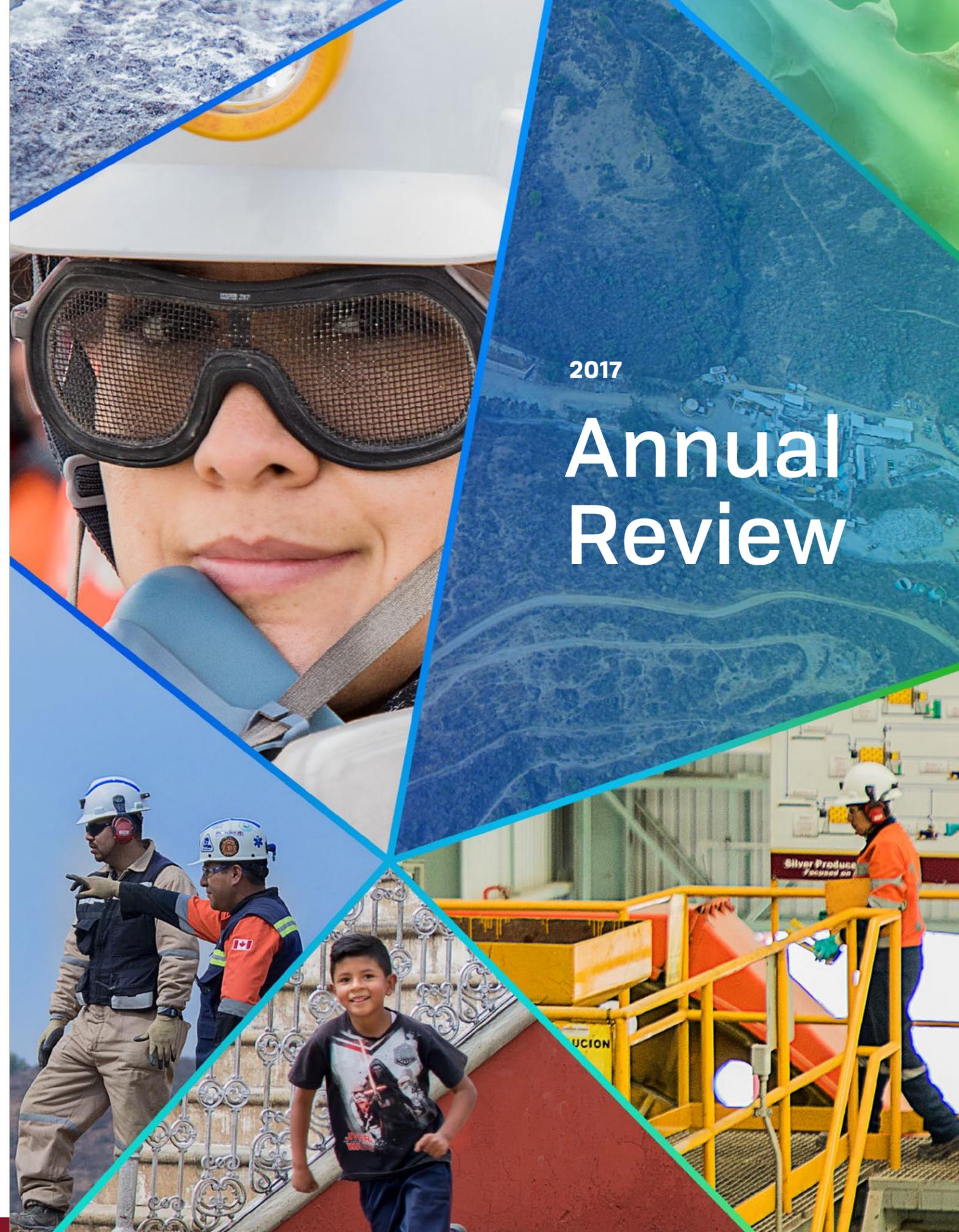


We welcome all feedback on our report so that we can continue to improve. Please email your comments and suggestions to Galina Meleger, Director of Investor Relations at [gmeleger@edrsilver.com](mailto:gmeleger@edrsilver.com).

\*The Company reports non-IFRS measures which include cash costs net of by-products on a payable silver basis, total production costs per ounce, all-in sustaining costs per ounce and direct production costs per tonne, in order to manage and evaluate operating performance at each of the Company's mines. These measures, some established by industry organizations, are widely used in the silver mining industry as a benchmark for performance, but do not have a standardized meaning. These measures are reported on and reconciled in the Company's MD&A.

2017

# Annual Review



# Message from CEO Bradford Cooke



## Dear Stakeholders,

Consolidated production met the high end of our revised guidance and the low end of our original guidance with silver equivalent production of 8.9 million oz in 2017. Our outlook for 2018 is a lot brighter, forecasting 20% production growth to 10.2-11.2 million oz silver equivalents based on rebounding production at Guanaceví and initial production from our new fourth mine, El Compas.

Endeavour Silver's mining operations experienced a slow start in 2017 due to significant operating issues at our Guanaceví mine, caused mainly by some curve balls thrown at us by Mother Nature. However, our operating group moved expeditiously to resolve these issues, which led us to deliver three consecutive quarters of rising production and falling costs to year-end.

Precious metal prices corrected then stabilized in 2017, with silver finishing the year around US\$17 per oz and gold around US\$1300 per oz. Silver disconnected from gold during the year so the silver: gold ratio fell then rose to 78 at year-end, before continuing its rise in 2018. The precious metal mining stocks generally followed suit but then disconnected from the metals to finish the year close to their 52 week lows. These disconnects are typical of the start of a new precious metals cycle, and we look forward to silver and mining stocks rejoining the party over the coming months.

Silver is one of the most versatile of metals. Historically, silver was used to make jewelry, silverware and coinage due to its rarity, beauty and effectiveness as a biocide. But it has also emerged as a vital industrial metal because it is the best natural conductor of both electricity and heat and the best natural reflector of light. Silver is a key component of electronic devices for communications, photovoltaic cells for solar power, filtration systems for clean water and many other industrial uses.

The theme of this 2017 Annual Review and the Sustainability Report is "We Are All Connected". As an exploration geologist, I always felt a connection with the precious metals. When I founded the Company in 2003, it was based on the idea that gold had moved into a new bull market and silver would surely join it. It was critical that I find talented Mexican mining professionals to help Endeavour succeed in its search for

projects with big potential. Luckily, I connected with a longtime friend and mentor, Godfrey Walton, and two geological engineers, Miguel Ordaz and Luis Castro, who were our first two employees in Mexico. Each continues to this day as key members of our senior management team.

Our goal with this year's sustainability report, proudly our fifth report to date, is to show that sustainability is all about the connections between good people and good projects, and how a simple idea continues to be transformed by good people into finding new orebodies, developing new mines and building a strong and growing company. Our silver mines benefit over 2,700 people directly and our silver production positively impacts the lives of millions of people who use electronics and wear jewelry. We literally dig deep to help meet the global need for silver, and in doing so we create long-term economic benefits for our shareholders, employees and communities.

## People and Sustainability Initiatives Drive Economic and Operating Performance

Our economic performance is driven by our people, who determine our operating performance, which depends on keeping our people safe and healthy, sharing the benefits of our activities with our employees and the local communities and respecting the environment in which we all live. So how did we do in 2017?

Over all, we worked hard in 2017 to turn a year of challenges into a year of opportunities. I am pleased to report strong growth in net earnings in 2017, up 148 per cent to \$9.7-million or eight cents per share, notwithstanding slightly lower revenues compared to 2016. In addition, our financial performance in the Q4 2017 was up across all metrics compared to Q4 2016. We exited the year with a strong balance sheet, including a working

capital position of \$66 million and no debt. We also reduced our operating costs during the year and expect to continue that trend into 2018.

After a tough start to the year in the first quarter, Endeavour posted three consecutive quarters of improved production, making the fourth quarter our best of the year. Ore grades and throughput both improved in the second half. In 2017, silver equivalent production met the low end of our original guidance and the high end of our revised guidance, despite overcoming operational challenges at the Guanaceví mine. Tragically, during 2017 we had one fatality at our El Cubo mine. All of us were deeply saddened by this incident. We conducted an in depth investigation and initiated additional safeguards against such accidents happening again and we are even more resolute to continually improve our safety performance as it comes before all else.

We were very active once again in enhancing the quality of life in our local communities. By way of reference, at our first mine in Guanaceví years ago, we sponsored the first doctor, nurse, clinic, ambulance, ATM bank machine, garbage truck, we made road improvements and widened the local riverbed to reduce flooding. In 2017, we continued to support the community, repainting and refurbishing the local public buildings, replanting trees, sponsoring town clean-up days, kids camps, sports teams, and various religious and secular celebrations. During the year, across all our exploration and mine sites, we planted 43,939 trees and cacti to reclaim disturbed ground. These sustainability initiatives, to name a few, were not optional for us, they are keys to our success.

## Developing New Mines Fuels Our Future Growth

We were very successful last year in advancing our pipeline of exploration and development projects, which will fuel our next phase of organic growth. These achievements were the result of the low cost acquisitions we made during the bear market of 2012 - 2016, from which we are now in a position to create significant shareholder value. Some highlights include:

- **Reserves and Resources** - Silver equivalent proven and probable mineral reserves increased 228 per cent to 57.1 million oz (75:1 silver:gold ratio), mainly due to Terronera resource conversion, Silver equivalent inferred mineral resources increased 22 per cent to 75.7 million oz, mainly due to new resources at Parral
- **El Compas** - Completed an initial resource estimate and preliminary economic assessment, made a production decision to build our fourth mine as it was already permitted and leased a nearby dormant plant, commenced a

nine month, \$11.3 million mine development and plant refurbishment program, commercial production anticipated in Q3, 2018.

- **Terronera** - Completed a pre-feasibility study, obtained government permits to build the mine and plant, waiting on final permits for the dumps and tailings, conducted numerous engineering trade-off studies, optimizing the PFS and currently evaluating debt financing options to commence development in 2018.
- **Parral** - Explored and drilled the prospective Parral Project, published an initial resource estimate, plan to drill several prospective veins, complete metallurgical testing, update the resource estimate and initiate a preliminary economic assessment

A new productivity optimization program was launched at Guanaceví last month and additional operational improvements are planned this year at Bolañitos and El Cubo. As we advance our development projects and continue optimizing our existing mines, we look forward to delivering one of the best growth profiles in the silver mining sector.

The coming year promises to be transformational for Endeavour Silver as we return to growing our business for the first time in five years. Our continued economic success depends on staying connected with what matters. We plan to remain at the forefront of sustainable mining practices, developing our people, improving safety performance, enhancing our environmental stewardship and supporting local communities in order to build on our leadership in these areas.

I would like to thank all of our talented employees in Mexico and Canada for their commitment, loyalty and hard work through a challenging yet successful year. As well, I would like to express my appreciation to our shareholders for their patience and confidence in our company. We are very optimistic about our future as we focus on growth and look forward to sharing this success with all our stakeholders in 2018

Bradford Cooke,  
Chief Executive Officer & Director  
May 2018

# About Endeavour Silver

Endeavour Silver Corp. is a mid-tier precious metals mining company listed on the NYSE:EXK and TSX:EDR. The Company is headquartered in Vancouver, Canada, and is engaged in the evaluation, acquisition, exploration, development and exploitation of precious metals properties in Latin America. Our philosophy of corporate social integrity creates value for all stakeholders.

## Operations

We own three high-grade, underground, silver-gold mines in Mexico; the Guanaceví mine in the state of Durango, and the Bolañitos and El Cubo mines in the state of Guanajuato.

## Development & Exploration

We own two development projects in Mexico; the El Compas project in Zacatecas state which will be in production in Q2, 2018 to become the Company's fourth mine and the Terronera project in Jalisco state which is awaiting final permits and a production decision to initiate construction. In addition, we hold several other exploration properties in Mexico and Chile.



# Business Model

## MISSION

Our goal is to become a premier senior producer in the silver mining sector. We find, build, and operate quality silver mines in a sustainable way to create value for our stakeholders. By continually improving what we do and how we do it, we aim to make a positive difference in peoples' lives. In addition to maximizing the potential of existing operations, we have a compelling pipeline of exploration and development projects to facilitate our goal of becoming a premier senior silver producer.

## STRATEGY

### Maximize potential of existing operations

Safely increase production & reduce costs  
Optimize mining methods & metallurgical recoveries

### Deliver growth through development pipeline

Track record of developing mines in historic districts in Mexico that are accretive to cashflow and become core assets for us



### Undertake accretive M&A opportunities

Build scale, improve performance and diversify our portfolio to supplement long-term profitable growth

### Make new discoveries

Evaluate early stage acquisitions  
Ensure organic growth  
Extend brownfields mine lives

### Advance sustainability, based on 5 pillars:

- Safety & Health
- Our People
- Community
- Environment
- Economic Performance

# 2017 Highlights

## OPERATIONS

- Silver production of 4.9 million oz met revised guidance
- Gold production of 53,007 oz exceeded revised guidance
- Silver equivalent production of 8.9 million oz (75:1 silver: gold ratio) approached top end of revised guidance, despite overcoming operational challenges at Guanaceví mine
- Completed a Pre-feasibility Study at the Terronera project
- Advanced the Terronera project towards a production decision, including engineering trade-off studies, received permits to build the mine and plant, awaiting waste dumps and tailings permits
- Completed a Preliminary Economic Assessment at the El Compas project, made a development decision and initiated construction
- Explored the prospective Parral Project in the historic silver mining district of Hidalgo de Parral in southern Chihuahua state, Mexico and published an initial Mineral Resource Estimate
- Received 'Socially Responsible Company' awards for the Bolañitos and El Cubo mines

## FINANCIAL

- Net earnings increased 148% year on year to \$9.7 million (\$0.08 per share)
- EBITDA\* of \$25.6 million
- Cash flow from operations before working capital changes of \$23.6 million
- Revenue totalled \$150.5 million on 4,892,855 silver oz sold and 51,460 gold oz sold
- Cash costs\* of \$8.06 per oz silver payable (net of gold credits)
- All-in sustaining costs\* of \$16.96 per oz silver payable (net of gold credits)
- Working capital of \$66.2 million, cash of \$39.3 million and no debt at year-end

\*These items are examples of non-IFRS measures. Please refer to the definitions set out in our Management Discussion and Analysis.

## EXPLORATION

- Drilled 72,200m and spent \$12.9 million on exploration activities
- After completing the Terronera PFS, additional drilling expanded the Terronera mineralized zone and the high grade La Luz vein
- Drilled various target areas nearby including Calicanto, Orito vein and the newly discovered Ana Camila vein.
- At Parral, drilling tested the historic resource (La Colorada) and identified new targets (Palmilla and San Patricio). Issued a maiden resource and verified high-grade mineralization in within the Argentina-Remedios area of the Veta Colorada

## RESERVES & RESOURCES

Silver equivalent Proven and Probable Mineral Reserves increased 228% to 57.1 million oz (75:1 silver:gold ratio) in 2017 compared to 2016, primarily due to resource conversion at Terronera. Silver equivalent Measured and Indicated Mineral Resources decreased 42% to 63.9 million oz in 2017, mainly as the result of conversion into Mineral Reserves at the Terronera project and at the existing operations. Inferred silver Mineral Resources increased by 44% due to the inclusion of the initial Mineral Resource Estimate for the new Parral Properties.

- 33.5 million oz of proven and probable silver mineral reserves
- 315,300 oz of proven and probable gold mineral reserves
- 57.1 million oz of silver equivalent proven and probable mineral reserves (75:1 silver:gold ratio)
- 36.7 million oz of measured and indicated mineral silver resources
- 362,900 oz of measured and indicated mineral gold resources
- 63.9 million oz of silver equivalent measured and indicated Mineral Resources
- 53.1 million oz of silver inferred mineral resources
- 300,800 oz of gold inferred mineral resources
- 75.7 million oz of silver equivalent inferred mineral resources

# Sustainability

## Safety & Health

- 20% drop in reportable injury frequency rate (employees / contractors)
- 300+ people trained in emergency response and mine rescue
- Launched leadership program to enhance safety skills of site leaders and supervisors



- 48% increase in learning activities, with 52 average training hours per employee
- 14% reduction in employee turnover
- Implemented new Internal Grievance Mechanism at all sites to improve problem resolution

## Our People

## Community

- \$510,000 in corporate giving
- Launched scholarship program, which benefitted 50 Mexican students last year
- Introduced External Grievance Mechanism at all sites to better understand and address concerns from community stakeholders



- 5% reduction in total water consumption
- 18% reduction in hazardous waste across all sites
- Nearly 44,000 trees planted in reforestation projects to reclaim disturbed ground

## Environment

## Economic Performance

- 148% growth in net earnings, to \$9.7 million
- \$150.5 million in total economic value generated
- Over 99% of onsite personnel, as well as 99% of total procurement, from within Mexico

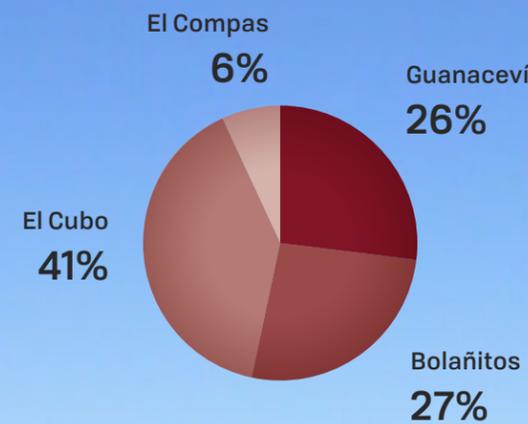


# 2018 Outlook

We expect 2018 will be the beginning of a new phase of growth for Endeavour Silver and are forecasting a 20% increase in silver equivalent production as compared to 2017. We are forecasting higher silver and gold production at all three existing mines as well as initial production from our new fourth mine at El Compas in Q2, with commercial production scheduled for the end of July.

With the higher forecast production, cash costs and all-in sustaining costs are expected to decline in 2018 compared to 2017. The 2018 capital budget will increase from 2017 due to the development of the new El Compas mine, and two new high grade orebodies at Guanaceví, whereas the exploration budget will decrease as the focus shifts towards more development activities this year.

2018 Ag Eq Production by Mine (M oz)



## Resuming Production Growth & Lowering Costs

### Higher Production, Lower Costs

\$ millions unless otherwise stated

	Guanaceví	Bolañitos	El Cubo	El Compas <sup>1</sup>	Consolidated
Silver Production (M oz)	2.2 – 2.5	1.0 – 1.1	2.5 – 2.7	0.1 – 0.1	5.8 – 6.4
Gold Production (K oz)	5.0 – 5.5	23.5 – 25.5	22.5 – 24.5	7.0 – 8.5	58.0 – 64.0
Silver Eq Production (M oz) <sup>2</sup>	2.6 – 2.9	2.8 – 3.0	4.2 – 4.5	0.6 – 0.8	10.2 – 11.2
Cash Costs, net of gold by-product credits (US\$/oz) <sup>3,4</sup>					\$6.00 – \$7.00
AISC, net of gold by-product credits (US\$/oz) <sup>3,4</sup>					\$15.00 – \$16.00
Sustaining Capital					\$41.1
Growth Capital					\$7.3
Exploration Budget					\$11.1

1. El Compas is scheduled to achieve commercial production by the end of July 2018.

2. Gold ounces converted to silver equivalent ounces on a 75:1 ratio in 2018

3. Cash costs per ounce and AISC per ounce are examples of Non-IFRS measures. See disclosure in quarterly MD&A for information on "Non-GAAP" measures found on the company website.

4. See EDR News Release dated January 25, 2018 for full disclosure on 2018 Guidance; 2018 costs forecasts reflect an 19:1 Mexican Peso per US Dollar exchange rate, \$17/ oz Ag & \$1,275/ oz Au price assumption.

# Operations

## GUANACEVÍ

Guanaceví is located 260 kilometres northwest of the city of Durango, in Mexico's fifth-largest silver mining district, and covers approximately 4,200 hectares. Guanaceví is accessible by state highway and municipal roads, and features good local infrastructure, including power from the state power grid and skilled local labour readily available in the nearby town of Guanaceví. The mining district is characterized by multiple low-sulphidation epithermal veins, typically thousands of metres long, up to 700 metres deep, ranging from one to five metres thick.

Since acquiring the property, we have discovered seven high-grade silver-gold ore bodies along a six kilometre length of the Santa Cruz vein, developed several new mines, and modernized and expanded the processing plant. Today, three underground mines feed the central, 1,200 tonne-per-day plant that produces doré bars. The mine provides steady employment for 480 people and engages 428 contractors.

During 2017, silver production at Guanaceví was 2,066,448 oz and gold production was 4,740 oz for silver equivalent production of 2.4 million oz (using a 75:1 silver: gold ratio). Silver equivalent production met revised guidance but was below original guidance due to lower throughput resulting from mine flooding, related to an incursion of hot water and power outages from power grid problems and a lightning strike that caused pumps to fail. Additionally, slower mine development due to narrower vein widths than modeled also contributed to lower mine output. Initial production from the Milache and Santa Cruz Sur orebodies by the end of 2018 should help boost future throughput and grades at Guanaceví. Additionally, a new productivity optimization program was launched at the start of 2018 which will lead to additional operational improvements throughout the year.

