



Condensed Consolidated Interim Financial Statements

Prepared by Management

**Second Quarter Report
Three and Six Months Ended June 30, 2016 and 2015**

ENDEAVOUR SILVER CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

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

	Notes	June 30, 2016	December 31, 2015
ASSETS			
Current assets			
Cash and cash equivalents		\$ 56,848	\$ 20,413
Investments		104	614
Accounts receivable	4	30,962	24,343
Inventories	5	12,608	17,350
Prepaid expenses		1,823	2,510
Total current assets		102,345	65,230
Non-current deposits		874	855
Deferred income tax asset		-	223
Mineral properties, plant and equipment	7	53,419	47,925
Total assets		\$ 156,638	\$ 114,233
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		\$ 14,248	\$ 18,949
Derivative liability	17	1,372	-
Finance lease obligation	9	388	1,180
Income taxes payable		4,191	5,844
Credit facility	8	10,000	22,000
Total current liabilities		30,199	47,973
Credit facility - long term		4,000	-
Provision for reclamation and rehabilitation		7,804	7,762
Deferred income tax liability		7,204	7,623
Total liabilities		49,207	63,358
Shareholders' equity			
Share capital, unlimited common shares authorized, no par value, issued and outstanding 120,983,022 shares (Dec 31, 2015 - 102,776,470 shares)	Page 4	422,492	368,898
Contributed surplus	Page 4	8,327	9,465
Accumulated comprehensive income (loss)	Page 4	62	(145)
Retained earnings (deficit)		(323,450)	(327,343)
Total shareholders' equity		107,431	50,875
Total liabilities and shareholders' equity		\$ 156,638	\$ 114,233

Subsequent events (Notes 10(a) (b))

Commitments and contingencies (Notes 7, 9 and 15)

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

ENDEAVOUR SILVER CORP.**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**

(unaudited – prepared by management)

(expressed in thousands of US dollars, except for shares and per share amounts)

	Notes	Three Months Ended		Six Months Ended	
		June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Revenue		\$ 44,510	\$ 47,719	\$ 86,051	\$ 98,828
Cost of sales:					
Direct production costs		26,975	31,091	56,819	62,360
Royalties		276	243	485	491
Share-based compensation	10(b)	230	167	286	240
Depreciation and depletion		4,144	9,382	9,298	19,836
		31,625	40,883	66,888	82,927
Mine operating earnings		12,885	6,836	19,163	15,901
Expenses:					
Exploration	11	1,908	2,479	3,107	3,553
General and administrative	12	3,155	2,574	5,183	4,403
		5,063	5,053	8,290	7,956
Operating earnings (loss)		7,822	1,783	10,873	7,945
Finance costs		294	354	581	667
Other income (expense):					
Foreign exchange		(1,847)	(704)	(1,333)	(1,371)
Investment and other		(43)	330	(184)	684
		(1,890)	(374)	(1,517)	(687)
Earnings (loss) before income taxes		5,638	1,055	8,775	6,591
Income tax expense (recovery):					
Current income tax		3,480	954	4,891	4,130
Deferred income tax		459	1,075	356	2,078
		3,939	2,029	5,247	6,208
Net earnings (loss) for the period		1,699	(974)	3,528	383
Other comprehensive income (loss), net of tax					
Net change in fair value of available for sale investments		45	256	207	660
Comprehensive income (loss) for the period		\$ 1,744	\$ (718)	\$ 3,735	\$ 1,043
Basic earnings (loss) per share based on net earnings		\$ 0.01	\$ (0.01)	\$ 0.03	\$ 0.00
Diluted earnings (loss) per share based on net earnings	10(d)	\$ 0.01	\$ (0.01)	\$ 0.03	\$ 0.00
Basic weighted average number of shares outstanding		113,236,504	101,976,901	108,941,454	101,976,901
Diluted weighted average number of shares outstanding	10(d)	114,661,697	101,976,901	109,969,054	101,976,901

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

ENDEAVOUR SILVER CORP.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(unaudited – prepared by management)

(expressed in thousands of U.S. dollars, except share amounts)

	Note	Number of shares	Share Capital	Contributed Surplus	Accumulated other comprehensive income (loss)	Deficit	Total Shareholders' Equity
Balance at December 31, 2014		101,976,901	\$ 367,853	\$ 8,430	\$ (4,758)	\$ (179,252)	\$ 192,273
Share based compensation	10 (b)			1,594			1,594
Unrealized gain (loss) on available for sale assets					660		660
Expiry and forfeiture of options				(1,689)		1,689	-
Earnings (loss) for the period						383	383
Balance at June 30, 2015		101,976,901	367,853	8,335	(4,098)	(177,180)	194,910
Public equity offerings	10 (a)	799,569	1,045				1,045
Share based compensation	10 (b)			1,291			1,291
Unrealized gain (loss) on available for sale assets					(832)		(832)
Available-for-sale financial asset reclassified to net loss					4,785		4,785
Expiry and forfeiture of options				(161)		161	-
Earnings (loss) for the period						(150,324)	(150,324)
Balance at December 31, 2015		102,776,470	368,898	9,465	(145)	(327,343)	50,875
Public equity offerings	10 (a)	14,274,513	39,146				39,146
Exercise of options	10 (b)	1,784,800	7,919	(2,634)			5,285
Issued on acquisition of mineral properties, net	7	2,147,239	6,529				6,529
Share based compensation	10 (b)(c)			1,861			1,861
Unrealized gain (loss) on available for sale assets					476		476
Realized gain (loss) on available for sale assets					(269)		(269)
Expiry and forfeiture of options				(365)		365	-
Earnings (loss) for the period						3,528	3,528
Balance at June 30, 2016		120,983,022	\$ 422,492	\$ 8,327	\$ 62	\$ (323,450)	\$ 107,431