## Guanaceví is our highest-grade silver mine

### 2017 Results

Production	Ore Tonnes Processed	Grades	Recoveries	Cash Costs per Ounce	All In Sustaining Costs per Ounce
2.1 million oz Ag/ 4,740 oz Au	321,113	Silver 230 gpt	Silver 87%	\$13.41	\$22.87
2.4 million oz of Silver Equivalent (75:1 silver:gold)	880 tpd	Gold 0.53 gpt	Gold 86.6%		

	Proven & Probable Reserves	Measured & Indicated Resources	Inferred Resources
Reserves & Resources: Silver	2.4 Million oz	19 Million oz	9.8 Million oz
Reserves & Resources: Gold	5,500 oz	45,700 oz	21,600 oz

\*For full details, refer to the complete Reserves and Resources table on page 81

## BOLAÑITOS

Bolañitos is located 10 kilometres northwest of the city of Guanajuato, in Guanajuato state, Mexico's second-largest historic silver mining district, and covers approximately 2,500 hectares. Bolañitos is accessible by municipal roads, and has good local infrastructure, including power from the state power grid, and readily available supplies, services, and local labour in the nearby city of Guanajuato. The Bolañitos sub-district is characterized by multiple subparallel low-sulphidation epithermal veins typically thousands of metres long, up to 250 metres deep, and ranging from one to 10 metres thick.

Since acquisition, we have discovered seven high-grade silver-gold ore bodies, opened one new mine and completed three plant expansions. There are now two underground mining operations feeding a central, 1,600 tonne-per-day plant to produce bulk silver-gold concentrates. Bolañitos provides steady employment for 365 people and engages 224 contractors.

During 2017, Bolañitos produced 934,238 oz of silver and 26,910 oz of gold for silver equivalent production of 3.0 million oz (using a 75:1 silver: gold ratio). Silver equivalent production significantly exceeded guidance for 2017 due to higher throughput and higher silver and gold recovery, and higher gold grades.

**Bolañitos is our most profitable mine**

### 2017 Results

Production	Ore Tonnes Processed	Grades	Recoveries	Cash Costs per Ounce	All In Sustaining Costs per Ounce
0.9 million oz Ag/ 26,910 oz Au	446,924	Silver 80 gpt	Silver 81.3%	(\$4.00)	\$1.62
3.0 million oz Silver Equivalent (75:1 silver:gold)	1,224 tpd	Gold 2.24 gpt	Gold 83.6%		

	Proven & Probable Reserves	Measured & Indicated Resources	Inferred Resources
Reserves & Resources: Silver	<b>1.15 Million oz</b>	<b>3.8 Million oz</b>	<b>4.6 Million oz</b>
Reserves & Resources: Gold	<b>27,800 oz</b>	<b>47,400 oz</b>	<b>59,200 oz</b>

\*For full details, refer to the complete Reserves and Resources table on page 81

## EL CUBO

El Cubo covers approximately 8,150 hectares in the same district as Bolañitos, six kilometres southeast of the city of Guanajuato. Access is by municipal road and infrastructure includes the state power grid, and local labour, supplies and services in the city of Guanajuato.

Similar to Bolañitos, the El Cubo subdistrict is characterized by multiple low-sulphidation epithermal veins typically thousands of metres long, up to 400 metres deep, and ranging up to 15 metres thick. The El Cubo mine is comprised of four underground mining operations feeding a central, 1,500 tonne-per-day plant, which produces high-grade silver-gold concentrates. The mine provides employment for 622 employees and 379 contractors.

During 2017, El Cubo produced 1.9 million oz of silver and 21,357 oz of gold for silver equivalent production of 3.5 million oz (using a 75:1 silver: gold ratio). Silver equivalent production at El Cubo was below guidance for 2017 due to the lower than planned gold production. Silver production met guidance as throughput, grades and recoveries were in line with plan. Gold production missed guidance due to 9% lower gold grades than plan as mining of the higher gold grade area of the Villalpando ore body was re-scheduled to 2018 for a more efficient mine plan.

**El Cubo is our largest mine**

### 2017 Results

Production	Ore Tonnes Processed	Grades	Recoveries	Cash Costs per Ounce	All In Sustaining Costs per Ounce
1.9 million oz Ag/ 21,357 oz Au	511,836	Silver 136 gpt	Silver 85.8%	\$13.41	\$22.87
3.5 million oz of Silver Equivalent (75:1 silver:gold)	1,402 tpd	Gold 1.55 gpt	Gold 83.7%		

	Proven & Probable Reserves	Measured & Indicated Resources	Inferred Resources
Reserves & Resources: Silver	<b>2.9 Million oz</b>	<b>3.4 Million oz</b>	<b>95.1 Million oz</b>
Reserves & Resources: Gold	<b>27,000 oz</b>	<b>45,000 oz</b>	<b>73,200 oz</b>

\*For full details, refer to the complete Reserves and Resources table on page 81

# Development

## EL COMPAS

El Compas is located in Zacatecas state, Mexico, about one kilometre south of the city of Zacatecas in the historic silver mining district of the same name. Our property covers approximately 3,990 hectares, and is well served by local infrastructure, including a paved highway, state electrical power, local labour, supplies and services. El Compas is characterized by two high-grade, low-sulphidation epithermal veins up to several hundred metres long by 200 metres deep and up to 10 metres thick, and multiple vein targets that have never been drilled.

El Compas is an example of a strategic acquisition made by Endeavour in 2016 for a purchase price of \$6.7 million. When we acquired the asset, the mine was already permitted and a nearby 500 tonne-per-day government plant was leased

for up to 10 years. We started development in 2017, and are on schedule to attain commercial production by July of 2018. The new mine will be accretive to our consolidated cash flow, with all in sustaining costs below \$10 per ounce.

In March 2017, Endeavour published a preliminary economic analysis for El Compas, which delivered robust economic returns, supporting the basis to initiate development. In early 2018, Endeavour announced improved operating metrics to boost production by 25% to 1.175 million oz Ag Eq in the following year. The improved mine plan calls for production of 250 tpd using a mechanized cut and fill method and the plant will have a capacity of 325 tpd. Additionally, there is an implied expansion opportunity, if we discover or purchase additional mineral resources in the area and refurbish the second ball mill to nearly double the plant capacity to 500 tpd.

El Compas will be our fourth operating mine, with initial production in Q2 of 2018.

### Low Costs

Capital expenditures are estimated to be \$11.3 million, funded by cash flow from existing operations. Operating costs\* are estimated to be \$110 per tonne and cash costs, including royalties and mining duties, are estimated to be \$9.09 per silver equivalent ounce, net of by product credits. All-in-sustaining costs are estimated to be \$9.64 per silver equivalent ounce, net of by product credits. Management will seek opportunities to expand production and reduce costs going forward.

\*Based on the Preliminary Economic Assessment completed by Endeavour Silver in March 2017

### PEA Economics

Ag Price	Au Price	IRR	NPV	Payback Period
\$16/oz	US \$1,120/oz	29%	\$8.0 M	2.6 years
<b>\$18/oz Base Case</b>	<b>US \$1,260/oz</b>	<b>42%</b>	<b>\$12.6 M</b>	<b>2.1 years</b>
\$20/oz	US \$1,400/oz	54%	\$17.0 M	1.8 years

Reserves & Resources: Silver	Reserves & Resources: Gold
<b>495,000 oz</b> Indicated Silver Resources	<b>34,900 oz</b> Indicated Gold Resources
<b>530,000 oz</b> Inferred Silver Resources	<b>37,500 oz</b> Inferred Gold Resources

\*For full details, refer to the complete Reserves and Resources table on page 81

## TERRONERA

Terronera has the potential to become Endeavour's next core asset, located in Jalisco state, Mexico, about 40 km northeast of Puerto Vallarta in the historic silver mining district of San Sebastián. Our property covers approximately 6,100 hectares, and is well served by local infrastructure, including a paved highway, state electrical power, local labour, supplies and services, and a company camp.

The Terronera property is characterized by multiple low sulphidation epithermal veins up to five kilometres long by 300 to 500 metres deep and up to 30 metres thick. We optioned a 100% interest in the property in 2010, commenced exploration drilling in 2011, and discovered a new high-grade, silver-gold mineralized zone in 2012. In 2013, we exercised our option to purchase the property for \$2.75 million and acquired an entire exploration district.

In April 2017, Endeavour published a pre-feasibility study (PFS) on Terronera. Subsequently, we conducted a number of engineering trade-off studies to refine the operating

parameters and optimize the economic performance of the project. In early 2018, we provided an update on improved operating parameters including an initial 750 tpd mechanized, underground, ramp access mine and plant. Since the resources are still growing, the concept is to expand the mine and plant to 1,500 tpd in year 2. Annual production at 1500 tpd is estimated at 5.0 million oz silver equivalents per year (at a 75:1 silver:gold ratio) based on 300 grams per tonne *net payable* silver equivalents per tonne, which is still being optimized. We will continue refining our studies with the goal to publish an updated PFS once the tailings and dumps permits are approved.

Subject to receiving the remaining government mine permits, arranging an appropriate debt financing, and completing certain optimization work on the PFS, management intends to seek approval from the Company's board of directors to commence development of the Terronera mine and related facilities in 2018.

Terronera has the potential become our fifth producing mine with significant exploration potential.

### Low Costs

Initial capital expenditures are estimated to be \$69.2 million. Total life of mine capital requirements are estimated to be \$132.0 million. Management will seek opportunities to optimize the capital requirements going forward.

Life of mine average operating costs\* are estimated to be \$72 per tonne and cash costs, net of gold credits, are estimated to be \$3.44 per ounce of silver. All-in-sustaining costs, net of gold credits are estimated at \$4.76 per ounce of silver.

\*Based on a Pre-Feasibility Study completed by Endeavour Silver in April 2017

### PFS Economics

Ag Price	Au Price	IRR	NPV	Payback Period
\$16/oz	US \$1,120/oz	14%	\$40.5 M	5.1 years
<b>\$18/oz Base Case</b>	<b>US \$1,260/oz</b>	<b>21%</b>	<b>\$78.1 M</b>	<b>4.3 years</b>
\$20/oz	US \$1,400/oz	28%	\$112.4 M	3.8 years

Reserves & Resources: Silver	Reserves & Resources: Gold
<b>27 Million oz</b> Indicated Silver Resources	<b>254,600 oz</b> Indicated Gold Resources
<b>10.9 Million oz</b> Inferred Silver Resources	<b>43,700 oz</b> Inferred Gold Resources

\*For full details, refer to the complete Reserves and Resources table on page 81

# Exploration

## PARRAL

Parral is an attractive advanced exploration project, located in Chihuahua state, Mexico, about five km north of the city of Hidalgo de Parral in the historic silver mining district of the same name. Parral has abundant, high-grade exploration targets and the potential to grow through exploration, consolidation, and development. IMMSA mined the Veta Colorada at Parral until 1990 and left behind an estimated 32 million ounce historic silver resource adjacent to their old mines.

In September 2016 we acquired the old IMMSA/Parral property in Chihuahua state, which covers 3,450 hectares. Parral offers positive synergies with our existing silver-gold-lead-zinc resources on the Cometa property in the area, hosted in medium-grade polymetallic epithermal veins.

As of December 31, 2017, a total of 21,000 metres were drilled at the La Colorada target to test a portion of the historical resource and at the Palmilla and San Patricio targets to test for new resources. Drilling has verified high grade silver mineralization within the Argentina-Remedios area of the Veta Colorada. Management released an initial resource comprising of 18.4 million silver ounces and 8,070 gold ounces as of December 31, 2017. During 2018, Parral is the largest portion of our total exploration spend. Management plans to spend \$2.2 million on drilling 12,000 m to extend historic and new resource areas and complete a preliminary economic assessment. Parral is currently in the final stages of environmental assessment and permitting.

Parral

## GUADALUPE Y CALVO

The Guadalupe y Calvo exploration project is located 300 kilometres southwest of the city of Chihuahua, and covers 54,856 hectares in the historic Guadalupe y Calvo mining district. It was acquired with El Cubo in 2012 and is characterized by low-sulphidation epithermal veins with potential for high-grade, bulk tonnage silver and gold deposits. Guadalupe y Calvo hosts an indicated resource of 7.1 million ounces of silver and 142,500 ounces of gold, plus an inferred resource of 0.5 million ounces of silver and 10,600 ounces of gold in a portion of the Rosario vein. Significant exploration potential remains to be tested on this large prospective property. In 2017, a total of 2,500 metres were drilled at Guadalupe y Calvo with no significant results. Management continues to view the property as being highly prospective.

## LOURDES

Optioned in 2012, this silver and gold project covers 509 hectares in the historic El Tigre district, in the Sierra El Cubo area, 40 kilometres northeast of the city of Guanajuato in the state of Guanajuato, and about a one hour drive from the Bolañitos and El Cubo mines. It is characterized by low-sulphidation epithermal veins with potential for high-grade, bulk tonnage silver and gold. The Lourdes project is currently dormant.

Lourdes



2017

# Sustainability Report

# Message from the Chair of Our Sustainability Committee



Dear Stakeholders,

It's an exciting time at Endeavour. Reflecting on our performance this past year, one can see how we demonstrated the real, achievable connection between generating long-term economic value, investing in our people and making positive contributions to our host communities in Mexico.

## Our sustainability journey in 2017

To be an enduring business, we need to be a sustainable one. In 2017, we continued to invest in our sustainability agenda, making progress toward our priorities in each of five key areas: safety and health; our people; environmental stewardship; community; and economic value. Some highlights from 2017:

- We reduced safety incidents through increased safety training for employees and managers, augmented by regular awareness campaigns. Over the past four years we have lowered safety incidents by 49%.
- Training and developing our people remained an important focus. Employees on average each received 52 hours of training – a significant boost over previous years due to a new learning program launched in 2017.
- Stakeholder engagement increased significantly, as we rolled out new grievance mechanisms – one for employees and another for community members – at each site.
- On the environmental front, we decreased water consumption and hazardous waste, which represent two of our biggest impacts, with no serious environmental incidents at any of our sites. Through our reforestation program, we planted close to 44,000 trees last year in host communities.
- Following the earthquake that devastated central Mexico last September, we deployed a volunteer team to assist with rescue efforts. Endeavour also donated over \$100,000 to support the affected communities.

## Making connections, within and beyond Endeavour

Looking ahead, we are committed to staying at the forefront of sustainable mining practices, talent management, workplace safety and environmental stewardship.

All of the above efforts depend on our people, and we appreciate the role they play in our success. They operate our mines, share information among our sites in Mexico and British Columbia, and take part in constructive dialogues with our management teams, giving us a connected picture of performance and impacts. We have worked hard to build a genuine and highly respected company, from senior workers mentoring younger personnel to hosting regular employee celebration events.

Speaking of connections, we're not just "connecting the dots" internally. We're making myriad connections externally – between our business, our people and our host communities. Safety is a perfect example. Fostering a safer mining operation is linked to safer communities, because the safety information employees gain on the job is knowledge they take home – to educate their families and neighbours. Similarly, our commitment to environmental stewardship extends beyond Endeavour. By cultivating environmental awareness across our operations, employees then share this learning with their children, such as teaching water conservation habits and other sustainability values.

As we embark on the next phase of our sustainability journey, I am confident that Endeavour will stand out among the hundreds of mining companies in Mexico for being a responsible business that generates positive, lasting benefits for our people and host communities. More than anything else, these connections are why our business will endure.

Ken Pickering,  
Chair, Sustainability Committee

# Sustainability at Endeavour

Sustainability and corporate social integrity lie at the heart of Endeavour, who we are and what we do, embodied in our mission of finding, building and operating quality silver mines in a responsible way to create long-term value for stakeholders.

## Our Sustainability Framework

Since our founding, we have recognized that sustainable development contributes to the long-term viability of our business and our host communities. For us, that means responsibly growing our business while operating safely, respecting our shared environment, supporting our people and contributing to the prosperity of our host communities.

### Our Framework for Success

As a business, we know we can only succeed if we include our stakeholders, broader communities and environment at the centre of our focus. As a result, sustainability at Endeavour isn't separate from our business strategy. Sustainability is built into how we think, how we operate and what we do.

Sustainability is fully supported and driven by our executive team and it is ingrained in our governance structure, policies and how we define risk and long-term value. Our sustainability strategies are aligned with our core business, and

we constantly seek new and better sustainable business practices to improve our bottom line while delivering a positive impact on host communities and other stakeholders.

### Sustainability Pillars

Our sustainability strategy has five pillars:

- Safety and Health
- Our People
- Community
- Environment
- Economic Performance

Understanding what our stakeholders care most about is essential to our continued success.

Within each of these pillars, we focus on topics that stakeholders care about most and are significant to our business. For a summary of our 2017 material topics, please refer to pages 27-28.

Underpinning our five sustainability pillars is our governance approach. This is our set of values, policies and structures that guide everything we do across the five pillars.

Children from El Cubo community





Employees at the El Compas mine portal

**Sustainability matters deeply to our stakeholders, and is intrinsic to our business strategy of sustainable development to ensure our long-term success.**

## Corporate Governance

Effective governance is the foundation of our performance and provides the guiding principles for everything we do. Running our business to the highest standards of responsible conduct is imperative to both earning the trust of our stakeholders and to being a premier silver mining company.

### LEADERSHIP AND CORPORATE GOVERNANCE

Our Board of Directors oversees the company's business conduct and strategic planning and ensures that appropriate governance mechanisms, policies and procedures are in place, including the integrity of our internal controls and management information systems.

- The Board appoints the CEO and provides direction, support and oversight of senior management, with a focus on enterprise risk management and resource management.
- The Board regularly receives reports concerning the development of the company's business and operations, including its progress around economic, environmental and social performance.
- Our Code of Business Conduct and Ethics and several other policies guide the Board's oversight, including accountability to stakeholders through policies and communications with shareholders and others. Management is responsible for setting long-term goals, objectives, plans and strategies.

- We have a Diversity Policy, which recognizes the benefits arising from board, management and employee diversity, such as broader perspectives and experience.
- In 2017, the Board was comprised of seven male Directors, five of whom were independent and non-executive, including the Chairman of the Board.
- The Board has four standing committees: Audit Committee, Compensation Committee, Corporate Governance and Nomination Committee, and Sustainability Committee. Committee charters and performance are reviewed and updated as needed to maintain continued relevancy and to provide an effective framework for a high standard of governance.

**Dig Deeper Online**  
[Board Mandate](#)  
[Board Duties](#)  
[Diversity Policy](#)

### Governance for Sustainability

We have adopted the Dow Jones Sustainability Index definition of corporate sustainability, which states "Corporate Sustainability is a business approach that creates long-term shareholder value by embracing opportunities and managing risks deriving from economic, environmental and social developments". Our Sustainability Policy outlines our commitments in each of these categories and specifies that we will provide the necessary resources to meet these ongoing commitments.

Sustainability is ingrained in the highest levels of Endeavour. Two of the Board committees oversee our sustainability strategy and decision-making: the Sustainability Committee and to a lesser extent, the Corporate Governance and Nominating Committee. Guided by our Sustainability Policy and the Sustainability Committee Charter, the

Sustainability Committee meets at least three times per year to review reports from key departments of our operations.

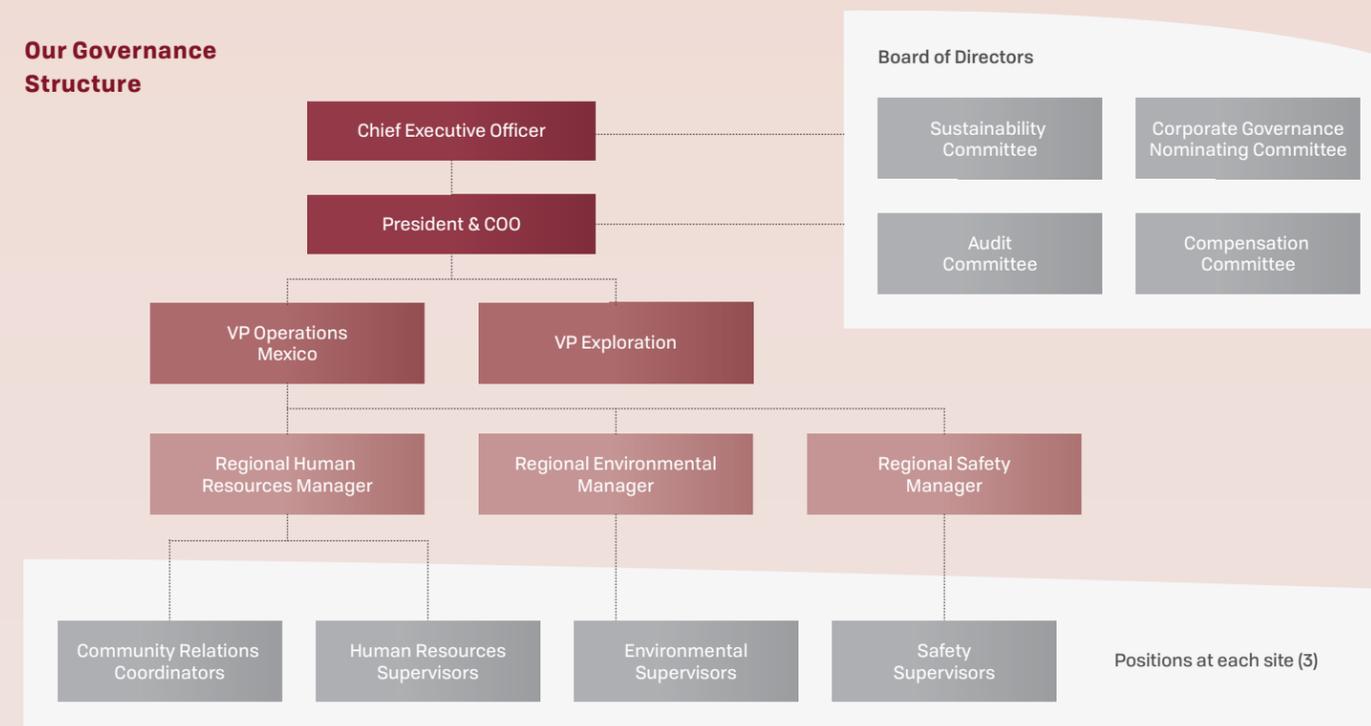
The Committee promotes sustainability as a core company value, encourages a corporate culture that takes responsibility for sustainable development, and approves policies, standards and responsible work practices that guide the performance and expectations of our employees, contractors and other partners.