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

ENDEAVOUR SILVER CORP.**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS**

(unaudited – prepared by management)

(expressed in thousands of U.S. dollars)

	Notes	Three Months Ended		Six Months Ended	
		June 30, 2016	June 30 2015	June 30, 2016	June 30 2015
Operating activities					
Net earnings (loss) for the period		\$ 1,699	\$ (974)	\$ 3,528	\$ 383
Items not affecting cash:					
Share-based compensation	10 (b)(c)	1,404	1,114	1,861	1,594
Depreciation and depletion		4,211	9,457	9,433	19,975
Deferred income tax expense (recovery)		46	1,075	(57)	2,078
Unrealized foreign exchange loss (gain)		108	8	(134)	148
Loss on available for sale assets		-	-	269	-
Loss on derivative liability	17	1,372	-	1,372	-
Finance costs	8	518	306	581	612
Net changes in non-cash working capital	13	828	8,078	(9,496)	(1,441)
Cash from (used in) operating activities		10,186	19,064	7,357	23,349
Investing activities					
Property, plant and equipment expenditures	7	(4,122)	(9,352)	(7,209)	(18,017)
Proceeds from disposition of available for sale assets		-	-	448	-
Investment in long term deposits		-	-	133	-
Cash used in investing activities		(4,122)	(9,352)	(6,628)	(18,017)
Financing activities					
Repayment of revolving credit facility	8	(5,000)	(4,000)	(8,000)	(4,000)
Repayment of obligation under finance lease		(163)	-	(389)	-
Debt issuance costs		(170)	-	(474)	-
Interest paid		(215)	-	(389)	-
Public equity offerings	10 (a)	32,026	-	41,124	-
Exercise of options and warrants	10 (b)	5,254	(224)	5,285	(449)
Share issuance costs	10(a)	(1,168)	-	(1,446)	-
Cash from (used in) financing activities		30,564	(4,224)	35,711	(4,449)
Increase (decrease) in cash and cash equivalents		36,628	5,488	36,440	883
Effect of exchange rate change on cash and cash equivalents		(165)	(8)	(5)	(148)
Cash and cash equivalents, beginning of period		20,385	26,300	20,413	31,045
Cash and cash equivalents, end of period		\$ 56,848	\$ 31,780	\$ 56,848	\$ 31,780

Supplementary cash flow information

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

ENDEAVOUR SILVER CORP.

Notes to the Condensed Consolidated Interim Financial Statements

Three and six months ended June 30, 2016 and 2015

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

1. CORPORATE INFORMATION

Endeavour Silver Corp. (the “Company” or “Endeavour Silver”) is a corporation governed by the Business Corporation Act (British Columbia). The Company is engaged in silver mining in Mexico and related activities including acquisition, exploration, development, extraction, processing, refining and reclamation. The Company is also engaged in exploration activities in Chile. The address of the registered office is #301 – 700 West Pender Street, Vancouver, B.C., V6C 1G8.

2. BASIS OF PRESENTATION

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

The Board of Directors approved the condensed consolidated interim financial statements for issue on August 2, 2016.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in these condensed consolidated interim financial statements are the same as those applied in the Company’s annual audited consolidated financial statements as at and for the year ended December 31, 2015.

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Company’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual consolidated financial statements as at and for the year ended December 31, 2015.

Critical judgments in applying policies that have the most significant effect on the amounts recognized in the consolidated financial statements include the following:

- Acquisition of Oro Silver Resources Ltd. – critical judgments include the determination of asset purchase versus business combination in respect of the Company’s acquisition of Oro Silver Resources Ltd. during the period (see note 7(b)). In making its determination, the Company considered established mineral resources associated with the El Compas property and other contracts assumed in the transaction.

(a) Accounting standards adopted during the period

Amendments to IAS 1, *Presentation of Financial Statements (“IAS 1”)*

On December 18, 2014, the IASB issued amendments to IAS 1 as part of its major initiative to improve presentation and disclosure in financial reports. The amendments are effective for annual periods beginning on or after January 1, 2016 with early adoption permitted. The Company adopted these amendments in its financial statements for the annual period beginning on January 1, 2016 with no material impact on the financial statements.