The Sustainability Committee and a team of senior executives including the CEO, President and Chief Operating Officer, Chief Financial Officer and Director of Investor Relations, set specific sustainability priorities for the upcoming year and formally review our Sustainability Report to ensure that it adequately covers all material topics identified by our stakeholders.



**Dig Deeper Online**  
[Code of Business Conduct and Ethics](#)  
[Anti-Bribery and Anti-Corruption Policy](#)  
[Whistleblower Policy](#)  
[Corporate Disclosure Policy](#)  
[Sustainability Policy](#)

### Our Governance Structure



## ETHICS, INTEGRITY AND ACCOUNTABILITY

Providing the foundation for how we act in our day-to-day activities and interact in all our relationships, our Code of Business Conduct and Ethics (the Code) reflects our commitment to a culture of honesty, integrity and accountability. Reviewed and updated regularly, the Code establishes the essential standards we expect all employees and those doing business with us to uphold.

### Topics Covered in Our Code

- Compliance with laws, rules and regulations
- Conflicts of interest
- Confidentiality
- Protection and proper use of company assets
- Insider trading
- Gifts and entertainment
- Improper payments
- Environmental responsibility
- Equal opportunity, discrimination and harassment
- Health and safety
- Human rights
- Reporting of illegal or unethical behaviour

Definitions and expectations relating to behaviour, legal compliance and ethical issues, such as handling potential conflicts of interest, are embedded in the Code to help ensure all our people make the right decisions.

To ensure Code adherence and the highest standards of professional and ethical conduct:

- We require that all our people agree to and follow the Code as a mandatory condition of employment. We distribute a copy of the Code to our employees during the orientation process.
- We provide the Code to our contractors, suppliers and service providers so they also conduct their activities in accordance with these standards.
- The Code is posted and readily accessible at key locations across our operational sites and is publicly accessible on our website in English and Spanish.

Individuals who fail to comply with the Code and all applicable laws are subject to disciplinary measures, up to and including discharge from the Company or termination of the business relationship.

Employee Orientation Training, Bolañitos

### Anti-Corruption and Anti-Bribery

We take a zero-tolerance approach to any form of bribery and corruption. We adhere to all laws and best practices in this area, and our commitments and practices are outlined in our Anti-Bribery and Anti-Corruption Policy to ensure we take a consistent and comprehensive approach wherever we operate. Corruption-related risks are evaluated at the management level as part of the company risk assessment process, supplemented by our thorough internal financial controls, which are in place to monitor aspects of operations that could be affected by bribery or corruption. Both risk management and internal controls are reviewed and evaluated annually by the Board of Directors. In 2017, there were no reported incidents of corruption.

### Whistleblower Policy

Our Whistleblower Policy provides a company-wide protocol for reporting – without fear of reprisal – any apparent fraudulent, unethical or illegal activity or behaviour related to financial matters (concerns related to non-financial matters go through our Internal Grievance Mechanism). Concerns can be raised on a confidential and on an anonymous basis. Reports are directed to the Chairman of the Audit Committee, and we investigate and document all concerns. In 2017, no concerns or complaints were reported.



Management overlooking El Compas property

## TRANSPARENCY AND DISCLOSURE

We believe corporate transparency is a key to operating a sustainable business. With a diverse range of stakeholders, being open and honest about our business and sustainability-related practices, impacts and challenges enables stakeholders to better understand our activities and fosters their confidence and trust. This is especially important when operating as we do in another country like Mexico, where foreign companies must act responsibly, be sensitive to cultural differences and pass the ‘trust’ test to prove themselves as authentic partners.

We strive to make timely and accurate disclosure of all material information related to our operations and provide fair and equal access to it. Our approach to transparency is captured in our Code of Business Conduct and Ethics and is guided by our Corporate Disclosure Policy. We provide various channels for engagement including internal and external grievance mechanisms at all our sites, and we conduct a materiality assessment every two years to identify the issues that matter most.

## ENHANCING OUR POSITION ON HUMAN RIGHTS

We respect and uphold fundamental human rights, both in our workplace and in local communities, and are guided by global standards such as the United Nations (UN) Guiding Principles on Business and Human Rights and the Voluntary Principles on Security and Human Rights.

In 2017, we embedded human rights in our Code of Business Conduct and Ethics and in collaboration with the Commission for Human Rights, delivered human rights training to all security personnel (employees and contractors) at our mining sites. The training emphasized the importance of respecting human rights while providing security. A total of 65 people from our three sites attended the course.

Other elements of our human rights practices include the following:

- We foster a work environment free from discrimination against gender, race, national origin, marital status, sexual orientation, or political/religious beliefs, and we do not tolerate any form of harassment. Our Diversity Policy reflects this commitment.

- Employees are encouraged to speak out if a co-worker’s conduct makes them uncomfortable, and to report harassment or discrimination if it occurs. In 2017, we had no reported incidents of discrimination or harassment.

- Child labour exists as a general country risk within Mexico, however we maintain strict proof-of-age policies and hiring procedures at all sites, preventing anyone under the legal working age of 18 from obtaining employment. This proof-of-age requirement extends to our contractors through our Contracting Services and Working with Third Parties Protocol, which specify that no contractor will employ persons under the working age permitted by law. There were no reported incidents of child labour at any of our operations in 2017.

- We fully support freedom of association and collective bargaining and have no operations in which the right to exercise these labour rights may be at risk. To learn more, see page 39 of this report.



## RISK ASSESSMENT AND MANAGEMENT

Risk management is a key priority for our company. Identifying, evaluating and managing risks, including social and environmental issues that can materially impact our business, are critical to our long-term viability and the interests of our stakeholders.

Our risk management methodology and resulting matrix includes scales of assessing and ranking risk severity and probability.

We believe our people all have a role to play in helping manage the company's risks, such as adhering to safe behaviours on the job, and we train and communicate to support employees in fulfilling their role. We also encourage our people to report any operational risks and hazards they see.

## OUR COMMITMENTS TO EXTERNAL INITIATIVES

We are committed to developing and implementing management systems and operating practices that consider the following international guidance for extractive companies operating abroad:

- The Prospectors and Developer's Association of Canada (PDAC) E3 Plus Framework for Responsible Exploration
- The Organization for Economic Cooperation and Development Guidelines for Multi-National Enterprises
- The United Nations Guiding Principles on Business and Human Rights
- Voluntary Principles on Security and Human Rights
- International Finance Corporation Performance Standards on Social and Environmental Sustainability

### Voluntary Guidelines Used in 2017, as well as Certifications Achieved

We have used the **GRI G4 framework** for our sustainability reporting since 2013, including the GRI's Metals and Mining Supplement.

Our mines with labs are **ISO 9001** certified: Guanaceví since 2012 and Bolañitos since 2013. In 2016, Guanaceví renewed under ISO v2015 guidelines and was the first lab in Mexico to receive this certification, which is valid until November 2018.

Since 2013 we have followed the **Green House Gas Protocol** for Calculating emissions, as per the World Business Council for Sustainable Development and the World Resource Institute.

Our two operations in Guanajuato were awarded the "**Empresa Socialmente Responsable**" (**Socially Responsible Company**), a distinction given by the Mexican Philanthropy Centre (CEMEFI) and the Alliance for Social Responsibility in Mexico.

### Key Risks We Face

- Precious and base metal price fluctuations
- Operating hazards and risks – e.g., ground instability
- Environmental risk – e.g., preventing spills, managing tailings ponds
- Security risk – e.g., preventing theft of equipment and facilities
- Foreign currency fluctuations
- Political risk
- Legal and compliance risks

### Key Memberships

We engage with industry associations to build and maintain relationships with industry peers, keep abreast of sector developments and contribute ideas on mining best practices.

Some employees and directors also belong to: the Mexican Mining Engineers Association, the Prospectors and Developers Association of Canada and the Institute of Corporate Directors.



Mexican Mining Chamber



Mining Task Force of the Canadian Chamber of Commerce in Mexico



Confederation of Industry Chambers



Canadian Investor Relations Institute

## Stakeholder Engagement

At Endeavour, we consider engaging with our stakeholders an essential part of doing business. We have a broad range of stakeholders, listed below, who have an interest or direct stake in what we do and how we work. To understand

their views and needs, we listen to stakeholders in a variety of ways and we use these insights to guide and improve our business.

Open, ongoing dialogue – direct and through a third-party – also helps us build trust and respect as a corporate citizen.

Stakeholder Group	Ways We Engage	Areas of Interest in 2017	
<b>Employees and Contractors</b>	<ul style="list-style-type: none"> <li>• Employee surveys and focus groups</li> <li>• Annual performance evaluation</li> <li>• Corporate briefings and meetings</li> <li>• Direct supervisor/employee discussions</li> <li>• Training programs</li> <li>• Internal Grievance Mechanism</li> <li>• Whistleblower system</li> </ul>	<ul style="list-style-type: none"> <li>• Safety performance</li> <li>• Training and development opportunities</li> <li>• Competitive salaries and benefits</li> <li>• Job security</li> <li>• Communication around corporate performance, goals</li> </ul>	<ul style="list-style-type: none"> <li>• Permits to operate</li> <li>• Use of explosives</li> <li>• Social closure plan</li> <li>• Profitability / economic performance</li> <li>• Opportunities for greater collaboration (contractors)</li> </ul>
<b>Labour Unions</b>	<ul style="list-style-type: none"> <li>• Bargaining negotiations</li> <li>• Meetings and ongoing communication</li> </ul>	<ul style="list-style-type: none"> <li>• Occupational safety and health</li> <li>• Labour relations</li> </ul>	<ul style="list-style-type: none"> <li>• Employment/local hiring</li> <li>• Job security</li> </ul>
<b>Shareholders</b> (investors, analysts)	<ul style="list-style-type: none"> <li>• Annual and quarterly reporting</li> <li>• Annual general meeting</li> <li>• Conference calls</li> <li>• One-on-one discussions</li> <li>• Industry conferences</li> </ul>	<ul style="list-style-type: none"> <li>• Profitability / economic performance</li> <li>• Communication and transparency</li> </ul>	<ul style="list-style-type: none"> <li>• Silver production</li> <li>• Financing for new programs and development</li> </ul>
<b>Local Communities</b> (community-based organizations, local residents)	<ul style="list-style-type: none"> <li>• Meetings and ongoing communication</li> <li>• Participation and volunteering in local events</li> <li>• External Grievance Mechanism</li> </ul>	<ul style="list-style-type: none"> <li>• Local hiring</li> <li>• Impacts on and relations with nearby communities</li> <li>• Environmental impacts (e.g., tailings, dust)</li> <li>• Local economic development</li> </ul>	<ul style="list-style-type: none"> <li>• Emergency preparedness plans</li> <li>• Social closure plan</li> <li>• Community safety</li> <li>• Educational opportunities</li> </ul>
<b>Suppliers</b>	<ul style="list-style-type: none"> <li>• Request for proposal process</li> <li>• Meetings and ongoing communication</li> <li>• Contractual agreements</li> <li>• External Grievance Mechanism</li> </ul>	<ul style="list-style-type: none"> <li>• Local procurement</li> <li>• Fair procurement and purchasing process</li> </ul>	<ul style="list-style-type: none"> <li>• Communication and transparency</li> </ul>
<b>Customers/Buyers</b>	<ul style="list-style-type: none"> <li>• Meetings and ongoing communication</li> </ul>	<ul style="list-style-type: none"> <li>• Pricing and value of raw materials</li> <li>• Quality of resources</li> </ul>	<ul style="list-style-type: none"> <li>• Processing delays</li> <li>• Satisfy market needs (silver production)</li> </ul>
<b>Governments and Regulators</b> (in Mexico, Canada)	<ul style="list-style-type: none"> <li>• Meetings and ongoing communication</li> <li>• Participation in public consultations</li> </ul>	<ul style="list-style-type: none"> <li>• Local hiring</li> <li>• Operating permits</li> <li>• Compliance with environmental laws</li> <li>• Impacts on nearby communities</li> </ul>	<ul style="list-style-type: none"> <li>• Local economic development</li> <li>• Development of new mines (El Compas, Terronera)</li> <li>• Collaboration</li> <li>• Communication and transparency</li> </ul>
<b>Industry Associations</b>	<ul style="list-style-type: none"> <li>• Memberships</li> <li>• Participation in conferences, forums</li> </ul>	<ul style="list-style-type: none"> <li>• Evolving business and market needs</li> <li>• Regulatory environment</li> </ul>	<ul style="list-style-type: none"> <li>• Environmental impacts</li> <li>• Worker and community safety</li> </ul>
<b>Other</b> (Non-governmental organizations, media)	<ul style="list-style-type: none"> <li>• Briefings and discussions</li> <li>• Participation in conferences, forums</li> <li>• Press releases</li> </ul>	<ul style="list-style-type: none"> <li>• Environment and climate change</li> <li>• Community safety</li> <li>• Human rights</li> </ul>	

# Material Topics: What Matters Most

**Our material topics – the areas of greatest interest and impact to our stakeholders – shape our sustainability strategy and inform the content of this report.**

Every two years, we undertake a materiality assessment in which we survey our main stakeholders. Conducted by an external consultant, the purpose of this process is to identify the current social, economic and environmental topics of highest importance across our whole value chain. These insights, in turn, help us focus our sustainability efforts, set goals and metrics, and allocate resources.

During 2017, we commissioned a new materiality assessment. Using a structured process guided by the GRI guidelines, our aim was to be inclusive and comprehensive so that we captured the views of a wide range of our stakeholders.

While we consider a broader pool of stakeholders important, we give top priority to our people, our shareholders and local communities near our operations.

- First, through stakeholder interviews, surveys and workshops as well as research into industry trends and emerging issues, we identified over 20 topics of relevance.
- Second, through internal discussions and analysis we combined some of the topics and prioritized them in terms of significance to stakeholders and our business.
- Third, the Sustainability Committee reviewed and validated the findings.
- The outcome of this process was a list of the 12 most material topics.

This report discloses our approach to managing and addressing these issues.

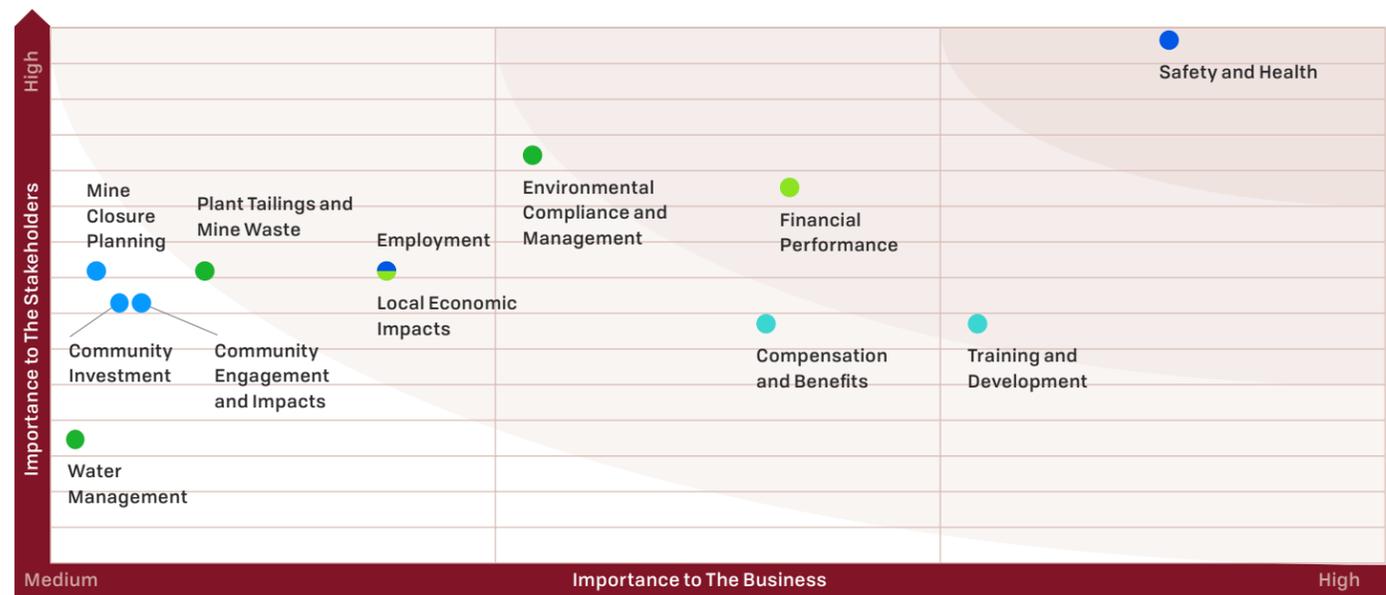
Through an internal and external consultation process, we also weighted the issues and ranked them according to levels of priority. This helps us shortlist the issues that require our efforts in order to manage our shared top priorities. The Materiality Matrix below represents the results of our 2017 assessment.

There were certain topics that stakeholders did not rate as highly significant, but are considered of relevance in our industry. These topics include biodiversity, energy emissions and climate change. We provide coverage to these topics in our report.

## MAPPING MATERIAL TOPICS TO OUR FIVE SUSTAINABILITY PILLARS



## MATERIALITY MATRIX 2017



### 2017 Materiality Assessment: Who We Consulted

#### External Stakeholders

- **Local communities**  
(Guanaceví, Ejido del Hacho, El Cubo, Rosa de Castilla, Llanos de Santa Ana, Mineral de la Luz, Ejido San Pedro de los Pinos)
- **State/federal government**  
(IMSS, STPS, PROFEPA, CONANP)
- **Municipal governments**  
(Guanaceví, Guanajuato, Zacatecas, San Sebastián del Oeste)

- **Religious representatives**  
(El Cubo and La Luz)
- **Suppliers and contractors**  
(Sandvick, CAHECOMI, GOGHI, COMINVI, local stores)
- **Union**  
(El Cubo, Bolañitos/Compas)
- **Investors and analysts**

#### Type of Consultation

- **4 workshops with 73 participants:**
  - Vancouver (7)
  - Guanaceví (18)
  - Bolañitos (24)
  - El Cubo (24)
- **4 interviews with El Compas staff**
- **35 external stakeholder interviews**
  - Vancouver (3)
  - Guanaceví (8)
  - Guanajuato (16)
  - Compas (5)
  - Terronera (3)
- **130 employee surveys completed**

# Sustainability Scorecard

The following tables summarize our sustainability performance against our 2017 priorities, and include goals for 2018. For more results, refer to the relevant section in this report.

- Achieved
- ◐ Partially Achieved/More Work Needed
- Not Achieved

2017 Priorities	2017 Results	2018 Priorities
<b>GOVERNANCE</b> 		
Incorporate human rights in a more comprehensive way in the Code of Business Conduct and Ethics.	● Reviewed external human rights policies as examples and incorporated new text in the Code addressing human rights	N/A
<b>SAFETY &amp; HEALTH</b> 		
Zero fatalities	○ Regrettably, there was one fatality at our El Cubo mine. Additional steps have been taken to strengthen safety measures.	Zero fatalities
Reduce reportable injury frequency rate by 10%	● Reduced by 20%	Reduce reportable injury frequency rate by 10%
Expand the safety and health management system in all sites	● Implemented in all three operating mines	Incorporate our Guanaceví and Bolañitos sites in the self-management safety program (Programa de Autogestión) from the Ministry of Labour
Standardize, disseminate and apply all safety and health procedures across three sites	◐ Approximately 500 procedures were updated or developed, and these are in the process of being implemented	Implement the updated procedures at all three sites
Improve and standardize safety and health module for induction training	○ Postponed due to other priorities	N/A
Introduce and implement the Visible Felt Leadership Program	● Successfully implemented at all operating mines	N/A
<b>OUR PEOPLE</b> 		
Provide an average of 35 hours of training per employee	● 52 hours	Provide an average of 50 hours of training per employee
Reduce turnover rate by 10%	● Reduced by 14%	Reduce turnover rate by 15%
Implement the Internal Grievance Mechanism	● Successfully implemented at all operating mines	N/A
Standardize and improve the training orientation process at all three sites	○ Postponed due to other priorities	N/A
N/A	N/A	Implement management talent programs and update human resources policies and procedures

2017 Priorities	2017 Results	2018 Priorities
<b>COMMUNITY</b> 		
Implement Community Investment Policy ensuring that at least 50% of funding goes to actions related to education and employability	◐ 17% of the budget went to education and employability	<ul style="list-style-type: none"> <li>• Ensure that at least 50% of donations support our community investment priorities: education and employability</li> <li>• Identify best mechanism for channeling funding to support education programs in Mexico</li> </ul>
Continue to advance social mine closure plans in alignment with the strategic objectives of the Community Investment Policy	◐ Partially achieved by supporting employability training for employees and community members. We have more work to do to identify and build robust requirements into our closure planning (e.g., through consultations and reviewing best practices).	<ul style="list-style-type: none"> <li>• Update Environmental Mine Closure Plan and add formal social component</li> <li>• Conduct social impact assessment in Terronera</li> </ul>
Implement the External Grievance Mechanism	● Successfully implemented at all operating mines	Receive, assess and respond to, in a timely and respectful manner, complaints raised by community stakeholders through the External Grievance Mechanism
<b>ENVIRONMENT</b> 		
Carry out the Environmental Audit Program by PROFEPA, to apply for the 'Clean Industry' certification in Guanaceví and El Cubo	○ Postponed to 2018	Participate in the Environmental Audit Program carried out by PROFEPA, in order to apply for the Clean Industry certification for each of our three producing mines
Zero spills	● No spills	Zero spills
Reduce the fresh water intensity by 5% (amount of fresh water used by tonne of processed material)	● Reduced by 30%	Maintain fresh water intensity in the range of 0.2 and 0.25 (amount of fresh water used by tonne of processed material)
Source 5% of our overall energy from green energy	○ Postponed to 2018	Same. The CFE (energy utility) will be providing certifications for all their users ensuring that at least 5% of energy consumed is from green energy
<b>ECONOMIC PERFORMANCE</b> 		
All-in sustaining costs (AISC) of less than \$15.00/oz	○ \$16.96	All-in sustaining costs (AISC), net of gold by-product credits, in the range of \$15-16/oz
Consolidated direct costs less than or equal to \$72/tonne	○ \$82.36	Consolidated direct costs in the range of \$80-85/tonne
Review supply chain policies and procedures to integrate sustainability principles	● Developed new procurement manual to reflect increased emphasis on sustainability criteria, and tested its effectiveness through pilot evaluation with one supplier	Roll-out the new sustainable procurement criteria and evaluate at least four suppliers or contractors based on those procedures
N/A	N/A	• Cash costs, net of gold by-product credits, in the range of \$6-7 per ounce
N/A	N/A	• Finalize Terronera studies and obtain financing



We Are All Connected

# Safety & Health

Depend on It

Keeping our people – the bedrock of our business – safe and healthy is our highest priority as a responsible mining company. The Company’s wellbeing is directly connected to our employees’ wellbeing, both today and for the long-term.