(b) Changes in IFRS not yet adopted.

Amendments to IAS 7, Statement of Cash Flows (“IAS 7”)

On January 7, 2016, the IASB issued amendments to IAS 7. The amendments apply prospectively for annual periods beginning on or after January 1, 2017 with early adoption permitted. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The Company intends to adopt the amendments to IAS 7 in its financial statements for the annual periods beginning on January 1, 2017. The extent of the impact of adoption of the amendments has not yet been determined.

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Amendments to IAS 12, Income Taxes (“IAS 12”)

On January 19, 2016, the IASB issued amendments to IAS 12. The amendments apply retrospectively for annual periods beginning on or after January 1, 2017 with early adoption permitted. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax basis at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments also clarify the methodology to determine future income tax profits used for assessing the utilization of deductible temporary differences. The Company intends to adopt the amendments to IAS 12 in its financial statements for the annual period beginning on January 1, 2017. The extent of the impact of adoption of the amendments has not yet been determined.

Amendments to IFRS 2, Share-based Payment (“IFRS 2”)

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

The amendments apply for annual periods beginning on or after January 1, 2018. As a practical simplification, the amendments can be applied prospectively. Retrospective, or early, application is permitted if information is available without the use of hindsight. The Company intends to adopt the amendments to IAS 2 in its financial statements for the annual period beginning on January 1, 2018. The extent of the impact of adoption of the amendments has not yet been determined.

IFRS 9 Financial Instruments (“IFRS 9”)

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

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

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

IFRS 15, Revenue from Contracts with Customers (“IFRS 15”)

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

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

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

The Company intends to adopt IFRS 15 and the clarifications in its consolidated financial statements for the annual period beginning on January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

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IFRS 16, *Leases* (“IFRS 16”)

On January 13, 2016, the IASB published a new standard, IFRS 16, *Leases*, eliminating the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Under the new standard, a lease becomes an on-balance sheet liability that attracts interest, together with a new right-of-use asset. In addition, lessees will recognize a front-loaded pattern of expense for most leases, even when cash rentals are constant. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with earlier adoption permitted. The Company has not yet completed an assessment of the impact of this standard on its consolidated financial statements.

4. ACCOUNTS RECEIVABLE

	Note	June 30 2016	December 31 2015
Trade receivables ⁽¹⁾		\$ 11,775	\$ 1,704
IVA receivables		12,525	16,506
Income taxes recoverable		5,587	5,676
Due from related parties	6	3	111
Other receivables		1,072	346
		\$ 30,962	\$ 24,343

- (1) The trade receivables consist of receivables from provisional silver and gold sales from the Bolanitos and El Cubo mines. The fair value of receivables arising from concentrate sales contracts that contain provisional pricing mechanisms is determined using the appropriate quoted closing price on the measurement date from the exchange that is the principal active market for the particular metal. As such, these receivables, which meet the definition of an embedded derivative, are classified within Level 1 of the fair value hierarchy (see note 16).

5. INVENTORIES

	June 30 2016	December 31 2015
Warehouse inventory	\$ 8,622	\$ 9,730
Stockpile inventory ⁽¹⁾	476	3,808
Work in process inventory ⁽²⁾	426	391
Finished goods inventory ⁽³⁾	3,084	3,421
	\$ 12,608	\$ 17,350

- (1) The Company has stockpiled 10,685 tonnes of mined ore as of June 30, 2016 (December 31, 2015 – 71,793 tonnes). The stockpile inventory balance at December 31, 2015 includes a write down to net realizable value of \$154 for stockpile inventory held at the El Cubo mine. Of this amount \$116 is comprised of cash costs and \$38 relates to depreciation and depletion.
- (2) The work in process inventory balance at December 31, 2015 includes a write down to net realizable value of \$80 for work in process inventory at the El Cubo mine. Of this amount, \$60 is comprised of cash costs and \$20 relates to depreciation and depletion.
- (3) The Company held 154,273 silver ounces and 1,124 gold ounces as of June 30, 2016 (December 31, 2015 – 194,496 and 1,285, respectively). These ounces are carried at the lower of cost and net realizable value. As at June 30, 2016, the quoted market value of the silver ounces was \$2,832 (December 31, 2015 - \$2,688) and the quoted market value of the gold ounces was \$1,485 (December 31, 2015 - \$1,364).

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6. RELATED PARTY TRANSACTIONS

The Company shares common administrative services and office space with a company related by virtue of a common director and from time to time will incur third party costs on behalf of the related parties on a full cost recovery basis. The charges for these costs totaled \$22 for the six months ended June 30, 2016 (June 30, 2015 - \$22). The Company has a \$3 net receivable related to administration costs and other items outstanding as of June 30, 2016. (December 31, 2015 – \$111).

On May 27, 2016, the Company acquired Oro Silver Resources from Canarc Resource Corp. (“Canarc”), which is a company related by virtue of a common director. See Note 7(b).