**MATERIAL TOPICS IN THIS SECTION**

SAFETY AND HEALTH ..... 33



# Safety & Health

## WHY IT MATTERS

Our sustainability in the mining business hinges on having a safe work environment and a healthy workforce. Minimizing the risks of both acute incidents and long-term health impacts are critical to making our employees and contractors feel safe, confident and more productive on the job. The need for continuous attention to safety is particularly important in our industry, as all forms of mining, especially underground mines, involve safety hazards and health risks by nature.

## MANAGEMENT APPROACH

### Safety Practices

Our goal is a workplace free from fatalities and lost-time accidents, and we work hard to ensure our safety practices are both effective and constantly improving. To achieve this, we have a number of initiatives in place. For example, we:

- Maintain rigorous safety procedures, controls and standards, as summarized in Endeavour's Safety and Health Policy.
- Provide personal protective equipment and safety signage, continuously monitor air quality to ensure good ventilation and, to prevent rock falls and cave-ins, support broken ground with steel sets and shotcrete.
- Conduct frequent safety inspections and audits across our mining sites, to find and address potential hazards before injuries occur.
- Strive to understand the underlying causes of workplace injuries to ensure we focus on the right safety measures.

### Employee Engagement

Employee engagement is imperative to safe behaviour and creating a safe work environment. As part of having a strong safety culture, we believe and communicate that safety is everyone's responsibility and we work in partnership with our people to continually educate them and reinforce the importance of working safely.

Prior to starting work at Endeavour, all employees and contractors participate in a three-day induction program that has a major focus on workplace safety and their responsibility in ensuring safety for all. We also provide continuous training and hands-on discussions about safety equipment, key steps in performing a task and how to recognize and resolve potential safety concerns.

### Health and Wellness

We care about the broader health and wellness of our people, and we work hard to prevent illnesses that can result from mining activities. Occupational health risks include exposure to noise, dust, emissions and gases. Among our wellness efforts, we support various initiatives including:

- Monitoring drug and alcohol levels to ensure there are no impaired workers
- Monitoring bio-markers (lead-in-blood and other blood chemistry) of our employees who work in labs or smelting facilities (twice per year), as well as monitor specific health indicators for all employees relating to organ function or other aspects of work-related health such as lower back testing
- Maintaining a doctor onsite at each mine to care for workers' health needs
- Providing medical exams for employees at all three operating mines, holding regular vaccination campaigns and offering lung screening, prostate tests, cholesterol checks and other types of health screening

- Running health campaigns to promote health awareness and healthy lifestyles
- Monitoring each site to prevent exposure to chemical and physical hazards, and maintaining special procedures for handling hazardous materials such as cyanide

### Oversight

We have a safety coordinator plus safety managers at each of our three operating mines. Additionally, there are safety committees/groups at each site dedicated to activities such as safety talks, suggestions and reminders, mine rescue, aboveground emergencies and operational discipline. Endeavour's Safety and Hygiene Commission, mandated by Mexican law, meets regularly to audit facilities for safety and health, identify areas of opportunity or concern, and devise a timely and appropriate follow-up plan for any issues.

### Emergency Preparedness

Each of our operations has emergency response plans and teams in place for our mines. All of our employees and contractors receive basic first aid training as part of the new hire/induction process. We also have emergency preparedness plans for handling hazards such as spills or any other type of hazardous substance.

In certain cases, employees are trained as responders for emergency situations in nearby communities – see the case study on page 36 of our volunteers assisting rescue efforts following the earthquake in central Mexico last fall.

**Our goal is a workplace free from fatalities and lost-time accidents**

Miners, Bolañitos

 [Dig Deeper Online](#)  
[Safety and Health Policy](#)



## OUR PERFORMANCE IN 2017

- We achieved a 20% decrease in the reportable injury frequency rate and the lost time injury frequency rate (for both employees and contractors). Among the contributing factors, we launched the Visible Felt Leadership Program to enhance the safety skills of leaders and supervisors at each site. Through the program, they learn to lead by example, set top safety standards and expectations for their teams, and take accountability for providing safety coaching as part of their job.

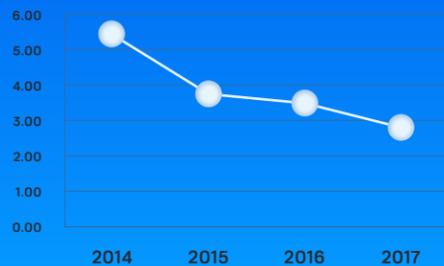
- The reduction in injuries is also attributable to stronger safety strategies informed by worker feedback, improved monitoring of critical programs and greater follow-up on safety inspections and audits.
- The top three types of injuries across our sites were related to rock falls, driving accidents (surface and underground) and slips while carrying equipment.

- Approximately 34% (515 employees) of our total on-site workforce participated in various safety committees, up from 30% from 2016. These formal, joint management-worker committees represent our entire workforce.
- In 2017, more than 300 people were trained in emergency response and mine rescue.

# 49% Reduction

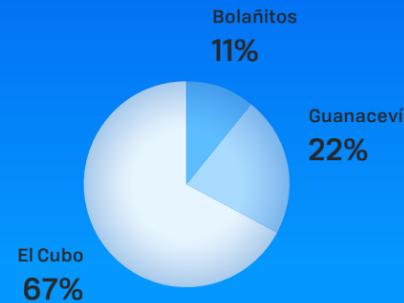
in reported safety incidents over the past four years

Reportable Injury Frequency Rate



Reportable injury rate is calculated as total number of recordable injuries (including fatalities, lost time injury, restricted work and medical treatment injury) x 200,000 hours/total worked hours

Reportable Injuries per Site



While our safety performance improved last year, we did not achieve our goal of zero fatalities. Tragically, one of our employees, Eduardo Lozano Rodriguez, died last October at our El Cubo mine when he entered a restricted area with low oxygen levels. This area was marked by signage and barricaded, and had been discussed with employees, but these actions were not sufficient. We investigated the accident and took immediate actions, including improving barriers and signage around areas deemed dangerous, redelivering training on dangerous gases and how to identify risk situations, and strengthening our communication procedures.

The accident underscores ongoing safety challenges we face at our El Cubo

mine, where the majority (67%) of total reportable accidents occurred last year. There are a number of contributing factors:

- A pre-existing union agreement that stipulates different protocols for dealing with injuries and illnesses, which we have been bound by.
- An incentive-based payment system, resulting in the workers' bonus not being tied to safety, which is currently being revised.
- A lack of a general manager for four years due to the challenge of finding a suitable candidate. A new general manager started in November 2017, whose focus is on improving the safety culture at the mine.

At our Bolañitos mine, one employee reported two types of occupational illness (lung disease and hearing loss). He had been diagnosed with these prior to joining Endeavour, but at a lower level of damage. His conditions worsened, making him unable to continue working in the mine. He was offered a position outside the mine, so he was able to remain employed. While we make all possible efforts to avoid occupational illnesses, several local miners have health conditions that existed prior to their employment with Endeavour. Their health conditions are often the result of having worked many years in Mexico's mining industry, including at a time when safety and health standards were not as robust as today.

# Endeavour Aids Rescue Effort Following Mexican Earthquake



Paola Mares visit en @Alvaro Obregón (Ciudad de México) 25 de septiembre a las 17:25 · Instagram · @...  
Ellos son Los Lobos RESCATISTAS MINEROS de Endeavour Silver Corp. El Cubo y Bolañitos GRACIAS por trabajar día y noche sin descansar por asegurar su vida por los nuestros aún sin conocerlos. Gracias por su vocación, por su dedicación, por enseñarnos que los ángeles están siempre entre nosotros. Gracias por su entrega y la pasión con la que nos ayudan MÉXICO ESTÁ Y ESTARÁ SIEMPRE. AGRADECIDOS DE CORAZÓN CON USTEDES! #FuerzaMexico #HéroesMexicanos

Paola Mares, who met Endeavour's volunteer rescue team in the aftermath of the earthquake, posted this on Instagram.

"These are 'Los Lobos', mine rescue team from Endeavour Silver Corp, El Cubo and Bolañitos! THANKS for working day and night with no rest, for risking your life for our people without even knowing them. Thanks for your dedication, for your training, for teaching us that there are always angels amongst us. Thanks for your commitment and passion to help us. MEXICO IS AND WILL ALWAYS BE GRATEFUL TO YOU."

Last September, a devastating earthquake hit central Mexico, causing destruction in Greater Mexico City and surrounding states. More than 300 people died and hundreds of buildings, homes and other structures were destroyed or damaged.

As the area began assessing and cleaning up the damage, Endeavour immediately sent 12 members of our mine rescue team to Mexico City to support crucial rescue efforts, working in collaboration with Civil Protection, the Ministry of Defense and the Marine Army to save people from the debris. After hours spent training for the unexpected

as part of Endeavour's emergency preparedness programs, this team rallied into community service to assist affected people.

In addition, Endeavour donated 2 million pesos (USD \$106,000) through the Carlos Slim Foundation to assist with the recovery effort. This funding helped the Foundation meet critical human needs for those impacted by the earthquake, as well as support community rebuilding and the protection of cultural buildings.

## \$100,000+

donated by Endeavour Silver to help the recovery effort

### → 2018 PRIORITIES

- Zero fatalities
- Achieve 10% reduction in the Reportable Injury Rate Frequency
- Incorporate our Guanaceví and Bolañitos sites in the self-management safety program (Programa de Autogestión) from the Ministry of Labour
- Implement the updated procedures at all three sites



We Are All Connected

# Our People

Depend on It

We are committed to being a great employer who stands out in the mining industry for our positive values, performance-driven culture, competitive rewards and self-development opportunities. By doing so, we aim to attract and inspire the best team possible to manage and grow our business.

#### MATERIAL TOPICS IN THIS SECTION

EMPLOYMENT .....	39
TRAINING AND DEVELOPMENT .....	41
COMPENSATION AND BENEFITS .....	43



# Employment

## WHY IT MATTERS

We consider our people to be our most precious resource. Therefore it's essential that we recruit and retain high-quality people who propagate our culture and who reflect our values in the Mexican communities where we conduct our exploration, development and mining activities.

## MANAGEMENT APPROACH

Our goal is to foster a work environment where people are valued and respected, where they take pride in and ownership of the Company and feel inspired to contribute their best.

### Open-door Policy

We are committed to engaging employees by shaping a positive workplace culture. By promoting an 'open-door policy', we seek employee feedback on a range of topics, and address any complaints about our activities through our Internal Grievance Mechanism for employees and contractors.

### Local Hiring

We prioritize local hiring and training people from communities near our mining activities. This helps us build our pool of mining talent, strengthen community and employee relationships, and create economic benefits to the surrounding population.

### Diversity and Inclusion

Diversity, inclusion and equal opportunity are important values to us. We believe a diverse workforce provides a broader range of skills, experiences and ideas to keep our company strong and progressive.

### Freedom of Association

We support freedom of association and have collective bargaining contracts with two union groups: one for our El Cubo mine and the other for Guanaceví and Bolañitos. We have positive relationships with both unions and have been able to negotiate contract renewals through effective collaboration.

Plant, Bolañitos

# 14%

reduction in turnover rate

## OUR PERFORMANCE IN 2017

- As of December 31, 2017, we employed 1,624 people, down slightly from 1,641 the previous year due to a staff reduction at our Guanaceví mine. We also contracted 1,155 people in Mexico, an increase from 878 in 2016. Contractors were primarily involved in new mine development and civil engineering works.
- We believe that a commitment to being an attractive employer contributes to engagement and retention, which is why we're pleased that turnover decreased by 14%, from 26.8% in 2016 to 23.1% in 2017. Our cumulative absentee rate also dropped to 2.4% from 2.56% in 2016.
- This past year we fully implemented our new Internal Grievance Mechanism for employees and contractors, and received a total of 88 suggestions and/or complaints across our three producing mines. The top matters raised were related to safety issues at two mines and issues with the transport service for workers (delays, technical failures, limited pick up spots). All of these complaints were addressed with follow-up actions. While we received positive employee feedback about the new grievance mechanism, we realize that more work needs to be done to make employees and contractors feel comfortable using it.

In 2017, we maintained our representation of women at 11.1%. Our ratio of women to men remains lower than international averages for mining operations, although this is not unusual in Latin America or for underground mines. The majority of our female employees work in surface operations and administration positions.

As of December 2017, 75% of our employees had union representation - same as the previous year. There were no strikes, lock-outs or work stoppages at any of our sites in 2017.

## 2017 Workforce Snapshot



# 99%

On-site Personnel from Mexico



# 75%

Unionized Employees



# 84%

Senior Management Is from Mexico

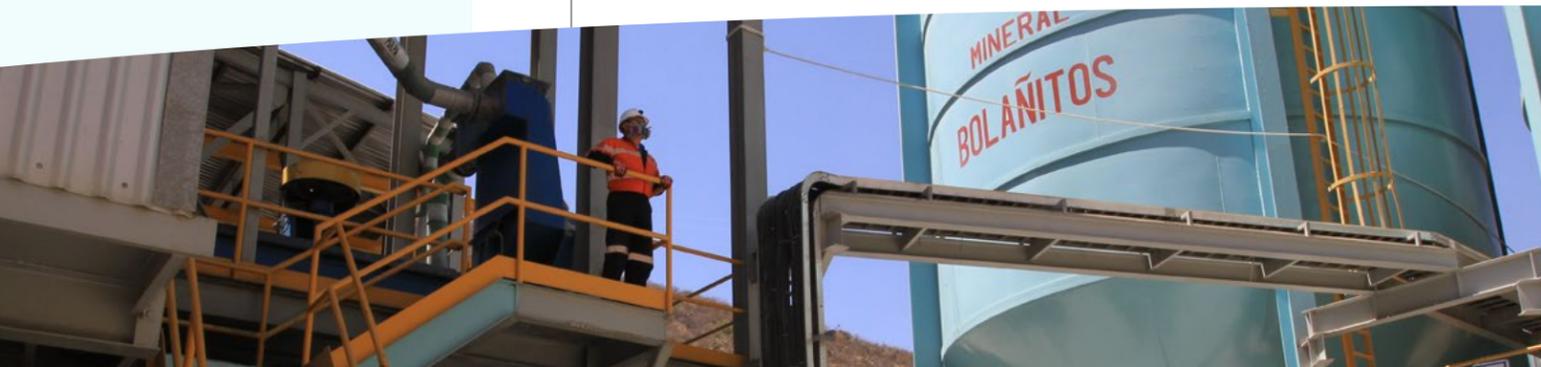


# 11.1%

Women Employees

## → 2018 PRIORITIES

- Reduce turnover rate by 15%





# Training & Development

## WHY IT MATTERS

A highly skilled and motivated workforce is fundamental to our business success, which emphasizes the importance of finding the right people and investing in their training and development.

## MANAGEMENT APPROACH

We value our people and invest in developing their capabilities. Employees receive ongoing training to do their jobs effectively and safely, and we focus on improving and certifying functional skills. Our Regional Training Coordinator in Mexico oversees training programs for all three sites, with a long-term goal of increasing overall skill sets, certification levels and lifelong employability.

### Induction Program

Every new employee and contractor participates in a three-day induction program in which they are educated on:

- Endeavour's vision, mission and policies, including our Code of Business Conduct and Ethics
- Our focus on safety in the workplace
- Union relationships and representation
- Social and environmental responsibility

Similar training is also provided to consultants or visitors at sites.

### Opportunities for Development

We offer opportunities for professional and personal development, including funding support for external learning. External institutions are invited and hired to provide education on specific topics; for example, the State Human Rights Commission has provided training for our security forces (see page 24).

### Performance Evaluation

As part of the annual performance evaluation process, employees and their direct supervisors work together to review performance results, and set personal objectives for the year ahead.

Over the past few years, we have improved and standardized our performance evaluation process for managers and heads of departments at sites, to ensure that our objectives are 'SMART' (specific, measurable, attainable, relevant and time-bound) and people take ownership of their goals. This is an ongoing effort and we plan to expand to all levels within the organization. The process has helped people focus their efforts and collaborate with colleagues from other areas, while being aligned to corporate growth plans and strategy. Bonuses for managers are paid based on three aspects: corporate objectives, site objectives and personal objectives.

## OUR PERFORMANCE IN 2017

- We delivered 100,664 hours of training in 2017, up from 68,079 in 2016, marking a 48% increase in learning activities. About 70% of the total training hours was focused on safety and mine rescue, highlighting the importance we attach to it.
- On average, each employee received 52 hours of training, exceeding our goal of 35 hours. This was the result of a New Training Program introduced in 2017.
- We provided an average of 23 training hours per contractor, up from 16 hours in 2016.

### New Training Program

In 2017, we launched a new training program that consolidates and expands on our existing training for employees, based on three strategic themes.

-  **People** Fosters the development of non-technical, 'soft skills' such as team building and time management
-  **Production** Focus on building technical capacities and mastering operational processes
-  **Safety** Focus on building a high standards safety culture based on accident prevention, the ability to respond to emergencies and compliance with Mexican laws related to safety

### Total Training Hours



### Average Training Hours per Employee by Site and Gender



## 2018 PRIORITIES

- Provide an average of 50 hours of training per employee



### CASE STUDY

## Certification Program

Since 2015, we have participated in an employee certification program run by the Ministry of Labour and the Ministry of Sustainable Development in the State of Guanajuato. The program recognizes the skills people have mastered through hands-on experience, but lack formal education on.

In 2017, we supported 40 people from our two production mines in Guanajuato to obtain certification through this program – our largest group in the past three years.

José Genaro Rodríguez, a Jackleg operator, who has worked at our Bolañitos site for the past nine years, was one of the first people to be certified through the program. José is now one of the program evaluators.

*"I feel that though I had lots of practical experience, through this program I was able to learn technical knowledge I didn't have before. I have improved my job performance by using the new knowledge acquired."*

José Genaro Rodríguez



# Compensation & Benefits

## WHY IT MATTERS

Employees care about their compensation and want to feel valued for their contributions to the company. We believe that rewarding people through a well-designed compensation and benefits program enhances our ability to attract, retain and motivate talented and loyal employees. This is especially relevant in a country such as Mexico, which has a large, active mining sector, thereby making the labour market for qualified workers very competitive.

## MANAGEMENT APPROACH

### Competitive Rewards

As part of our commitment to be an employer of choice, we offer competitive wages and benefits, as well as safety and production bonuses. We also offer a remote location bonus for workers at our Guanaceví mine, the most remote of our sites, where longer commute times make recruiting and retention an ongoing challenge.

For our Non-Union employees we consider different factors such as results achieved during the year, market salary analysis and internal equity to determine a competitive salary. They are also entitled to either production bonus that is paid on a monthly basis or an annual bonus that considers production and individual results.

Union employees are regulated by the annual wage increase negotiated with the union and they can also earn bonuses for achieving production and safety goals.

### Pay Equity and Benchmarking

Men and women receive the same starting remuneration for the same position at all of our operations, as well as the same bonus for positions that are eligible. Every year we participate in an annual survey organized by the Mexican Chamber of Mining (CAMIMEX) to ensure that our compensation packages and salaries are competitive regardless of work location. The survey is conducted by an external consulting firm and includes data from 36 mining companies operating in Mexico.

### Employee Benefits

Our employee benefits include public health care, life insurance, paid vacation days and savings fund contributions. Non-union employees also get private medical fund insurance. In Mexico, a certain suite of benefits is mandatory by law, including a retirement savings plan called AFORE, in which the employee, company and government contributions can total up to 11.8% (5.15% company, 1.125% employee and 5.525% government) of an employee's salary per year, to a maximum of 48,000 pesos (equivalent to approximately \$3,200 Canadian dollars).

Our commitment to gender equality includes equal pay for equal work.