The Company was charged \$210 for legal services for the six months ended June 30, 2015 by a legal firm in which the Company’s Corporate Secretary is a partner (June 30, 2015 - \$67). The Company has \$Nil payable to the legal firm as at June 30, 2016 (December 31, 2015 - \$12).

7. MINERAL PROPERTIES, PLANT AND EQUIPMENT

(a) Mineral properties, plant and equipment comprise:

	Mineral properties	Plant	Machinery & equipment	Building	Transport & office equipment	Total
Cost						
Balance at December 31, 2014	\$ 398,913	\$ 90,989	\$ 56,134	\$ 9,971	\$ 7,842	\$ 563,849
Additions	30,716	2,786	4,123	508	750	38,883
Disposals	-	-	-	-	(67)	(67)
Balance at December 31, 2015	429,629	93,775	60,257	10,479	8,525	602,665
Additions	12,797	418	596	32	253	14,096
Disposals	-	-	(215)	-	(23)	(238)
Balance at June 30, 2016	\$ 442,426	\$ 94,193	\$ 60,638	\$ 10,511	\$ 8,755	\$ 616,523
Accumulated amortization and impairment						
Balance at December 31, 2014	\$ 315,950	\$ 37,388	\$ 19,698	\$ 2,486	\$ 5,597	\$ 381,119
Amortization	24,284	6,689	6,508	863	1,344	39,688
Impairment	71,100	39,800	17,000	5,600	500	134,000
Disposals	-	-	-	-	(67)	(67)
Balance at December 31, 2015	411,334	83,877	43,206	8,949	7,374	554,740
Amortization	5,445	915	1,565	145	335	8,405
Disposals	-	-	(18)	-	(23)	(41)
Balance at June 30, 2016	\$ 416,779	\$ 84,792	\$ 44,753	\$ 9,094	\$ 7,686	\$ 563,104
Net book value						
At December 31, 2015	\$ 18,295	\$ 9,898	\$ 17,051	\$ 1,530	\$ 1,151	\$ 47,925
At June 30, 2016	\$ 25,647	\$ 9,401	\$ 15,885	\$ 1,417	\$ 1,069	\$ 53,419

As of June 30, 2016, other than the finance lease obligations of \$388, the Company has \$Nil committed to capital equipment purchases.

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(b) Acquisition of Oro Silver Resources Ltd

On May 27, 2016, the Company issued 2,147,239 common shares to Canarc, a related party company, and assumed Canarc's obligation to pay an aggregate of 165 troy ounces of gold to Marlin Gold Mining Ltd to acquire a 100% interest in Canarc's wholly-owned subsidiary, Oro Silver Resources Ltd, which owns the El Compas project through its wholly owned Mexican subsidiary, Minera Oro Silver de Mexico SA de CV ("Minera Oro Silver").

The 3,990 hectare El Compas project located in Zacatecas, Mexico consists of 28 concessions fully permitted for mining with 22 concessions subject to a 1.5% net smelter return royalty and six concessions subject to a 3.0% net smelter return royalty.

Minera Oro Silver also holds a five year operating lease, renewable for an additional five years, on a 500 tonne per day ore processing plant located in Zacatecas, Mexico for a total annual lease cost of 1,632,000 Mexican Pesos (approximately \$90), adjusted annually for inflation. The plant is currently not operational and will require capital investment to restore to an operational state.

The acquisition is considered to be outside the scope of IFRS 3, Business Combinations since the El Compas project does not meet the definition of a business, and as such, the transaction was accounted for as an asset acquisition. The purchase price is allocated to the underlying assets acquired and liabilities assumed, based upon their estimated fair values at the date of acquisition. The final valuations are not yet complete due to the timing of the acquisition and the inherent complexity associated with the valuations. This is a preliminary purchase price allocation and therefore subject to adjustment over the period to completion of the valuation process.

Oro Silver Resources Ltd purchase consideration:

Common shares issued ⁽¹⁾	\$	6,529
Assumed liability ⁽²⁾		215
Acquisition costs		30
Total consideration	\$	6,774

- (1) 2,147,239 common shares were issued with a fair value of \$3.05 per share, with the fair value per share measured by the closing listed New York Stock Exchange prices of the Company's common shares on the acquisition date. The related share issuance cost of \$20 is recognized as a reduction of equity.
- (2) 165 troy ounces of gold (or the U.S. dollar equivalent) will be paid by the Company to Marlin Gold Mining Ltd or to any of its subsidiaries in three instalments until October 2017. The fair value of the assumed liability was measured using the London PM fixed gold price on the acquisition date.

Fair value summary of assets acquired and liabilities assumed:

Assets:		
Current assets	\$	64
Long term deposit		2
Equipment		16
Mineral properties		6,714
Total assets	\$	6,796
Liabilities:		
Accounts payable and accrued liabilities		(22)
Total liabilities		(22)
Net identifiable assets acquired	\$	6,774

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8. CREDIT FACILITY

On January 19, 2016, the Company signed an amended and restated credit facility (“the Amended Facility”) which became effective April 1, 2016 to convert the remaining outstanding balance under the existing revolving credit facility into a two year term loan amortized quarterly maturing on December 31, 2017. The Amended Facility is principally secured by a pledge of the Company’s equity interests in its material operating subsidiaries, including Refinadora Plata Guanacevi SA de CV, Minas Bolañitos SA de CV and Compania Minera del Cubo SA de CV. The interest rate margin on the Facility is 4.5% over LIBOR and the Company agreed to pay a fee of \$300 upon signing. The Facility is subject to various qualitative and quantitative covenants, including a debt to EBITDA leverage ratio, an interest service coverage ratio and a tangible net worth calculation.

At June 30, 2016, the Company had \$14,000 outstanding on the Amended Facility (December 31, 2015 – \$22,000), with \$10,000 due within 12 months of the balance sheet date.

Facility Financial Covenants	Facility Financial Requirements	June 30 2016	December 31 2015
Leverage Ratio	≤ 3.00:1	0.41	0.53
Interest Service Coverage Ratio	≥ 4.00:1	41	42
Tangible Net Worth	> 45,900	107,369	51,020

9. FINANCE LEASE OBLIGATION

The Company has certain mining equipment under financial leases expiring in 2016. The leases carry a weighted average annual interest rate of 10%. Estimated lease payments are as follows:

	June 30 2016	December 31 2015
2016	\$ 398	\$ 1,238
Minimum lease payments	398	1,238
Less: interest portion	10	58
Net minimum lease payments	\$ 388	\$ 1,180

The equipment under finance leases has been recognized in property and equipment at the present value of minimum lease payments. Interest charges on lease equipment during the six months ended June 30, 2016 were approximately \$47 (2015 - \$Nil). Other than interest, no costs were incurred relating to the leases. The lease is secured by the assets under lease. At June 30, 2016 the net book value of the equipment pledged as security for the finance leases is \$756 (December 31, 2015 - \$1,544).

10. SHARE CAPITAL

(a) Public Offerings

In July 2014, the Company filed a short form base shelf prospectus (the “Base Shelf”) that qualified for the distribution, including transactions that are deemed to be “at-the-market” (“ATM”) distributions, of up to CAN\$ 200 million of common shares, warrants or units of the Company comprising any combination of common shares and warrants (the “Securities”).

On November 25, 2015, the Company entered into an ATM equity facility with Cowen and Company, LLC, acting as sole agent. Under the terms of this ATM facility, the Company sold common stock having an aggregate offering value of US\$16.5 million on the New York Stock Exchange. The Company determined, at its sole discretion, the timing and number of shares sold under the ATM facility. During the six months ended June 30, 2016, the Company completed this ATM program issuing 7,218,125 common shares under the ATM facility at an average price of \$2.13 per share for proceeds of \$14,893, net of commission.

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In May 2016, the Company filed a short form base shelf prospectus that qualifies for the distribution of up to CAN\$ 175 million of common shares, warrants or units of the Company comprising any combination of common shares and warrants (the “Securities”). The distribution of Securities may be effected from time to time in one or more transactions at a fixed price or prices, which may be changed, at market prices prevailing at the time of sale, or at prices related to such prevailing market prices to be negotiated with purchasers and as set forth in an accompanying prospectus supplement, including transactions that are deemed to be ATM distributions.

On May 5, 2016, the Company entered into an ATM equity facility with Cowen and Company, LLC, acting as sole agent. Under the terms of this ATM facility, the Company may, from time to time, sell common stock having an aggregate offering value of up to US\$40.0 million on the New York Stock Exchange. The Company determines, at its sole discretion, the timing and number of shares to be sold under the ATM facility. During the six months ended June 30, 2016, the Company had 7,056,388 common shares issued or issuable under the ATM facility at an average price of \$3.65 per share for proceeds of \$25,040, net of commission.

During the six months ended June 30, 2016, the Company also recognized \$788 of additional transaction costs, related to the two ATM financings, as share issuance costs which have been presented net of share capital.

Subsequent to June 30, 2016, the Company substantially completed the ATM by issuing an additional 3,188,959 shares under the ATM facility at an average price of \$4.46 per share for proceeds of \$13,909, net of commission.

(b) Purchase Options

Options to purchase common shares have been granted to directors, officers, employees and consultants pursuant to the Company’s current stock option plan approved by the Company’s shareholders in fiscal 2009, and ratified in 2012, at exercise prices determined by reference to the market value on the date of grant. The stock option plan allows for, with approval by the Board, granting of options to its directors, officers, employees and consultants to acquire up to 7.5% of the issued and outstanding shares at any time.