**\$40.7M**

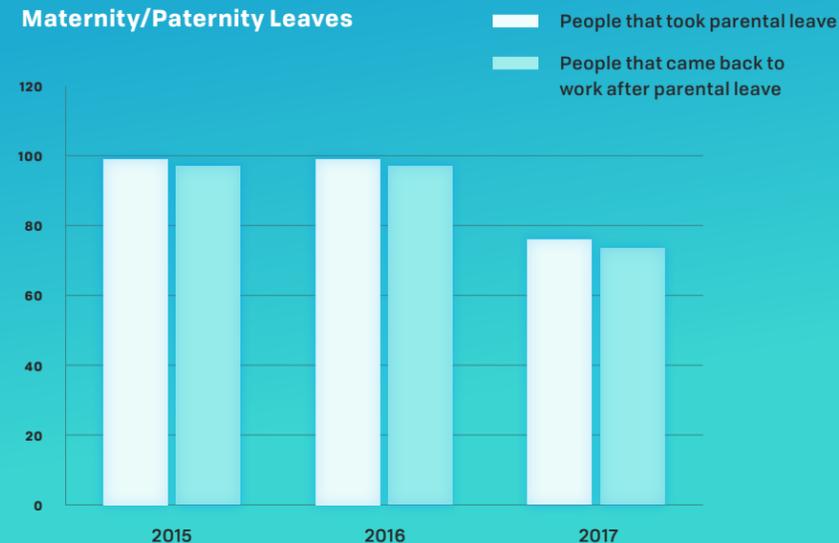
spent on employee wages and benefits in 2017

## OUR PERFORMANCE IN 2017

Total wages and benefits for our workforce in 2017 were \$40.7 million, slightly higher than in 2016 (\$39.7 million), as our workforce population remained similar to 2016.

- Our entire workforce in Mexico earned at least 60% more than the minimum salary mandated by local laws. At our corporate headquarters in Canada, we offer compensation and benefits in line with industry standards.
- While we tailor benefits at each of our mining sites to local needs, we strive to ensure employees across all of our operations have access to similar offerings. For that reason, we expanded medical coverage for major expenses to non-union employees in El Cubo, which brings them in line with our other sites.
- At our Guanaceví site, some employees expressed concern about everyone's bonuses being tied to overall production goals rather than personal production goals. A proposal is under discussion to change the bonus structure to a 50-50 split between both sets of goals.
- There were 76 employees who took maternity/paternity leave, of which 73 returned to work during the year, with the other three expected to return in 2018. Mexican law entitles women to three months off (45 days before delivery, 45 days after) and fathers to five days off.

### Maternity/Paternity Leaves



## 2018 PRIORITIES

- Implement management talent programs and update human resources policies and procedures





We Are All Connected

# Community

Depends on It

Our mining operations and development projects are all located in Mexico, and we are proud that 99% of our workforce is from Mexico. We believe that creating value for our nearby communities is essential to our business success.

We strive to be a respected partner by connecting with what matters most to community members. They look to Endeavour to help address important local issues like education and employability, while respecting their cultural interests and managing our impacts in an effective way.

#### MATERIAL TOPICS IN THIS SECTION

COMMUNITY ENGAGEMENT & IMPACTS .....	47
COMMUNITY INVESTMENT .....	50
MINE CLOSURE PLANNING .....	53



We aim to build good relations through open, honest and regular dialogue with our host communities.

# Community Engagement & Impacts

## WHY IT MATTERS

We recognize that open consultation and collaborative relationships along with sustainable management practices are the cornerstones of responsible business and good community relations. From exploration and development to operation and closure, working closely with local communities is crucial to build trust and support throughout the mining life cycle.

## MANAGEMENT APPROACH

Our goal is to address community priorities that align with our business objectives, to create shared benefits for the long term.

### Our Commitments

We are committed to supporting the local communities where we operate, building and maintaining positive relationships, providing avenues for dialogue, understanding and managing the social, environmental and economic impacts of our mining operations, and creating social benefits from our activities.

### Sustainability Issues

We have an external sustainability consultant who gathers stakeholder input to help identify and prioritize the issues that matter most to our business and to stakeholders. This process forms the backbone of our sustainability reporting.

### Managing Relationships

At each site, we have a community relations coordinator who regularly engages with community members to share information about the operation, assess local needs, listen and respond to feedback and complaints, and determine methods of supporting the community.

### Community Concerns

We recently adopted a more formalized process for addressing community concerns. Our new External Grievance Mechanism is designed to be a fair, accessible and transparent process, and was developed using the standards of the International Finance Corporation and the United Nations Guiding Principles on Business and Human Rights.

## OUR PERFORMANCE IN 2017

We fully implemented our External Grievance Mechanism, introduced in 2016, across our three production sites last year. Community members filed eleven complaints: three in Bolañitos, seven in El Cubo and one in Guanaceví. Of these grievances, nine were successfully resolved during the year while two are still outstanding. The opposite page highlights the main community concerns expressed at our operations in 2017 and our positions or actions in response.

Going forward, we aim to further promote the newly introduced process so community members are aware of it and know how to use it.

We also plan to enhance how we document and track complaints and ensure we properly respond to community feedback and grievances.

Community members are now using our grievance mechanism, helping us understand local concerns.

## → 2018 PRIORITIES

- Receive, assess and respond to, in a timely and respectful manner, complaints raised by community stakeholders through the External Grievance Mechanism
- Conduct a social impact assessment in Terronera

Festivities in Durango



Church at Mineral de la Luz



## EXTERNAL GRIEVANCE MECHANISM: 2017 HIGHLIGHTS

### EL CUBO

#### Issue or Concern

The community requested that Endeavour build an alternative road for its trucks, alleging that we damaged the existing road in front of the local health centre. A new road would also provide another pathway to citizens of Rosa de Castilla, who have no way in and out of their community beyond the same road our trucks are using.

#### Our Position/Response

The company has analyzed some options and will work with the community of Rosa de Castilla to build a road that responds to their needs in the short- and long-term.

#### Issue or Concern

Community members voiced concerns that dust generated in one of the tailings ponds is polluting local water tables.

In November, local media published a comment by a community member alleging that drinking water is being polluted, resulting in several government agencies getting involved to investigate.

#### Our Position/Response

While Endeavour has taken steps to resolve these concerns, as described below, a number of perceptions exist around the purpose and quality of the water tables in question. To clarify:

- These are not water wells, nor have they ever been considered fit for human consumption.

- These water tables are the result of groundwater seepages, which are naturally cloudy from the clay in the rock and have nothing to do with dust from our mine tailings.
- El Cubo's main source of water for domestic use (not drinking water) comes from the El Caolin dam a few kilometers away. Our subsidiary company, Compañía Minera El Cubo, pays for the operation and maintenance of the pumping system from the dam to the El Cubo community as a goodwill gesture.

At the request of the El Cubo Municipal Delegate, we built covers over three of the water seepages to protect them and we left a fourth seepage uncovered to allow cattle to drink. In addition, we covered the tailings dam section to better control dust in the dry season, and we are investing in infrastructure and collaborating with authorities to develop water sources for the El Cubo community.

We sample our plant and tailings waters every six months and run certified lab tests approved by PROFEPA that consistently show no contaminants. We also sample the seepage waters and they also show no contaminants. The water authority (CNA) also did their own testing, confirming both the accuracy of our information (no anomalies) and that the water tables are not for human consumption. In 2018, we will be working with the water utility (SIMPAG) to provide a temporary water treatment plant while a longer-term solution is found with the community.

### BOLAÑITOS

#### Issue or Concern

Community members expressed concern that mine detonations may be causing damage (cracks) to local homes.

#### Our Position/Response

We investigated these concerns and found that cracks in home walls predated our mining activity near the town of La Luz. Evidence obtained through seismic testing and ongoing monitoring confirmed that our mine detonations are not responsible for damaging homes. External parties have also issued reports verifying that there is no correlation between our mining activities and cracks in the homes. Government authorities are now conducting their own investigation into a formal claim filed in 2015, and we hope to have a final resolution in 2018.

### GUANACEVÍ

#### Issue or Concern

The local ejido (people who live on and manage communal land) requested payment for damage to some trees and land caused by a contractor who was not clear on the company's boundaries of operation.

#### Our Position/Response

In consultation with the ejido, we agreed to pay for certain damages and to renew our 10-year contract with them. We also implemented better guidelines and protocols for contractors to ensure this doesn't happen again.

# Community Investment

## WHY IT MATTERS

Giving back to local communities where we have impacts is not just responsible business – it is smart business. It's about contributing resources to help create thriving communities on which our operations depend. After all, these areas are where nearly all our workforce live, and we rely on the local infrastructure and lands.

On the ground in these communities, we have a first-hand view of persistent challenges that may limit their wellbeing – such as a lack of government services or viable infrastructure, economic and educational constraints, and unemployment. Progress on such issues depends upon the active, coordinated efforts of the private, public and non-profit sectors working towards common goals and better outcomes for all involved.

## MANAGEMENT APPROACH

Our aim is to achieve social and economic results that create real value for host communities, even after mining ceases. We work with community members to understand their needs and align our support to make a positive impact.

### Priority Areas

To guide our community investments in Mexico, we consulted with community members and identified two priority areas: education and employability. This was part of a comprehensive social assessment we undertook in 2016 that involved workshops, surveys and the participation of 10% of community members where we operate.

### Other Support

We also support initiatives related to health and infrastructure for public services such as drinking water, waste management, road maintenance and recreational spaces, as well as community cultural and religious events.

### Community Investment Policy

Our Community Investment Policy sets out our funding priorities and the criteria we use when evaluating projects and initiatives. Each mine and office has an annual budget for community investment initiatives, and decisions are made in cooperation with the community relations teams, taking into account local needs and requests.



[Dig Deeper Online](#)  
[Community Investment Policy](#)

# \$510,000+

contributed to strengthen communities in 2017



Students, Bolañitos

## Our Focus Areas

### Education

Scholarships, school facilities, teaching materials, etc.

### Employability

Trade workshops, skills training, support for small businesses, etc.

### Other Support

### Health & Infrastructure

In collaboration with communities or government

## OUR PERFORMANCE IN 2017

- In 2017, we donated a total of \$517,000 across Mexico (53%) and Canada (47%). This is up significantly from \$192,000 donated the previous year due to several large donations made in both countries, including \$106,000 for crisis relief efforts following the earthquake that hit central Mexico last fall (see case study on page 36).
- In Mexico, we contributed \$276,000 to support local communities. Our investment in our two priority areas of education and employability represented 17% of our total contribution in Mexico, falling short of our 2017 target of at least 50%. We attribute this to being the first year executing our new Community Investment Policy; it will take some time to reallocate our community investment budget. The majority of the budget was spent meeting community requests to support cultural and religious events, which are a big part of the identity in these communities.
- We funded several infrastructure projects to improve public services in our host communities.
  - In Bolañitos, the main project was the construction of a road to make it safer for kids to go to school. Other projects included materials for maintenance of the community church, pump equipment for water supply, road maintenance, safety cameras around the church, water supply for the community health centre, and waste collection from the community.
  - In El Cubo, we provided support to construct a sports court at an elementary school, rehabilitated two bridges damaged by rain and improved two main roads to Guanajuato. We strengthened barriers around wells to prevent animals from coming into those water sources, enhanced a community sports court, provided materials for improvements in the community centre plaza and the church of Villalpando.

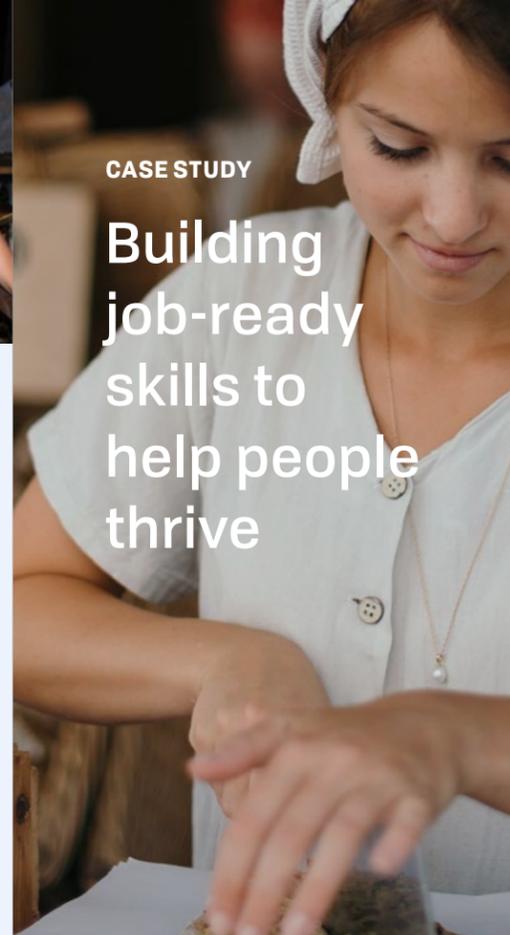


### RACING FOR THE COMMUNITY

For the third consecutive year, we hosted a mining race in the City of Guanajuato to promote sports in the community. The 2017 race was funded by Endeavour Silver and COMINVI, one of our contractors, and was organized in collaboration with the Municipal Commission for Sports and Youth Support. The fundraising initiative was a success, with Run4Life magazine awarding it the 'best short distance race' in the City of Guanajuato.

### CASE STUDY

## Building job-ready skills to help people thrive



At our El Cubo and Bolañitos sites, we hosted workshops involving a professional trainer from the Institute for Continuous Education of Adults, a government agency that helps adults prepare for the workforce or become self-employed.

Open to employees and local citizens, the workshops helped 147 participants (72 in El Cubo, 75 in Bolañitos) acquire new skills in bread and pastry making or hairstyling. As a result of the workshops, some people are already earning income from what they learned.

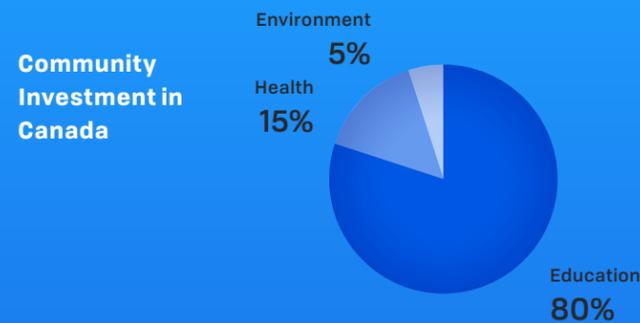
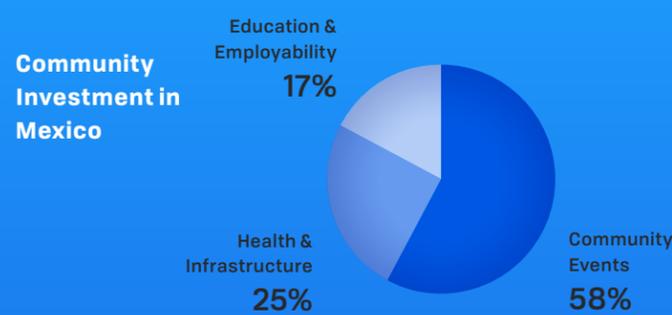
Aracely Morales Gutierrez, from Llanos de Santa Ana, was one of the participants who attended a 36-hour workshop on bread and pastry making. Before taking the course she was a housewife, and now makes and sells her own bread.

"I have appreciated this opportunity because it allows me to do something that I like, and have a bit of extra income for my family and myself."

Aracely Morales Gutierrez, resident of Llanos de Santa Ana

Close to **150** People

acquired new job skills through this program



### → 2018 PRIORITIES

- Ensure that at least 50% of donations support our community investment priorities: education and employability
- Identify the best mechanism for channeling funding to support education programs in Mexico

"My parents have worked really hard to support me in getting higher education, and this scholarship has meant less pressure for my dad to keep providing for my studies. It also has taken the pressure away for me to start working to help my parents".

Maria del Rosario Alfaro Villegas

## 50 Students

received scholarships to help realize their educational goals

In 2017, we launched a scholarship program through our Bolañitos site, to support students from nearby areas in pursuing their educational goals.

A total of 50 students were selected to receive the inaugural scholarships in 2017 (seven university students, 18 senior high school students and 25 junior high school students). The funding covers school registration, fees for uniforms or books, and other school-related expenses, including lunch or transport to school.

Without the scholarships, many of these students would not be continuing their studies due to cost. The program is helping young Mexicans and has been well received by the community.

Maria del Rosario Alfaro Villegas, from Lomas de Mesa Cuata, is a beneficiary of the program. She is using the support to earn a bachelor's degree in human capital management.

### CASE STUDY

## Endeavour scholarships remove financial barriers to education



In 2017,  
we helped  
employees  
and  
community  
members  
gain value-  
added job  
skills that will  
serve them  
well in the  
future.

# Mine Closure Planning

## WHY IT MATTERS

Our Mexican host communities have a vested interest in how we plan for mine closure and reclamation. Every mine has a finite life, so managing the effective closure of our mines is an integral part of our business responsibility. Leaving local lands in a state similar to or better than when we started mining is not just important to local people and governments; it's essential to our long-term viability and reputation as a sustainability-focused mining company.

## MANAGEMENT APPROACH

We aim to leave a positive legacy that will benefit our local communities after mining activities have ceased. For us that means considering the entire life cycle of the mines we operate. The major activities surrounding closure are land reclamation and rehabilitation, the decommissioning of buildings and mine facilities, and ongoing care and maintenance.

### Environmental aspects

At each site, we have an environmental mine closure plan that outlines how the affected lands will be rehabilitated and the costs associated with doing so. The plans were developed using guidance from the British Columbia Ministry of Energy and Mines and adhere to applicable Mexican environmental laws, including the requirement that tailings ponds be monitored for a certain period of time after closure to ensure they are stable and there is minimal risk of a tailings spill.

### Social and economic aspects

In addition to considering the environmental aspects associated with future closures, we are also sensitive to the social and economic impacts and are working to ensure our approach embodies these aspects as well.

### Forward thinking

Our approach is to reclaim disturbed land wherever possible while mining operations are under way, and well before closure; essentially, as soon as an area is no longer in use. All of our environmental mine closure plans are updated as needed to account for changes in the scope and footprint of our operations and adjust for anticipated costs for remediation or reclamation.

## OUR PERFORMANCE IN 2017

We continued to expand our approach to closure planning, with a focus last year on helping people improve their future employability so they can find other work options upon mine closure. Employability is one of the new strategic funding priorities of our Community Investment Policy. In this regard, we began shifting a larger percentage of our community investments to support people in gaining transferable or transportable skills.

Examples from 2017 included workshops for community members devoted to new career skills in cooking and hairstyling (see case study on page 52). In addition, our employees (who are largely community members) are increasing their knowledge in mining and safety and we are working to make sure this is recognized as formal education so that they have better possibilities of finding jobs somewhere else when our operations close (see case study on page 42).

## → 2018 PRIORITIES

- Update Environmental Mine Closure Plan and add a formal social component to it

We consider  
the entire  
life cycle of  
the mines we  
operate

Guanaceví tree planting campaign





We Are All Connected

# Environment

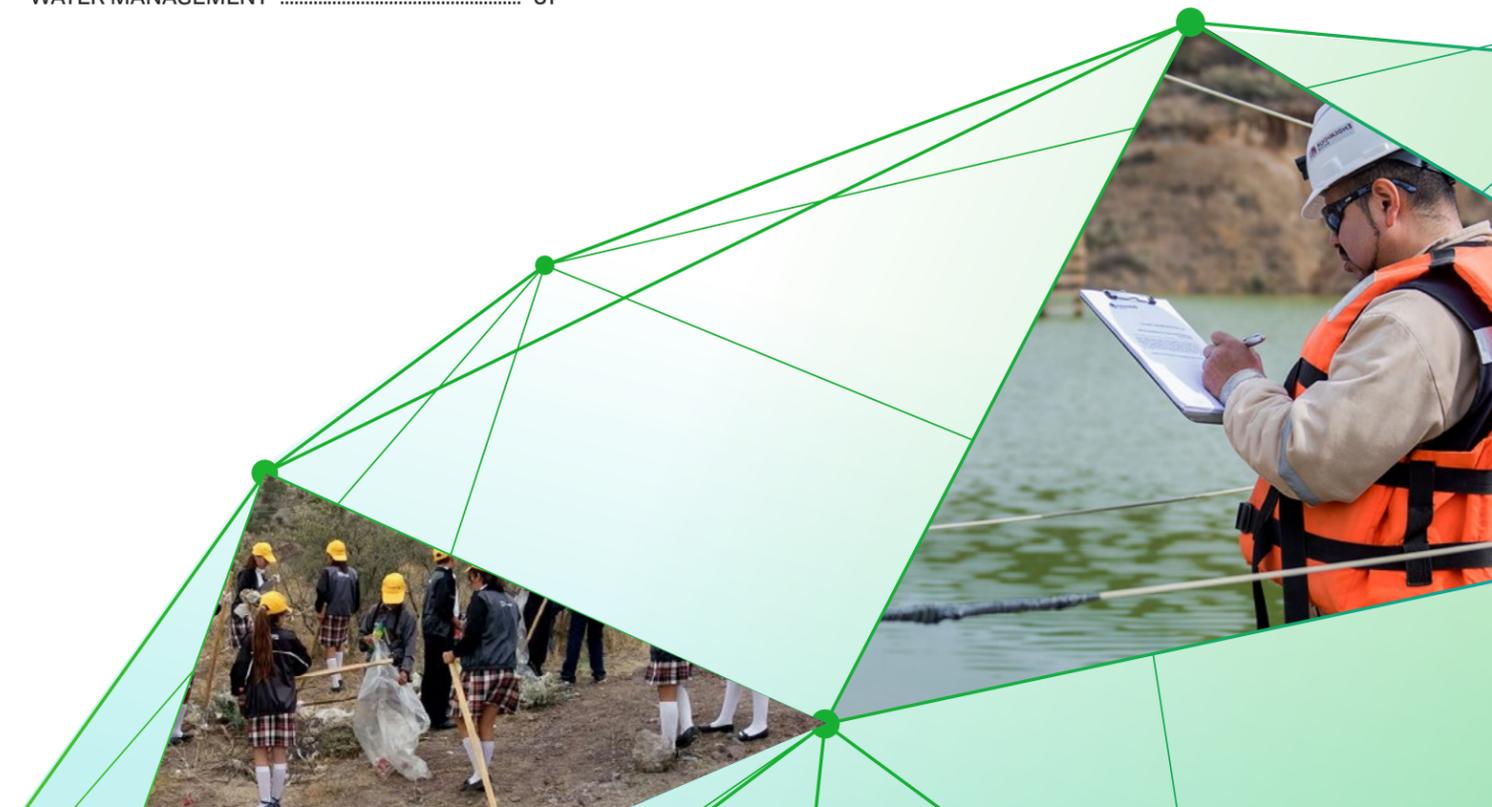
Depends on It

Nature and the environment connect people, communities and organizations, of both present and future generations. We recognize that environmental impacts generated by the mining industry are of concern to all of our stakeholders.