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

Expressed in Canadian dollars	Period Ended	
	June 30, 2016	
	Number of shares	Weighted average exercise price
Outstanding, beginning of year	6,322,050	\$3.80
Granted	2,150,000	\$4.30
Exercised	(1,784,800)	\$3.79
Cancelled	(195,000)	\$5.07
Outstanding, end of period	6,492,250	\$3.93
Options exercisable at period end	3,863,250	\$4.07

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The following tables summarize information about stock options outstanding at June 30, 2016:

Expressed in Canadian dollars					
CAN \$ Price Intervals	Options Outstanding			Options Exercisable	
	Number Outstanding as at June 30, 2016	Weighted Average Remaining Contractual Life (Number of Years)	Weighted Average Exercise Prices	Number Exercisable as at June 30, 2016	Weighted Average Exercise Prices
\$2.00 - \$2.99	1,840,500	3.9	\$2.65	931,500	\$2.65
\$4.00 - \$4.99	4,604,500	3.6	\$4.39	2,884,500	\$4.45
\$8.00 - \$8.99	47,250	1.1	\$8.59	47,250	\$8.59
	<u>6,492,250</u>	<u>3.7</u>	<u>\$3.93</u>	<u>3,863,250</u>	<u>\$4.07</u>

During the period ended June 30, 2016, the Company recognized share based compensation expense of \$1,490 (June 30, 2015 - \$1,594) based on the fair value of the vested portion of options granted in prior years. Subsequent to period end, 1,471,500 options were exercised with a weighted average exercise price of CAN \$4.05.

(c) Performance share units

A total of 425,000 performance share units (“PSUs”) were granted during the six months ended June 30, 2016 under the Company’s PSU plan. The PSUs vest on January 1, 2017, subject to achievement of pre-determined performance and/or service criteria. The current maximum number of common share authorized for issuance from treasury under the PSU plan is 1,000,000.

Compensation expense related to PSUs for the six months ended June 30, 2016 was \$371 (June 30, 2015 - \$Nil).

(d) Diluted Earnings per Share

	Three Months ended	
	June 30 2016	June 30 2015
Basic earnings (loss)	\$ 1,699	\$ (974)
Basic weighted average number of shares outstanding	113,236,504	101,976,901
Effect of dilutive securities:		
Stock options	1,000,193	-
Performance share units	425,000	-
Diluted weighted average number of share outstanding	114,661,697	101,976,901
Diluted earnings per share	\$ 0.01	\$ (0.01)

	Six Months ended	
	June 30 2016	June 30 2015
Basic earnings	\$ 3,528	\$ 383
Basic weighted average number of shares outstanding	108,941,454	101,976,901
Effect of dilutive securities:		
Stock options	602,600	-
Performance share units	425,000	-
Diluted weighted average number of share outstanding	109,969,054	101,976,901
Diluted earnings per share	\$ 0.03	\$ 0.00

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11. EXPLORATION

	Three months ended		Six months ended	
	June 30	June 30	June 30	June 30
	2016	2015	2016	2015
Depreciation and depletion	\$ 13	\$ 20	\$ 31	\$ 45
Share-based compensation	150	109	187	146
Salaries, wages and benefits	497	296	1,136	630
Direct exploration expenditures	1,248	2,054	1,753	2,732
	\$ 1,908	\$ 2,479	\$ 3,107	\$ 3,553

12. GENERAL AND ADMINISTRATIVE

	Three months ended		Six months ended	
	June 30	June 30	June 30	June 30
	2016	2015	2016	2015
Depreciation and depletion	\$ 54	\$ 55	\$ 104	\$ 94
Share-based compensation	1,024	838	1,388	1,208
Salaries, wages and benefits	1,434	1,050	2,347	1,821
Direct costs	643	631	1,344	1,280
	\$ 3,155	\$ 2,574	\$ 5,183	\$ 4,403

13. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	Six Months Ended	
	June 30	June 30
	2016	2015
Net changes in non-cash working capital		
Accounts receivable	\$ (6,999)	\$ 3,154
Inventories	3,573	1,791
Prepaid expenses	687	308
Accounts payable and accrued liabilities	(5,104)	(1,389)
Income taxes payable	(1,653)	(5,305)
	\$ (9,496)	\$ (1,441)
Non-cash financing and investing activities:		
Fair value of exercised options allocated to share capital	\$ 2,634	\$ -
Common shares issued on acquisition of mineral properties	\$ 6,549	\$ -
Other cash disbursements:		
Income taxes paid	\$ 5,885	\$ 7,974
Special mining duty paid	\$ 1,042	\$ 3,245

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14. SEGMENT DISCLOSURES

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

June 30, 2016							
	Corporate	Exploration	Guanacevi	Bolanitos	El Cubo	Total	
Cash and cash equivalents	\$ 43,946	\$ 656	\$ 4,714	\$ 3,445	\$ 4,087	\$ 56,848	
Investments	104	-	-	-	-	104	
Accounts receivables	1,553	600	3,142	8,811	16,856	30,962	
Inventories	-	-	6,882	2,341	3,385	12,608	
Prepaid expenses	1,102	216	295	137	73	1,823	
Non-current deposits	152	56	450	143	73	874	
Mineral properties, plant and equipment	290	11,668	33,344	6,422	1,695	53,419	
Total assets	\$ 47,147	\$ 13,196	\$ 48,827	\$ 21,299	\$ 26,169	\$ 156,638	
Accounts payable and accrued liabilities	\$ 4,702	\$ 779	\$ 4,066	\$ 1,705	\$ 2,996	\$ 14,248	
Derivative liability	-	-	1,372	-	-	1,372	
Finance lease obligation	-	-	-	-	388	388	
Income taxes payable	-	-	598	3,553	40	4,191	
Revolving credit facility	14,000	-	-	-	-	14,000	
Provision for reclamation and rehabilitation	-	-	2,045	1,746	4,013	7,804	
Deferred income tax liability	-	-	6,520	684	-	7,204	
Total liabilities	\$ 18,702	\$ 779	\$ 14,601	\$ 7,688	\$ 7,437	\$ 49,207	
December 31, 2015							
	Corporate	Exploration	Guanacevi	Bolanitos	El Cubo	Total	
Cash and cash equivalents	\$ 10,983	\$ 149	\$ 6,889	\$ 1,004	\$ 1,388	\$ 20,413	
Investments	614	-	-	-	-	614	
Accounts receivables	920	578	2,865	5,785	14,195	24,343	
Inventories	-	-	6,348	6,844	4,158	17,350	
Prepaid expenses	1,734	261	324	34	157	2,510	
Non-current deposits	-	56	583	143	73	855	
Deferred income tax asset	-	-	-	-	223	223	
Mineral properties, plant and equipment	322	4,628	30,932	8,166	3,877	47,925	
Total assets	\$ 14,573	\$ 5,672	\$ 47,941	\$ 21,976	\$ 24,071	\$ 114,233	
Accounts payable and accrued liabilities	\$ 4,776	\$ 624	\$ 3,498	\$ 2,401	\$ 7,650	\$ 18,949	
Finance least obligation	-	-	333	-	847	\$ 1,180	
Income taxes payable	-	-	3,402	2,431	11	5,844	
Revolving credit facility	22,000	-	-	-	-	22,000	
Provision for reclamation and rehabilitation	-	-	2,031	1,737	3,994	7,762	
Deferred income tax liability	-	-	6,356	1,267	-	7,623	
Total liabilities	\$ 26,776	\$ 624	\$ 15,620	\$ 7,836	\$ 12,502	\$ 63,358	

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	Corporate	Exploration	Guanacevi	Bolanitos	El Cubo	Total
Three months ended June 30, 2016						
Silver revenue	\$ -	\$ -	\$ 8,533	\$ 4,993	\$ 11,181	\$ 24,707
Gold revenue	-	-	1,411	10,769	7,623	19,803
Total revenue	\$ -	\$ -	\$ 9,944	\$ 15,762	\$ 18,804	\$ 44,510
Salaries, wages and benefits:						
mining	\$ -	\$ -	\$ 1,319	\$ 1,760	\$ 2,397	\$ 5,476
processing	-	-	505	252	456	1,213
administrative	-	-	789	740	809	2,338
stock based compensation	-	-	77	77	76	230
change in inventory	-	-	(85)	74	156	145
Total salaries, wages and benefits	-	-	2,605	2,903	3,894	9,402
Direct costs:						
mining	-	-	2,632	2,775	3,029	8,436
processing	-	-	2,081	2,072	2,863	7,016
administrative	-	-	682	535	787	2,004
change in inventory	-	-	(396)	121	622	347
Total direct production costs	-	-	4,999	5,503	7,301	17,803
Depreciation and depletion:						
depreciation and depletion	-	-	1,825	1,362	998	4,185
change in inventory	-	-	(117)	28	48	(41)
Total depreciation and depletion	-	-	1,708	1,390	1,046	4,144
Royalties	-	-	115	75	86	276
Total cost of sales	\$ -	\$ -	\$ 9,427	\$ 9,871	\$ 12,327	\$ 31,625
Earnings (loss) before taxes	\$ (5,339)	\$ (1,908)	\$ 517	\$ 5,891	\$ 6,477	\$ 5,638
Current income tax expense	(25)	-	144	3,346	15	3,480
Deferred income tax expense (recovery)	-	-	338	-	121	459
Total income tax expense (recovery)	(25)	-	482	3,346	136	3,939
Net earnings (loss)	\$ (5,314)	\$ (1,908)	\$ 35	\$ 2,545	\$ 6,341	\$ 1,699
Three months ended June 30, 2015						
Silver revenue	\$ -	\$ -	\$ 18,396	\$ 6,229	\$ 6,644	\$ 31,269
Gold revenue	-	-	3,140	6,300	7,010	16,450
Total revenue	\$ -	\$ -	\$ 21,536	\$ 12,529	\$ 13,654	\$ 47,719
Salaries, wages and benefits:						
mining	\$ -	\$ -	\$ 1,952	\$ 1,449	\$ 2,783	\$ 6,184
processing	-	-	606	247	490	1,343
administrative	-	-	720	491	953	2,164
stock based compensation	-	-	55	56	56	167
change in inventory	-	-	578	115	(419)	274
Total salaries, wages and benefits	-	-	3,911	2,358	3,863	10,132
Direct costs:						
mining	-	-	2,752	2,133	5,079	9,964
processing	-	-	2,646	2,644	3,047	8,337
administrative	-	-	670	388	915	1,973
change in inventory	-	-	1,219	306	(673)	852
Total direct production costs	-	-	7,287	5,471	8,368	21,126
Depreciation and depletion:						
depreciation and depletion	-	-	1,996	2,234	4,836	9,066
change in inventory	-	-	520	139	(343)	316
Total depreciation and depletion	-	-	2,516	2,373	4,493	9,382
Royalties	-	-	124	60	59	243
Total cost of sales	\$ -	\$ -	\$ 13,838	\$ 10,262	\$ 16,783	\$ 40,883
Earnings (loss) before taxes	\$ (3,302)	\$ (2,479)	\$ 7,698	\$ 2,267	\$ (3,129)	\$ 1,055
Current income tax expense	(262)	-	1,573	(373)	16	954
Deferred income tax expense (recovery)	-	-	662	904	(491)	1,075
Total income tax expense (recovery)	(262)	-	2,235	531	(475)	2,029
Net earnings (loss)	\$ (3,040)	\$ (2,479)	\$ 5,463	\$ 1,736	\$ (2,654)	\$ (974)