Since inception, we have focused on mining in an environmentally responsible manner – by managing and reducing our impacts, by working hard to meet or exceed environmental legislation, and by proactively embedding environmental thinking into our every day decision-making.

## MATERIAL TOPICS IN THIS SECTION

ENVIRONMENTAL COMPLIANCE & MANAGEMENT .....	57
PLANT TAILINGS AND MINE WASTE .....	59
WATER MANAGEMENT .....	61



# Environmental Compliance & Management

Terronera Property



## WHY IT MATTERS

Respecting the environment and the laws designed to protect it is integral to how we operate, our corporate reputation and the ecological health of our host communities. A good environmental track record, as well as compliance with local laws and international guidelines, are keys to gaining community support and a social license to operate.

As a mining company, we honour a broad and detailed range of requirements stipulated by environmental agencies and legislation in Mexico and Canada. In recent years, for example, as environmental concerns have increased around the world, environmental permitting for the resource sector has become more stringent and somewhat less predictable in terms of timelines.

## MANAGEMENT APPROACH

We are dedicated to understanding, managing and fulfilling our environmental goals and responsibilities. In both Mexico and Canada, we strive to meet and, where possible, exceed environmental laws, regulations and other requirements such as site permits to operate.

### Environmental Framework

To support our environmental compliance obligations and objectives, we have a comprehensive environmental framework in place, including environmental monitoring systems and controls at each site. Environmental risks are evaluated as part of our corporate risk management procedures. Senior management is involved in identifying and monitoring environmental risks, so that we can improve our performance.

### Environmental Policy

Our Environmental Policy articulates our commitment to environmental protection: to prevent or mitigate, as much as reasonably possible, the impacts of mining on the natural environment, improve the efficiency of our use of natural resources (e.g. land, water, energy), reduce waste, and increase waste recycling through effective, efficient improvements to our policies and practices.

### Oversight

The Regional Environmental Manager in Mexico oversees environmental matters at our mines. Each mine has an environmental coordinator who monitors day-to-day operations and helps facilitate the necessary permitting for our operations. Environmental matters are reported to management during our regular meetings. Our environmental group monitors environmental suppliers, to ensure their procedures and standards comply with government regulations and that they are aware of our environmental commitments and principles.

## OUR PERFORMANCE IN 2017

2017 was a challenging year in terms of environmental complaints:

- At El Cubo, a community complaint about dust blowing into a local water source from one of our tailings ponds triggered a visit from the Mexican environmental protection authority (PROFEPA). The agency did not find any evidence that tailings dust was blowing into a natural water seep, which is not and never was used as a fresh water source. However, an Environmental Impact Assessment had never been completed on that tailings pond because it preceded such legislation. As a result, in November PROFEPA suspended the operation of this tailings pond until the necessary assessment is completed and filed (accomplished in March 2018).
- The same issue exists at the El Cubo mine site as a whole. As this is an older mine, an Environmental Impact Assessment was not legally required when we initiated redevelopment there in 2012. Our environmental department has been working with the authorities to secure the necessary documentation and permits for the mine site as a whole and the tailings pond in particular (accomplished in March 2018). During the suspension of the tailings area, we redirected waste to a previously used tailings pond, which was rehabilitated to accommodate new tailings storage.
- At Bolañitos, we received new complaints that our blasting activities were causing cracks in house walls in the town of La Luz. We previously investigated such complaints and found the cracks to be old and the complaints to be unsubstantiated, but we completed additional studies to show authorities the veracity of our previous work.
- Additionally, we received one fine in 2017. In Bolañitos, we were fined 849,942.00 Mexican pesos (~US\$45,000) by PROFEPA because we had not conducted an Environmental Impact Assessment for one of the access ramps (Ramp 2100) in an area of historic mining disturbance adjacent to the plant. Although our understanding was that such new mine development was permitted in previously disturbed areas, we are undertaking the necessary assessment in 2018, and have made changes to ensure all legal requirements are met at all of our mines.

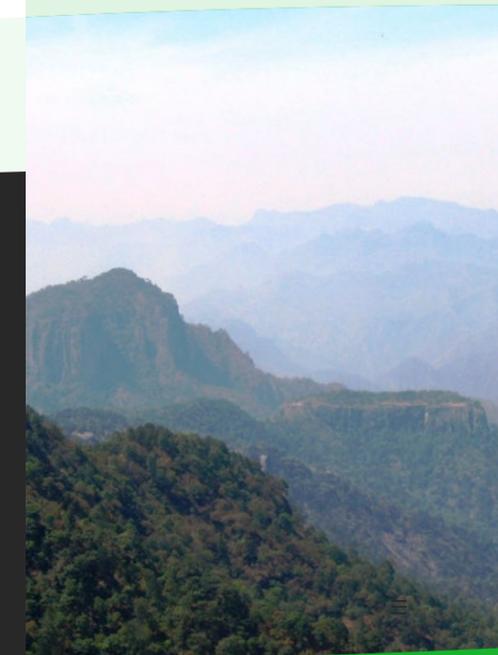
 [Dig Deeper Online Environmental Policy](#)

## \$1.49 MILLION ENVIRONMENTAL PROTECTION EXPENDITURES IN 2017, WHICH INCLUDED:

- Environmental studies, which included environmental impact assessments and permitting
- Transportation and final disposition for waste (hazardous, non-hazardous and special)
- Monitoring for water, waste, tailings, noise, gases and dust
- Projects, which include reforestation, rehabilitation or remediation works, signage and environmental education campaigns
- Tailings ponds works

## → 2018 PRIORITIES

- Participate in the Environmental Audit Program carried out by PROFEPA, in order to apply for the 'Clean Industry' certification for each of our three producing mines



# Plant Tailings & Mine Waste

## WHY IT MATTERS

Mine waste – and the integrity of plant tailings storage facilities – are issues of global environmental concern. Surface tailings can represent one of the most significant environmental risks of mining operations, leading to potential water and soil pollution if not properly managed. As a result of tailings issues worldwide, the Mexican environmental regulatory authority, PROFEPA, has increased its environmental monitoring, site visits and rigorous reviews.

## MANAGEMENT APPROACH

At each mining site, we have waste management systems in place that specify how the different types of waste produced by our activities will be handled.

These systems are evaluated on an ongoing basis with the objectives to increase recycling rates where possible and reduce both waste to landfill and volumes of waste stockpiled over time. No waste of any kind is shipped internationally; everything is managed onsite or locally. Our efforts include employee and contractor education and awareness campaigns around waste minimization and recycling, as well as safe handling of hazardous waste.

### Non-Mineral Waste

There are four types of non-mineral waste generated by our operations:

- Hazardous waste, which includes used oils, batteries and filters.
- Non-hazardous waste, which includes plastic, cardboard and solid urban waste.
- Special management waste, which includes scrap, tires and toners.
- Urban solid waste, which includes general garbage produced in offices and campsites.

Over the past several years, we have focused on recycling as much material as possible to shrink total waste generated.

### Mineral Waste

Our operations generate mineral waste in the form of waste rock storage piles and plant tailings from spent ore (no sludge is produced). All three of our mines have surface tailings storage facilities. In keeping with industry best practice, we have a stringent Tailings Management Facility Protocol. We continuously monitor and evaluate the stability and conditions of our current and out-of-use tailings storage facilities, using aerial mapping, satellite imagery and water wells and drill holes to evaluate the compaction of the tailings.

Each year, we engage an external engineering company to audit our tailings storage facilities for safety measures and to identify opportunities for improvement.

## OUR PERFORMANCE IN 2017

- There were no reportable spills involving hazardous waste at any of our operations in 2017.
- We achieved an 18% reduction in hazardous waste, from 115,800 tonnes in 2016 to 94,800 tonnes last year. Reductions were achieved across all three sites through better collaboration and communication with contractors. At our El Cubo site, we identified a supplier to purchase our oil waste, enabling us to sell it directly for energy generation.
- In Bolañitos, we achieved a 22% reduction in solid urban waste because we undertook an intense effort to separate and recycle wood and other materials where possible, which contributed to lower waste volumes.
- Our tailings totaled 1,265,843 tonnes, similar to the previous year.
- We continued to manage waste rock, the natural rock and soil above and around our mines removed for development purposes, to minimize environmental impacts. Our sites re-deploy this material underground to fill the voids inside the mines created by extracting the ore bodies.
- In 2017, our Bolañitos operation used all (100%) and El Cubo used most (87%) of its waste rock in this way. In Guanaceví, all (100%) of the waste rock was transported outside the mine in 2017. This is due to unavailable space inside the mine. We have monitoring controls around the waste rock and soil piles to ensure proper management of the land, to mitigate any vegetation impact and to ensure there is no acidic drainage into the local waters.

18%

Reduction in hazardous waste

873,843 tonnes

Waste rock used inside the mines

274,626 tonnes

Waste rock taken outside the mines

Total

1,148,472 tonnes

## → 2018 PRIORITIES

- Zero spills

Tailings pond, Bolañitos



# Water Management

## WHY IT MATTERS

Global water concerns affect us all, putting pressure on water resources and the need for water conservation and awareness. We understand the impacts of this situation for our business and our host communities. Since our mining operations both consume and discharge water, we have a responsibility to use and plan our water resources effectively. A reliable supply of water – in quantity and quality – is essential for mineral processing, dust control and meeting the needs of our people, among other things. At the same time, mining can have adverse effects on surrounding surface water and groundwater unless protective measures are taken.

## MANAGEMENT APPROACH

### Water Consumption

We use water in the mining process and in facilities such as offices and campsites. We carefully consider local water supply when we plan the water requirements for developing, operating, expanding and rehabilitating our mines, and in our exploration and pre-development work. Water sources for our operations include surface water, rainwater collected and stored, water extracted from the mining process and from wet tailings, and a small amount of purchased water (Bolañitos).

As the climatic conditions are different at each of our mines, water issues and management vary. At Guanaceví, seasonal rainfall is abundant, whereas Bolañitos and El Cubo are in arid regions where water is more limited. In general, we have no lack of water at the three mines. In fact, at Guanaceví we have

too much water because the mine is well below the water table, so we pump the ground water out of the mine, settle out any suspended solids (clay), and then release the water into the local river. Ranchers downstream use it for irrigation. At Guanaceví, the Natural Water Commission (CONAGUA) issues water withdrawal permits based on the flow of the river, ensuring it will not be significantly affected.

We are constantly seeking opportunities to minimize freshwater use and we are actively engaged with local communities in Mexico regarding the availability and optimal, efficient use of water. Our main focus is water recycling, to minimize our impact on the local water resources. In fact, we recycle and reuse more than 90% of water to reduce our reliance on fresh water.

### Water Discharge

Because discharge and runoff from mine sites can impact water bodies, we carefully manage and monitor this issue to prevent water pollution. We rely on diversion systems, containment ponds, groundwater pumps, subsurface drainage systems and subsurface barriers.

- Our Bolañitos and El Cubo mines have zero discharge into their surrounding natural environments. All water used

in the mining process is collected and recycled back into the system.

- Our Guanaceví mine discharges water in accordance with regulatory requirements and corporate standards, which include consideration of aquatic and land-based ecosystem environments, as well as potential downstream community users. Guanaceví operates in a climatic region with abundant

water, and excess groundwater seeps into the mine. Here, we pump inert water from the mine, check the water for quality and then release it into the Guanaceví River. The released water poses no threat of negative impact and, in fact, helps keep natural waterways flowing during the dry season. We also supply water to Guanaceví for non-potable use in the community. Guanaceví has a water treatment plant for the campsite.

## OUR PERFORMANCE IN 2017

- We reduced total water consumption by 5%, from 5.38 million m<sup>3</sup> in 2016 to 5.13 million m<sup>3</sup> last year. We decreased our total fresh water consumption by 40%. Our Bolañitos mine accounted for the bulk of this reduction, achieved through water efficiency improvements, installing a valve system to control water intake only when needed, and a heavier rainy season that allowed greater rainwater collection.
- There was a corresponding improvement in our efficiency of water

use, with water withdrawal intensity dropping 30% from 0.30 to 0.21 m<sup>3</sup> per tonne of processed material.

- Total water recycled remained around 90% at all three sites. Our Guanaceví site leads the way at 95% because since 2013 the mine has used a dry stack filter press, which removes water from wet tailings before depositing them in the tailings pond. This results in almost dry tailings, which need less space and therefore extend the life of this tailings pond.

5%

Reduction in total water consumption

We recycle and reuse more than 90% of water to reduce our reliance on fresh water.

### Sources of Water Consumption in 2017



Water monitoring, El Cubo

## 2018 PRIORITIES

- Maintain fresh water intensity in the range of 0.2 and 0.25 (intensity is amount of m<sup>3</sup> used per tonne processed)

Since 2013, we track and report GHG emissions for all our operations.

# Other Environmental Impacts

In this section, we report on other environmental impacts of relevance to us as well as the broader mining industry, even though our stakeholders did not rate these as highly significant in our latest materiality assessment.

## ENERGY AND EMISSIONS

Energy consumption represents one of our largest operating costs, so we focus on conservation. This improves our environmental performance while saving money. Our two main uses of energy at our operations are electrical power and fuel for transport. Stationary energy is comprised of purchased electricity (all three of our operations draw from state power grids), diesel for generators and natural gas for the smelting furnaces at Guanaceví.

### 2017 Highlights

- Energy consumption fell slightly from 636,404 gigajoules (GJ) per tonne processed in 2016 to 627,595 in 2017. However, production was 22% lower than 2016 and, as a result, energy intensity – the amount of energy required to process each tonne of material – increased by 11% year-over-year. This is because equipment needs to run the same amount of time whether production is at minimum or optimal capacity.
- Our sites have been working on energy efficiency measures including the power factor, which should be above 95%. The sites currently are between 92 to 94%, and the energy utility (CFE) has incentives in place to help those facilities that reach above 95%.

- GHG emissions dropped marginally to 72,849 tonnes of CO<sub>2</sub> equivalent, compared to 73,409 tonnes in 2016. However, for similar reasons cited above there was a 13% increase in intensity. Purchased electricity remained our biggest source of emissions (90%).
- Guanaceví continues to generate the highest energy emissions of our mines, accounting for half of total emissions. This site purchases more power and consumes more propane, which are needed for dry-stack tailings process, the pumping of excess groundwater, and running the employee campsite, which is heated in winter and air conditioned in summer.

Since 2015, the Mexican Law on Climate Change mandates mining companies to include reporting of greenhouse gas (GHG) emissions as part of the annual environmental reporting (along with hazardous waste, spills, discharges, etc.). As of 2018, it will be mandatory for organizations with emissions exceeding 25,000 tonnes of CO<sub>2</sub>e to have their previous year's emissions independently audited by an authorized third party. Only one of our mines – Guanaceví – was above this threshold in 2017.



CASE STUDY

## Endeavour's plant nurseries rejuvenate land after mining

Nursery, Bolañitos

## BIODIVERSITY

We are committed to protecting and preserving ecosystems where we operate. For all of our development and exploration projects, we have conducted environmental impact assessments to identify endangered or at-risk flora or fauna, and have found no significant impacts on local biodiversity generated by our activities. While none of our sites are legally required to have biodiversity management plans, all have nurseries to grow local flora, and programs in place for replanting disturbed areas.

None of our mining properties are located within or close to protected areas. Part of the Terronera project's land would be within the buffer zone of a proposed Natural Protected Area; however, the buffer zone would permit mining and other economic activities. In addition, none of our properties contain threatened species, according to the world's most comprehensive inventory of threatened plant and animal species, the *International Union for the Conservation of Nature (IUCN) Red List*. However, there are some species around our operations with special status:

- One species of snake – the Cascabel – has protected status in Mexico and is present at all of our sites. We have trained our people to identify, rescue and relocate Cascabel snakes if found. In 2017, across our operations there were 18 snakes relocated.
- A species of white-tailed deer near Guanaceví, while not endangered, is protected from hunting. We have posted no-hunting signage in the area.
- The only site with identified endangered flora and fauna species is Terronera, and we continue collaborating with the Commission for Natural Protected Areas to minimize any potential impact.

As part of our commitment to sustainable mining, we have established a reforestation program to replenish land in Mexico impacted by our mining activities.

Our three mines each operate a plant nursery to provide seedlings for reforestation, using native tree stock. The nurseries have natural worm composting systems to recycle organic waste from the operations as fertilizer. For exploration, most of the trees are bought from private nurseries.

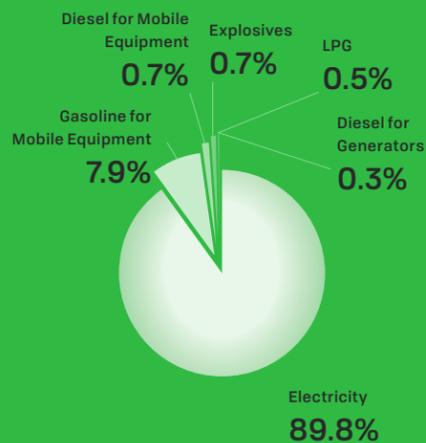
### 2017 Highlights

- 43,939 trees were planted in reforestation projects, up from 34,500 in 2016.
- The vast majority (80%) of trees were planted around our exploration projects. The rest (20%) were planted inside our facilities and a smaller portion in the San Pedro community in Guanaceví.
- The average survival rate of the trees is 80%.

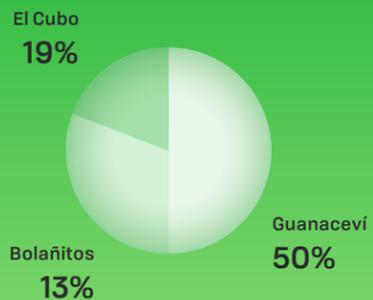
Nearly  
**44,000**  
trees

Planted in reforestation projects, with a collective survival rate of 80%

### GHG Emissions by Source



### GHG Emissions by Site





**We Are All Connected**

# Economic Performance

**Depends on It**

The success of our business depends in part on our economic performance, which in turn stimulates positive outcomes for each of our stakeholders.

Our economic performance includes not only the financial results we generate year-over-year, but also the re-investment of profits to fortify our long-term business sustainability, as well as our economic contributions in local communities, such as job creation and procurement that support our mining operations.

## **MATERIAL TOPICS IN THIS SECTION**

FINANCIAL PERFORMANCE .....	67
LOCAL ECONOMIC IMPACTS .....	69

# Financial Performance

## WHY IT MATTERS

Maintaining and growing our profits is key to both generating shareholder returns and financing the long-term capital investments needed to sustain our mining operations.

Our employees, shareholders, suppliers and host communities are all interested in and impacted by our profitability. For example, when our company performs well financially, we can offer more training, better security and better compensation to our employees and contractors. In some Mexican communities, this is especially important because mining is one of the few economic opportunities available for local people.

## MANAGEMENT APPROACH

### Financial Health

We strive to foster the conditions requisite for a financially healthy business that is sustainable over the long term. To achieve that, our business strategy balances short-term profitability with long term investments in exploration and development programs, aimed at extending our existing mine lives and building new mines to fuel future growth.

### Creating Value

We believe that our financial success combined with our broader focus on economic, social and environmental sustainability reinforce one another. For this reason, we are committed to simultaneously creating value for shareholders, employees, contractors, communities and society as a whole. For more details about our management approach around economic parameters, please see the Governance and About Endeavour sections of this report.

148%  
growth in  
net earnings

## OUR PERFORMANCE IN 2017

- We reported strong growth in net earnings in 2017, up 148% to \$9.7 million or \$0.08 per share.
- Mine operating earnings were \$28.5 million on gross realized revenue of \$150.5 million, a 4% decrease from \$156.8 million the previous year.
- EBITDA decreased 8% to \$25.6 million, while cash costs increased 19% to \$8.06 per oz silver payable (net of gold credits). There was no outstanding debt as of December 31, 2017.
- All-in sustaining costs increased 36% to \$16.96 as a result of higher cash operating costs, and management significantly increasing sustaining capital investments for the long-term benefit of Guanaceví and El Cubo.
- We reduced our operating costs during the year and expect to continue that trend into 2018.
- We were successful in advancing our pipeline of exploration and development projects to fuel our next phase of organic growth. Exploration expenses grew in 2017 to \$12.9 million from \$10.4 million the previous year.
- Silver equivalent production totalled 8.9 million oz (at a 75:1 silver: gold ratio)

For our total economic value generated and distributed in 2017, please see the next section Local Economic Impacts.

Construction of El Compas Mine Portal

### Silver Equivalent Production



### → 2018 PRIORITIES

- All-in sustaining costs (AISC), net of gold by-product credits, in the range of \$15-16/oz
- Consolidated direct operating costs in the range of \$80-85/tonne
- Cash costs, net of gold by-product credits, in the range of \$6-7 per ounce
- Finalize Terronera studies and obtain financing





CASE STUDY

# Collaborating with our supply chain

One of our priorities for 2017 was to integrate sustainability principles in our procurement practices. Our central team responsible for overseeing procurement and contracts held a workshop to identify our most significant suppliers and the potential economic, social and environmental risks in our procurement processes.

Following the workshop, the team enhanced Endeavour's procurement manual of policies and procedures for working with suppliers and contractors. The manual now includes a process to evaluate a vendor's compliance with our Code of Business Conduct and our standards for quality, service, safety, environmental responsibility and labour.

We conducted a pilot visit at the Guadalajara facilities of local supplier Sandvik, which supplies technical equipment. The evaluation was very satisfactory both for Endeavour and Sandvik, and it helped to reveal further areas of collaboration.

# Local Economic Impacts

## WHY IT MATTERS

Through hiring, skills training, supporting suppliers and contractors, and facilitating small business opportunities in host communities, the mining industry has the power to promote local economic development.

## MANAGEMENT APPROACH

We are committed to providing economic value in the form of local job creation, business for suppliers, taxes and royalties that support public finances and essential services, and other contributions. We also work to create opportunities for local economic growth and capacity-building through our Community Investment Program (see page 50).

### Local Procurement

We rely on a comprehensive network of contractors and suppliers to service our operations, as well as exploration and development sites. We use best efforts to buy goods and services from nearby sources whenever possible, not only for competitive pricing but to ensure local communities benefit from our economic activity. In Mexico, much of our supplies and equipment can be acquired locally or nationally, and we only turn to international suppliers to provide us with certain heavy equipment and mineral processing chemicals.

All purchase decisions must be made in compliance with our policy on Contracting Services and Working with Third Parties – which includes criteria such as location, availability and quality of product, service quality and experience, and cost, and specifies that priority will be given to local suppliers who fulfill these requirements. We expect suppliers to follow Endeavour's safety and health, environmental and labour standards, and we are working more closely with our supply chain to ensure these policies are adhered to and become the norm.

### Supporting Local Miners

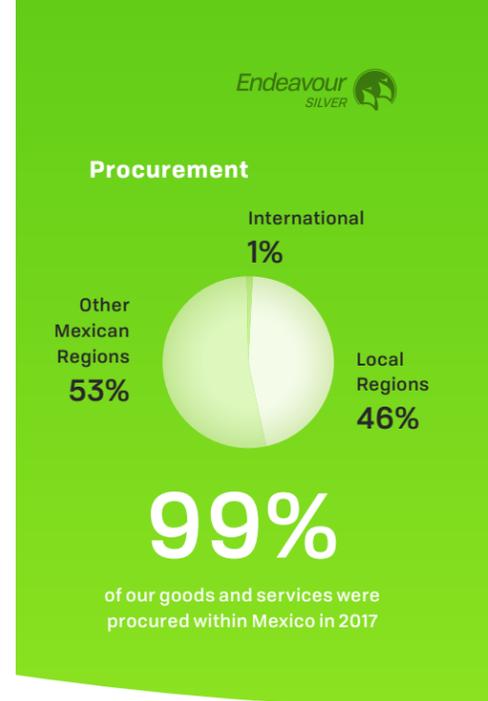
At the Guanaceví mine, we support and engage with local artisanal miners, who mine their concessions on a small scale or hand-sort material from surface dumps and unload small truckloads of ore at our plant for testing and purchase. Per the terms of our operating permit, each year we accept up to 10% of our mill feed from small-scale local miners. Our plant manager supervises the delivery, weighing and sampling of the material, and arranges for payment.

## OUR PERFORMANCE IN 2017

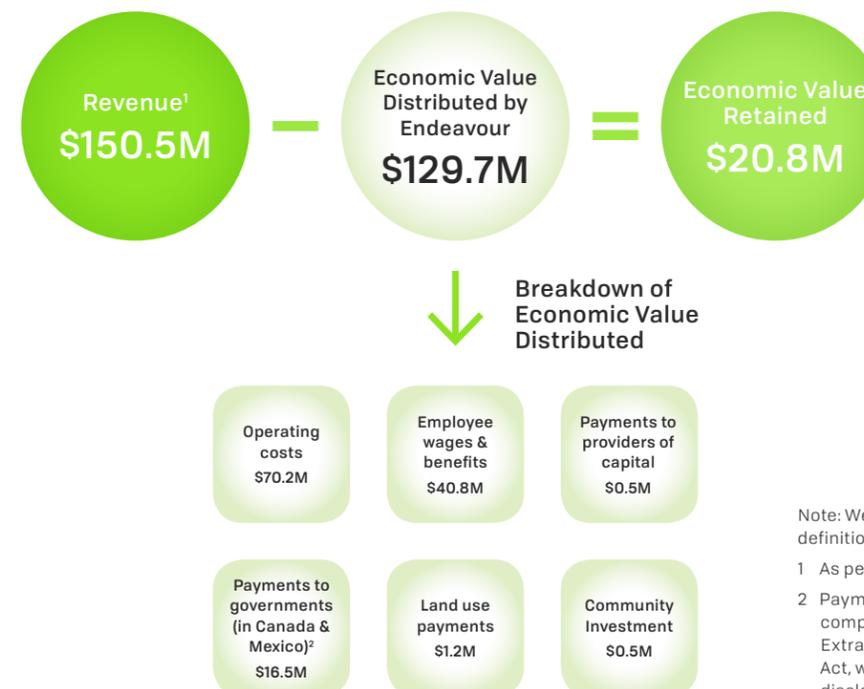
- Our total economic value generated in 2017 was \$150.5 million, down from \$156.8 million the previous year. Our total economic value distributed was \$129.7 million, a decrease from \$140.4 million in 2016.
- We spent \$66.2 million on goods and services, up from \$52.2M in 2016. The year-over-year increase was due to the development of our fourth mine, El Compas. Over 99% of our total

procurement came from national or local suppliers within Mexico.

- In Guanaceví we supported 12 officially-recognized artisanal miners. As a result of incentives offered last year to boost supplies, we saw an increase of almost 44% year-over-year in material provided by the local miners, from 10,215 tonnes in 2016 to 14,649 in 2017.



## Economic Impacts 2017 Highlights



Note: We use the Global Reporting Initiative definition of economic value.

- 1 As per audited financial statements.
- 2 Payments to governments: as a Canadian company, we are compliant with the Extractive Sector Transparency Measures Act, which requires Canadian companies to disclose any payments to governments.

## → 2018 PRIORITIES

- Implement the new sustainable procurement criteria and evaluate at least four suppliers or contractors based on those procedures

# Key Performance Data

## Safety and Health

**LA5.** Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs

	2017	2016	2015
Total number of employees represented in formal joint management-worker health and safety committees	515	496	162
Percentage of the total workforce	34.1%	30.2%	9.6%

**LA6.** Type and rates of injury, occupational diseases, lost days and absenteeism, and total number of work-related fatalities, by region and by gender

	2017	2016	2015
Reportable Injury Frequency Rate	2.82	3.51	3.76
Lost Time Injury Frequency Rate	2.38	3.00	2.19
Lost Time Injury Severity Rate	288.58	290.04	247.69
Absentee rate - all employees	2.52%	2.56%	2.25%

## Our People

**G4-10.** Total number of employees by type of contract, gender and region.

	M		F		M		F	
Total number of employees		1624		1641		1696		
Total number of permanent employees*	1444	180	1456	157	1529	167		
Total number of temporary employees	0	0	11	17	0	0		
Total number of contractors		1,155		878		992		
Contractors by gender	1,121	34	857	21	984	8		
Total number of contractors and employees		2,655		2,519		2,688		
Total number of foreigners hired		16		8		9		
Total number of foreigners hired by gender	16	0	8	0	9	0		

\* all permanent employees are full time

Total bi-weekly (non-union) paid employees

	2017	2016	2015
Permanent employees	410	388	389
Fixed Term or Temporary	0	8	0
Local Hires (within state)	271	269	314
Regional Hires (within the country)	127	119	66
International Hires	16	8	9
Indigenous Hires	0	0	0
Total by gender	315	95	302

Total weekly (union) paid employees

	2017	2016	2015
Permanent employees	1216	1225	1307
Fixed Term or Temporary	0	20	0
Local Hires (within state)	1173	1206	1271
Regional Hires (within the country)	37	39	36
Indigenous Hires	0	0	0
Total by gender	1134	82	1165

**G4-11.** Percentage of total employees covered by collective bargaining agreements

	2017	2016	2015
Total Union Employees	1216	1226	1307
Percentage of Union Employees	75%	75%	77%
Non-Union Employees	410	415	389
Percentage of Non-Union Employees	25%	25%	23%

**LA1.** Total number and rate of new employee hires and employee turnover by age group, gender, and region.

	2017	2016	2015
Total number of new hires	363	450	400
Total new hires locally (country wise)	354	448	399
Total new hires internationally	9	2	1
Total number of employees voluntarily leaving employment or dismissed	381	210	355
Total number of local (Mexican) employees voluntarily leaving employment or dismissed	380	207	349
Total number of international employees voluntarily leaving employment or dismissed	1	3	6
Turnover rate for all employees	23.23%	26.87%	20.89%

**LA9.** Average hours of training per year per employee by gender, and by employee category

	M		F		M		F	
Contractors	21,330	1,520	12,201	788				
Union employees	59,877	3,183	46,903	2,153				
Non-Union Employees	11,878	2,876	4,983	1050.5				
Total Per Gender	93,085	7,579	64,087	3992				
<b>Grand Total</b>	<b>100,664</b>		<b>68,079</b>					
Average hours per employee by gender	52	46	37	24				
Average hours per contractor by gender	22	61	16	56				
Average hours per employee	52		36					
Average hours per contractor	23		16					

Available in different classification

**EC6.** Procedures for local hiring and proportion of senior management hired from the local community

	2017	2016	2015
Total senior management	113	81	28
Total senior management by gender	92	21	66
Total senior management hired locally (within state)	67	36	11
Total senior management hired nationally (within the country)	30	37	14
Total senior management hired internationally	16	8	3
Percentage of international senior management	14%	10%	11%

**LA3.** Return to work and retention rates after parental leave, by gender

	2017	2016	2015
Total number of people that took parental leave	76	99	99
Total number of people that came back to work after parental leave	73	97	97
Percentage of people that came back to work after parental leave	96%	96%	98%

**LA11.** Percentage of employees receiving regular performance and career development reviews by gender and by employee category

	2017	2016	2015
Number of people that receive performance evaluations	422	394	378
Total by gender	322	100	293
Percentage of employees receiving regular performance evaluations	26%	24%	22%

## Community

**S01.** Percentage of operations with implemented local community engagement, impact assessments and development programs (USD)

	2017	2016	2015
Total Community Investment	\$515,451	\$192,860	\$456,552

**MM10.** Number and percentage of operations with closure plans

	2017	2016	2015
Number of sites that have closure plans	3	3	3
Financial provision for closure (Thousands USD)	\$7,846	\$7,846	\$7,762

## Environment

**EN8.** Total water withdrawal by source (m<sup>3</sup>)

Total water withdrawn from:

	2017	2016	2015
Surface water, including water from wetlands, rivers, lakes, and oceans	43,520	45,277	16,431
Ground water (from mining)	230,602	399,590	533,945
Rainwater	18,285	11,742	39,944
Recovered water from dry tailings pond	20,478	19,679	64,714
Recycled water (from tailings)	4,821,104	4,900,424	4,868,458
Purchased water (pipes)	1,898	4,568	4,000
<b>TOTAL</b>	<b>5,135,887</b>	<b>5,381,280</b>	<b>5,527,492</b>
Intensity (water consumed/tons processed)	4.01	3.69	3.53
Fresh water intensity (Fresh water consumed/tons processed)	0.21	0.30	0.35

**EN10.** Percentage of total volume of water recycled and reused

	2017	2016	2015
	94.3%	91.4%	89.2%

**EN22.** Total water discharge by quality and destination (not including rainwater and domestic sewage)

	2017	2016	2015
Total water discharges to surface waters (m <sup>3</sup> )	3,549,458	12,618,635	8,203,473

**EN23.** Total weight of waste by type and disposal method

Hazardous Waste

	2017	2016	2015
Residuos Peligrosos Solidos (Kg). includes contaminated soil, cleaning cloths, filters, containers, lamps, hoses, and batteries	94,837	115,883	69,818
Hazardous waste: Liquid (L). Includes oils and water contaminated with oil	83,060	109,355	98,498
<b>Hazardous Waste Intensity</b>	<b>0.074</b>	<b>0.079</b>	<b>0.045</b>

Special Management

	2017	2016	2015
Scrap (Kgs)	279,465	279,650	242,855
Tires (tons)	435	0	102,938
Cartridges (Piece)	77	268	181
Toners (Piece)	305	339	463

Non-Hazardous

	2017	2016	2015
Pet (Kgs)	3,792	7,690	2,991
Card board (Kgs)	5,140	28,170	8,118
Urban solid waste (Kgs)	265,090	261,400	404,875
<b>Non-Hazardous Waste Intensity</b>	<b>0.43</b>	<b>0.40</b>	<b>0.49</b>

**MM3.** Total amounts of overburden, rock, tailings, and sludges and their associated risks

	2017	2016	2015
Total overburden/ Waste rock (tonnes)	1,148,472	1,007,844	986,551
Overburden/ Waste rock used inside the mine	873,846	999,942	823,634
Overburden/ Waste rock taken outside the mine	274,626	7,902	162,917

**MM3.** (Continued)

	2017	2016	2015
Tailings (tonnes)	1,265,843	1,444,758	1,489,168
Sludges (tonnes)	0.000	0.657	0.676

**EN3.** Energy consumption within the organization (GJ)

Non-renewable sources

	2017	2016	2015
Purchased electricity	518,709	510,591	512,363
LPG	6,198	6,322	7,516
Diesel or Av Gas use for mobile equipment	7,717	81,126	85,137
Gasoline Use for mobile equipment	82,648	10,003	8,485
Diesel for Generators	317	18,183	95,372
Explosives	12,007	9,508	13,505
<b>Total Energy (GJ)</b>	<b>627,595</b>	<b>636,405</b>	<b>722,379</b>

**EN5.** Energy Intensity

	2017	2016	2015
	0.49	0.44	0.46

**EN15.** Direct Greenhouse Gas (GHG) Emissions (Scope 1) (tCO<sub>2</sub>e)

Non-renewable sources (tCO<sub>2</sub>e)

	2017	2016	2015
LPG	395	408	475
Diesel or Av Gas use for mobile equipment	524	6,343	6,406
Gasoline Use for mobile equipment	5,791	602	614
Diesel for Generators	214	1,213	7,093
Explosives	510	404	597

**EN16.** Energy Indirect Greenhouse Gas (GHG) Emissions (Scope 2)

	2017	2016	2015
	65,415	64,391	64,615

**Total GHG (Direct + Indirect) (tCO<sub>2</sub>e)**

	2017	2016	2015
	72,849	73,409	79,798

**EN18.** Greenhouse Gas (GHG) Emissions Intensity

	2017	2016	2015
	0.057	0.050	0.050

**MM1.** Amount of land disturbed or rehabilitated (hectares)

	2017		2016		2015	
	Within	Out	Within	Out	Within	Out
Total land disturbed so far	107.89		2.74		104.00	
Total land rehabilitated so far	60.64	26.70	46.40	0.00	4.40	59.08
Total land rehabilitated in the reporting year	2.26	0.87	13.00	0.00	2.00	25.56

**EN13.** Habitats protected and restored

	2017	2016	2015
Total trees planted	43,939	34,560	31,318
Survival rate of reforestation projects	81%	87%	83%

**EN29.** Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations (USD)

	2017	2016	2015
Total amount of fines	1	1	2
Monetary sanction (USD)	\$45,056	—	\$6,974
Estimated value for non-monetary sanctions	—	\$1,400	—

**EN31.** Total environmental protection expenditures and investments by type (USD)

	2017	2016	2015
Transportation and final disposition of waste	\$86,460	\$61,755	\$60,065
Environmental Studies	\$54,223	\$8,250	\$44,348
Monitoring	\$25,567	\$17,640	\$26,550
Projects (other than tailings ponds)	\$52,206	\$7,569	\$11,753

EN51. (Continued)	2017	2016	2015
Tailings ponds projects	\$1,274,018	\$914,451	\$142,076
Engineering work in tailings ponds	\$1,492,475	\$470,802	Not Available
<b>Total</b>	<b>\$2,986,967</b>	<b>\$1,482,484</b>	<b>\$284,794</b>

**EC1.** Direct economic value generated and distributed, including revenues, operating costs, employee wages and benefits, donations and other community investments, retained earnings, and payments to capital providers and payments to governments, by country

Direct Economic Value (Thousands USD)

Revenues (1)	\$150,499	\$156,767	\$183,556
Operating costs	\$70,244	\$81,267	\$92,844
Employee wages and benefits	\$40,755	\$39,667	\$43,702
Payments to providers of capital	\$461	\$779	\$1,041
Payments to Mx governments [taxes]	\$9,798	\$10,786	\$14,401
Payments to Cdn governments [taxes] (2)	—	—	\$335
Payments to governments [payroll taxes, employer portion only] - Mexico	\$6,665	\$6,610	\$7,838
Payments to governments [payroll taxes, employer portion only] - Canada	\$60	\$45	\$41
Land use payments	\$1,246	\$1,013	\$644
Community investment (including infrastructure) *	\$515	\$193	\$457
Total Economic Value Distributed	\$129,744	\$140,360	\$161,302
Total Economic Value Retained	\$20,755	\$16,407	\$22,254

\* See Breakdown in society worksheet

**EC5.** Ratios of standard entry level wage by gender compared to local minimum wage (MXP)

Local minimum wage in each region (Mexican pesos)	\$82.81	\$72.06	\$73.00			
Percentage of employees receiving minimum wage	0%	0%	0%			
Entry level wage at each location (Mexican pesos)	\$152.15	\$158.44	\$136.42			
	<b>M</b>	<b>F</b>	<b>M</b>	<b>F</b>	<b>M</b>	<b>F</b>
Number of people that entered in that level wage at each location	18	27	36	26	52	—
Percentage of employees receiving entry level wage at each location	2.77%	3.78%	3.78%	3.13%		

**EC7.** Development and impact of infrastructure investments and services supported

Total amount spent on infrastructure and services supported (Thousands USD)	\$41.99	\$48.34	\$149.47
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**EC9.** Proportion of spending on local suppliers at significant locations of operation

Total procurement	\$66,217	\$52,205	\$83,684
Total procurement spent locally (within state)	\$30,668	\$13,667	\$15,471
Percentage of state wise local procurement	46.3%	26.2%	18.49%
Total procurement spent nationally (within the country)	\$34,989	\$37,731	\$67,592
Percentage of country wise local procurement	52.8%	72.3%	80.77%
Total procurement spent internationally	\$560	\$807	\$621
Percentage of international procurement	0.8%	1.5%	0.7%
Percentage spent locally (state and nation wide)	99%	98%	99%

## Production

Material processed, gold and silver

Material processed (tonnes)	1,279,435	1,458,917	1,563,802
Silver (Oz)	4,908,071	5,435,407	7,178,666
Gold (Oz)	53,859	57,375	59,990

# GRI Content Index

## GENERAL STANDARD DISCLOSURES

### Strategy & Analysis

Indicator	Description	Location
G4-1	Statement of the most senior decision-maker of the organization about the relevance of sustainability to the organization and its strategy for addressing sustainability.	Pages 5, 6
G4-2	Description of key impacts, risks and opportunities.	Pages 7, 8, 25

### Organizational Profile

G4-3	Name of the organization	Page 7
G4-4	Primary brands, products and/or services	Page 7
G4-5	Location of organization's headquarters	Page 7
G4-6	Number of countries where the organization operates and names of countries either with major operations or that are specifically relevant to the sustainability issues covered in the report	Page 7
G4-7	Nature of ownership and legal form	<a href="#">Amended AIF: Pages 4,5</a>
G4-8	Market served (including geographic breakdown, sectors served and types of customers/beneficiaries)	Page 7
G4-9	Scale of the reporting organization	Page 7
G4-10	Total number of employees by employment contract and gender Total workforce by region and gender Total workforce by employees and supervised workers and by gender Number of permanent employees by type and gender	Pages 39, 71, 72
G4-11	Percentage of total employees covered by collective bargaining agreements	Pages 39, 72
G4-12	Description of the organization's supply chain	Page 69
G4-13	Significant changes during the reporting period regarding the organizations' size, structure, ownership or supply chain	None

### Commitments to External Initiatives

G4-14	Whether and how the precautionary approach or principle is addressed by the organization	Pages 21, 25
G4-15	Externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses	Page 25
G4-16	Memberships in associations and national or international advocacy organizations	Page 25

### Identified Material Aspects And Boundaries

G4-17	Entities included in the organization's consolidated financial statements and any entity is not covered by the report	<a href="#">Amended AIF: Page 5</a> <a href="#">Audited Financial Statements: Page 11</a>
G4-18	Process for defining report content and Aspect boundaries How the organization implementing the Reporting Principles for Defining Report Content	Page 27
G4-19	Material Aspects identified in the process of defining report content	Page 27
G4-20	Aspect Boundary within the organization for each material aspect	GRI Content Index: Pages 76-80
G4-21	Aspect Boundary outside the organization for each material aspect	GRI Content Index: Pages 76-80
G4-22	Effect of any restatements of information provided in previous reports, and the reasons for such restatements	None
G4-23	Significant changes from previous reporting periods in Scope and Aspect Boundaries	None

## Stakeholder Engagement

Indicator	Description	Location
G4-24	List of stakeholder groups engaged by the organization	Page 26
G4-25	Basis for identification and selection of stakeholders with whom to engage	Page 26
G4-26	Organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication as to whether any of the engagement was undertaken specifically as part of the report preparation process	Page 26
G4-27	Stakeholder groups that have raised key topics and concerns, the key topics and concerns raised through stakeholder engagement, and how the organization has responded including through its reporting.	Page 49

## Report Profile

G4-28	Reporting period for information provided	Page 3
G4-29	Date of most recent previous report, if any	Page 3
G4-30	Reporting cycle	Page 3
G4-31	Contact point for questions regarding the report or its contents	Page 3

## GRI Content Index

G4-32	"In Accordance" option chosen GRI Content Index External Assurance reference (if applicable)	Core GRI Content Index: Pages 76-80
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## Assurance

G4-33	The organization's policy and current practice with regard to seeking external assurance for the report	Not considered a priority at this point. Will have GHG emissions verified for 2018
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## Governance

### Governance Structure & Composition

G4-34	Governance structure of the organization including committees under the highest governance body. Identify any committees responsible for decision making on economic, environmental and social impacts	Page 21 <a href="#">Information Circular: Pages A1-A11</a>
G4-36	Appointment of an executive-level position or positions with responsibility for economic, environmental and social topics, and whether post holders report directly to the highest governing body	Pages 21, 22
G4-38	The composition of the highest governance body and its committees	Pages 21, 22
G4-39	Indication whether chair of the highest governance body is also an executive officer (and if so, their function within the organization and reasons for this arrangement)	Page 21
G4-41	Processes for the highest governance body to ensure conflicts of interest are avoided and managed	Page 21 <a href="#">Code of Business Conduct and Ethics</a>

### Role in Setting Purpose, Values and Strategy

G4-42	Highest governance body's and senior executives' roles in the development, approval and updating of the organization's purpose, value or mission statements, strategies, policies and goals related to economic, environmental and social impacts	Page 21
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### Role in Risk Management

G4-45	The highest governance body's role in the identification and management of economic, environmental and social impacts, risks and opportunities and whether stakeholder consultation is used to support the identification of the above	Page 25
G4-46	Highest governance body's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental and social topics	Page 25
G4-47	Frequency of the highest governance body's review of the economic, environmental and social impacts, risks and opportunities	Page 25. <a href="#">Information Circular: Pages A2-A3</a>

### Role in Sustainability Reporting

G4-48	The highest committee or position that formally reviews and approves the organization's sustainability report and ensures that all material Aspects are covered	Page 22
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### Remuneration and Incentives

G4-51	Remuneration policies for the highest governance body and senior executives. Report how performance criteria in the remuneration policy relates to the highest governance body's and senior executives' economic, environmental and social objectives.	<a href="#">Information Circular: Pages 10-30</a>
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### Ethics and Integrity

G4-56	The organizations values, principles, standards and norms of behavior such as codes of conduct and codes of ethics	Page 8 <a href="#">Corporate Governance</a>
G4-58	Internal and external mechanisms for reporting concerns about ethical and lawful behavior, and matters related to organizational integrity, such as escalation through line management, whistleblowing mechanisms or hotlines	Pages 23, 40, 48

## SPECIFIC STANDARD DISCLOSURES

### Boundary Aspect Legend

- |                     |                   |                      |                 |
|---------------------|-------------------|----------------------|-----------------|
| 1. Corporate Office | 3. Bolañitos Mine | 5. Local Communities | 7. Terronera    |
| 2. Guanacevi Mine   | 4. El Cubo mine   | 6. Supply Chain      | 8. Shareholders |

### Economic Indicators

#### Disclosure of Management Approach

Pages 67, 69

Aspect	Economic Performance. Boundary: 1-8	
G4-EC1	Direct economic value generated and distributed, including revenues, operating costs, employee wages and benefits, donations and other community investments, retained earnings, and payments to capital providers and payments to governments, by country	Pages 39, 50, 69
G4-EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	Page 63
G4-EC3	Coverage of the organization's defined benefit plan obligations	Page 43
G4-EC4	Financial assistance received from government, by country. Include extent to which government has a shareholding position	None

#### Aspect Market Presence. Boundary: 1-7

G4-EC5	Range of ratios of standard entry-level wage compared to local minimum wage at significant locations of operation	Pages 39, 75
G4-EC6	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation	Page 39

#### Aspect Indirect Economic Impacts. Boundary: 5

G4-EC7	Development and impact of infrastructure investments and services provided	Page 50
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#### Aspect Procurement Practices. Boundary: 5, 6

G4-EC9	Proportion of spending on local suppliers at significant locations of operation	Pages 69, 75
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### Environmental Indicators

#### Disclosure of Management Approach

Pages 57, 59, 61

Aspect	Energy. Boundary: 2,3,4,8	
G4-EN3	Energy consumption within the organization	Pages 63, 74
G4-EN5	Energy intensity	Pages 63, 74
Aspect	Water. Boundary: 2-5	
G4-EN8	Total water withdrawal by source	Pages 61, 73
G4-EN9	Water sources significantly affected by withdrawal of water	Page 61
G4-EN10	Percentage and total volume of water recycled and reused	Pages 61, 73

<b>Aspect</b>	<b>Biodiversity. 2,3,4,5,7</b>	
G4-EN11	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Page 64
G4-EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	Page 64
MM1	Amount of land (owned or leased, and managed for production activities or extractive use) disturbed or rehabilitated	Page 74
G4-EN13	Habitats protected or restored	Pages 64, 74
MM2	The number and percentage of total sites identified as requiring biodiversity management plans according to stated criteria, and the number (percentage) of those sites with plans in place	Page 64
G4-EN14	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	Page 64
<b>Aspect</b>	<b>Emissions. Boundary: 2-5</b>	
G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	Pages 63, 74
G4-EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	Pages 63, 74
G4-EN18	Greenhouse gas (GHG) emissions intensity	Pages 63, 74
<b>Aspect</b>	<b>Effluents and Waste. Boundary: 2-5</b>	
G4-EN22	Total water discharge by quality and destination	Pages 62, 74
G4-EN23	Total weight of waste by type and disposal method	Pages 59, 74
MM3	Total amounts of overburden, rock, tailings, sludges and their associated risk	Pages 59, 74
G4-EN24	Total number and volume of significant spills.	Page 59
G4-EN25	Weight of transported, imported, exported or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III & IV, and percentage of transported waste shipped internationally	None
G4-EN26	Identity, size, protected status and biodiversity value of water bodies and related habitats significantly affected by the organization's discharges of water and runoff	Page 62
<b>Aspect</b>	<b>Compliance. Boundary: 1-8</b>	
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	Pages 58, 74
<b>Aspect</b>	<b>Overall. Boundary: 2-4</b>	
G4-EN31	Total environmental protection expenditures and investments by type	Pages 58, 74, 75
<b>Aspect</b>	<b>Environmental Grievance Mechanisms. Boundary: 2-5</b>	
G4-EN34	Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms	Page 49
	<b>Labour Practices and Decent Work Indicators</b>	
	<b>Disclosure of Management Approach</b>	Pages 39, 41, 43
<b>Aspect</b>	<b>Employment. Boundary: 1-8</b>	
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	Pages 39, 72
G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	Page 43
G4-LA3	Return to work and retention rates after parental leave, by gender	Page 43
<b>Aspect</b>	<b>Labour/Management Relations. Boundary: 1-8</b>	
MM4	Number of strikes and lock-outs exceeding one week's duration, by country.	Page 39
<b>Aspect</b>	<b>Occupational Health &amp; Safety. Boundary: 1-8</b>	
G4-LA5	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs	Pages 33, 71
G4-LA6	Types and rates of injury, occupational diseases, lost days, and absenteeism, and number of work related fatalities by region and by gender.	Pages 33, 71
G4-LA7	Workers with high incidence or high risk of diseases related to their occupation	Pages 33, 71
<b>Aspect</b>	<b>Training &amp; Education. Boundary: 2,3,4,6,7</b>	
G4-LA9	Average hours of training per year per employee by gender and by employee category	Pages 41, 72
G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	Page 41

G4-LA11	Percentage of employees receiving regular performance and career development reviews by gender and by employee category	Page 72
<b>Aspect</b>	<b>Diversity &amp; Equal Opportunity. Boundary: 1-4</b>	
G4-LA12	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership and other indicators of diversity	Page 21
<b>Aspect</b>	<b>Equal Remuneration for Women &amp; Men. Boundary: 1-4</b>	
G4-LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	Page 43
<b>Aspect</b>	<b>Labour Practices Grievance Mechanisms. Boundary: 1-4</b>	
G4-LA16	Number of grievances about labour practices filed, addressed, and resolved through formal grievance mechanisms	Page 40
	<b>Human Rights Indicators</b>	
	<b>Disclosure of Management Approach</b>	Page 24
<b>Aspect</b>	<b>Non-Discrimination. Boundary: 1-4</b>	
G4-HR3	Total number of incidents of discrimination and actions taken	Page 24
<b>Aspect</b>	<b>Freedom of Association &amp; Collective Bargaining. Boundary: 2-4</b>	
G4-HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk and measures taken to support these rights	Pages 24, 39
<b>Aspect</b>	<b>Child Labour. Boundary: 2,3,4,6,7</b>	
G4-HR5	Operations and significant suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor	Page 24
<b>Aspect</b>	<b>Indigenous Rights. Boundary: Not applicable</b>	
MM5	Total number of operations taking place in or adjacent to Indigenous Peoples' territories, and number and percentage of operations or sites where there are formal agreements with Indigenous Peoples' communities	Omission: Not Applicable
<b>Aspect</b>	<b>Human Rights Grievance Mechanisms. Boundary: 1-5</b>	
G4-HR12	Number of grievances about human rights impacts filed, addressed and resolved through formal grievance mechanisms	Pages 24, 49
	<b>Society Indicators</b>	
	<b>Disclosure of Management Approach</b>	Page 47,50,53
<b>Aspect</b>	<b>Local Communities. Boundary: 2-7</b>	
G4-S01	Percentage of operations with implemented local community engagement, impact assessments and development programs	Pages 47
G4-S02	Operations with significant potential or actual negative impacts on local communities	Pages 47
MM6	Number and description of significant disputes relating to land use, customary rights of local communities and Indigenous Peoples.	Omission: Not Applicable
MM7	The extent to which grievance mechanisms were used to resolve disputes relating to land use, customary rights of local communities and Indigenous Peoples, and the outcomes	Omission: Not Applicable
MM8	Number (and percentage) of company operating sites where artisanal and small-scale mining (ASM) takes place on, or adjacent to, the site; the associated risks and the actions taken to manage and mitigate these risks	Page 69
MM9	Sites where resettlements took place, the number of households resettled in each, and how their livelihoods were affected in the process	Omission: Not Applicable
MM10	Number and percentage of operations with closure plans.	Pages 53, 73
<b>Aspect</b>	<b>Anti-Corruption. Boundary: 1-8</b>	
G4-S03	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	Page 23
G4-S05	Confirmed incidents of corruption and actions taken	Page 23
<b>Aspect</b>	<b>Public Policy. Boundary: 1,8</b>	
G4-S06	Total value of political contributions by country and recipient/beneficiary	None
<b>Aspect</b>	<b>Compliance. Boundary: 1-8</b>	
G4-S08	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with laws and regulations.	None
<b>Aspect</b>	<b>Grievance Mechanisms for Impacts on Society. Boundary: 1-5</b>	
G4-S011	Number of grievances about impacts on society filed, addressed and resolved through formal grievance mechanisms	Page 49

# Mineral Reserve and Resource Estimates

AT DECEMBER 31, 2017

## Silver-Gold Proven and Probable Mineral Reserves

PROVEN	Tonnes	Ag g/t	Au g/t	Ag Eq g/t	Ag oz	Au oz	Ag Eq oz
Guanaceví	82,000	224	0.49	261	591,000	1,300	688,500
Bolañitos	154,000	87	2.48	273	431,000	12,300	1,353,500
El Cubo	171,000	184	1.80	319	1,010,000	9,900	1,752,500
<b>Total Proven</b>	<b>407,000</b>	<b>155</b>	<b>1.80</b>	<b>290</b>	<b>2,032,000</b>	<b>23,500</b>	<b>3,794,500</b>
PROBABLE	Tonnes	Ag g/t	Au g/t	Ag Eq g/t	Ag oz	Au oz	Ag Eq oz
Guanaceví	224,000	252	0.58	296	1,812,000	4,200	2,127,000
Bolañitos	258,000	86	1.87	226	714,000	15,500	1,876,500
El Cubo	317,000	186	1.68	312	1,894,000	17,100	3,176,500
Terronera	4,061,000	207	1.95	353	27,027,000	255,000	46,152,000
<b>Total Probable</b>	<b>4,860,000</b>	<b>201</b>	<b>1.87</b>	<b>341</b>	<b>31,447,000</b>	<b>291,800</b>	<b>53,332,000</b>
<b>Total P&amp;P</b>	<b>5,267,000</b>	<b>198</b>	<b>1.86</b>	<b>337</b>	<b>33,479,400</b>	<b>315,300</b>	<b>57,126,500</b>

## Silver-Gold Measured and Indicated Mineral Resources

MEASURED	Tonnes	Ag g/t	Au g/t	Ag Eq g/t	Ag oz	Au oz	Ag Eq oz
Guanaceví	17,000	299	0.38	328	167,000	200	182,000
Bolañitos	31,000	118	2.28	289	118,000	2,300	290,500
El Cubo	207,000	184	2.90	402	1,225,000	19,300	2,672,500
<b>Total Measured</b>	<b>255,000</b>	<b>184</b>	<b>2.66</b>	<b>384</b>	<b>1,510,000</b>	<b>21,800</b>	<b>3,145,000</b>
INDICATED	Tonnes	Ag g/t	Au g/t	Ag Eq g/t	Ag oz	Au oz	Ag Eq oz
Guanaceví	1,650,000	310	0.80	370	16,449,000	42,400	19,629,000
Bolañitos	763,000	152	1.84	290	3,727,000	45,100	7,109,500
El Cubo	404,000	165	1.98	314	2,143,000	25,700	4,070,500
El Compas	148,000	104	7.31	652	495,000	34,900	3,112,500
Guadalupe y Calvo	1,861,000	119	2.38	298	7,120,000	142,400	17,800,000
Parral (new)	37,000	184	0.27	204	216,000	300	238,500
<b>Total Indicated</b>	<b>4,863,000</b>	<b>193</b>	<b>1.86</b>	<b>332</b>	<b>30,150,000</b>	<b>290,800</b>	<b>51,960,000</b>
<b>Total M&amp;I</b>	<b>5,118,000</b>	<b>192</b>	<b>1.90</b>	<b>335</b>	<b>31,660,000</b>	<b>312,600</b>	<b>55,105,000</b>

## Silver-Gold Inferred Mineral Resources

INFERRED	Tonnes	Ag g/t	Au g/t	Ag Eq g/t	Ag oz	Au oz	Ag Eq oz
Guanaceví	761,000	314	0.78	373	7,684,000	19,100	9,116,500
Bolañitos	945,000	150	1.95	296	4,556,000	59,200	8,996,000
El Cubo	1,100,000	143	2.07	298	5,058,000	73,200	10,548,000
Terronera	1,174,000	288	1.16	375	10,848,000	43,700	14,125,500
El Compas	217,000	76	5.38	480	530,000	37,500	3,342,500
Guadalupe y Calvo	154,000	94	2.14	255	465,000	10,600	1,260,000
Parral (new)	2,283,000	262	0.25	281	19,215,000	18,100	20,572,500
<b>Total Inferred</b>	<b>6,634,000</b>	<b>227</b>	<b>1.23</b>	<b>319</b>	<b>48,356,000</b>	<b>261,400</b>	<b>67,961,000</b>

## Silver-Gold-Lead-Zinc Resources

INDICATED	Tonnes	Ag g/t	Au g/t	Ag Eq g/t <sup>(1)</sup>	Ag oz	Au oz	Ag Eq oz <sup>(1)</sup>	Pb%	Zn%
Guanaceví	363,000	208	0.26	302	2,420,500	3,100	2,653,000	0.78	1.32
Parral (Cometa)	1,631,000	49	0.90	117	2,589,900	47,200	6,129,900	2.87	2.86
<b>Total Indicated</b>	<b>1,994,000</b>	<b>78</b>	<b>0.78</b>	<b>151</b>	<b>5,010,400</b>	<b>50,300</b>	<b>8,782,900</b>	<b>2.49</b>	<b>2.58</b>
INFERRED	Tonnes	Ag g/t	Au g/t	Ag Eq g/t <sup>(1)</sup>	Ag oz	Au oz	Ag Eq oz <sup>(1)</sup>	Pb%	Zn%
Guanaceví	488,000	132	0.16	293	2,076,000	2,500	2,263,500	1.36	2.54
Parral (Cometa)	1,303,000	63	0.88	129	2,658,900	36,900	5,426,400	2.55	2.28
<b>Total Inferred</b>	<b>1,791,000</b>	<b>82</b>	<b>0.68</b>	<b>174</b>	<b>4,734,900</b>	<b>39,400</b>	<b>7,689,900</b>	<b>2.23</b>	<b>2.35</b>

### Notes

- 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. The estimate of Mineral Resources may be materially affected by environmental, permitting, legal, title, taxation, socio-political, marketing, or other relevant issues.
- The Inferred Mineral Resource in this estimate has a lower level of confidence than that applied to an Indicated Mineral Resource and must not be converted to a Mineral Reserve. It is reasonably expected that the majority of the Inferred Mineral Resource could be upgraded to an Indicated Mineral Resource with continued exploration.
- The Mineral Resources in this estimate were calculated using the Canadian Institute of Mining, Metallurgy and Petroleum (CIM), CIM Standards on Mineral Resources and Reserves, Definitions and Guidelines prepared by the CIM Standing Committee on Reserve Definitions and adopted by CIM Council.
- Mineral Resources are exclusive of and in addition to Mineral Reserves.
- Mineral Resource and Mineral Reserve cut-off grades are based on a 202 g/t silver equivalent for Guanaceví, 158 g/t silver equivalent for Bolañitos, 152 g/t silver equivalent for Villalpando Ascuncion ore zone of El Cubo and 218 g/t silver equivalent for Santa Cecilia ore zone of El Cubo, and 150 g/t silver equivalent for Terronera, El Compas, Guadalupe y Calvo and Parral Properties.
- Metallurgical recoveries were 83.0% silver and 85.0% gold for Guanaceví, 84.3% silver and 87.7% gold for Bolañitos, and 87.0% silver and 86.7% gold for El Cubo.

- Mining recoveries of 92% were applied for Mineral Reserve Estimate calculations.
- Minimum mining widths were 0.8 metres for Mineral Reserve Estimate calculations.
- Dilution factors for Mineral Reserve Estimate calculations averaged 26% for Guanaceví, 28% for Bolañitos, and 35% for El Cubo. Dilution factors are calculated based on internal stope dilution calculations and external dilution factors of 15% for cut and fill mining and 30% for long hole mining at Guanaceví, 28% and Bolañitos and 54% for long mining at El Cubo.
- Silver equivalent grades are based on a 75:1 silver:gold ratio and calculated including only silver and gold.
- Inferred Mineral Resources for Terronera includes the Terronera and Real Alto Area (Animas-Los Negros, El Tajo & Real veins).
- The La Colorada structure (Parral) does not contain gold on an economic scale.
- Price assumptions for Guanaceví, Bolañitos and El Cubo are US\$17.26/oz for silver, US\$1,232/oz for gold, US\$0.82/lb for lead and US\$0.90/lb for zinc.
- Price assumptions for Terronera are US\$18/oz for silver, US\$1,250/oz for gold.
- Price assumptions for El Compas are US\$18/oz for silver, US\$1,225/oz for gold.
- Figures in the tables are rounded to reflect estimate precision; small differences generated by rounding are not material to the estimates.

### Cautionary Note on Forward Looking Statements

This Annual Review and Sustainability Report may contain "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995 and "forward-looking information" within the meaning of applicable Canadian securities legislation.

Such forward-looking statements include but are not limited to statements regarding Endeavour's anticipated performance in 2018 and are based on assumptions management believes to be reasonable, including but not limited to: the continued operation of the Company's mining operations, no material adverse change in the market price of commodities, mining operations will operate and the mining products will be completed in accordance with management's expectations and achieve their stated production outcomes, etc.

Forward-looking statements or information involve known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of Endeavour and its operations to be materially different from those expressed or implied by such statements. Such factors include, among others, changes in national and local governments, legislation, taxation, controls, regulations and political or economic developments in Canada and Mexico; operating or technical difficulties in mineral exploration, development and mining activities; risks and hazards of mineral exploration, development and mining; the speculative nature of mineral exploration and development, risks in obtaining necessary licenses and permits, and challenges to the Company's title to properties; as well as those factors described in the section "risk factors" contained in the Company's most recent form 40F/Annual Information Form; available at [www.sedar.com](http://www.sedar.com) and [www.sec.gov](http://www.sec.gov).

There can be no assurance that any forward-looking statements or information will prove to be accurate as actual results and future events could differ materially from those anticipated in such statements or information. The Company does not intend, and does not assume any obligation, to update such forward-looking statements or information, other than as required by applicable law. Accordingly, readers should not place undue reliance on forward-looking statements or information.

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