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	Corporate	Exploration	Guanacevi	Bolanitos	El Cubo	Total
Six months ended June 30, 2015						
Silver revenue	\$ -	\$ -	\$ 18,646	\$ 10,018	\$ 18,983	\$ 47,647
Gold revenue	-	-	3,363	20,442	14,599	38,404
Total revenue	\$ -	\$ -	\$ 22,009	\$ 30,460	\$ 33,582	\$ 86,051
Salaries, wages and benefits:						
mining	\$ -	\$ -	\$ 2,518	\$ 3,385	\$ 4,681	\$ 10,584
processing	-	-	970	497	894	2,361
administrative	-	-	1,560	1,420	1,521	4,501
stock based compensation	-	-	96	95	95	286
change in inventory	-	-	(129)	47	84	2
Total salaries, wages and benefits	-	-	5,015	5,444	7,275	17,734
Direct costs:						
mining	-	-	4,688	6,031	10,919	21,638
processing	-	-	3,988	4,089	5,865	13,942
administrative	-	-	1,318	930	1,504	3,752
change in inventory	-	-	(572)	230	381	39
Total direct production costs	-	-	9,422	11,280	18,669	39,371
Depreciation and depletion:						
depreciation and depletion	-	-	3,744	3,121	2,173	9,038
change in inventory	-	-	(169)	204	225	260
Total depreciation and depletion	-	-	3,575	3,325	2,398	9,298
Royalties	-	-	195	141	149	485
Total cost of sales	\$ -	\$ -	\$ 18,207	\$ 20,190	\$ 28,491	\$ 66,888
Earnings (loss) before taxes	\$ (7,281)	\$ (3,107)	\$ 3,802	\$ 10,270	\$ 5,091	\$ 8,775
Current income tax expense (recovery)	-	-	440	4,421	30	4,891
Deferred income tax expense (recovery)	-	-	715	(582)	223	356
Total income tax expense (recovery)	-	-	1,155	3,839	253	5,247
Net earnings (loss)	\$ (7,281)	\$ (3,107)	\$ 2,647	\$ 6,431	\$ 4,838	\$ 3,528
Six months ended June 30, 2016						
Silver revenue	\$ -	\$ -	\$ 33,886	\$ 14,877	\$ 14,352	\$ 63,115
Gold revenue	-	-	5,442	16,405	13,866	35,713
Total revenue	\$ -	\$ -	\$ 39,328	\$ 31,282	\$ 28,218	\$ 98,828
Salaries, wages and benefits:						
mining	\$ -	\$ -	\$ 3,363	\$ 2,751	\$ 5,221	\$ 11,335
processing	-	-	1,145	493	905	2,543
administrative	-	-	1,955	1,400	1,826	5,181
stock based compensation	-	-	80	80	80	240
change in inventory	-	-	767	77	(57)	787
Total salaries, wages and benefits	-	-	7,310	4,801	7,975	20,086
Direct costs:						
mining	-	-	5,271	5,121	8,996	19,388
processing	-	-	5,087	6,115	6,173	17,375
administrative	-	-	1,254	947	1,720	3,921
change in inventory	-	-	1,809	231	(210)	1,830
Total direct production costs	-	-	13,421	12,414	16,679	42,514
Depreciation and depletion:						
depreciation and depletion	-	-	4,494	5,024	9,466	18,984
change in inventory	-	-	235	67	550	852
Total depreciation and depletion	-	-	4,729	5,091	10,016	19,836
Royalties	-	-	226	139	126	491
Total cost of sales	\$ -	\$ -	\$ 25,686	\$ 22,445	\$ 34,796	\$ 82,927
Earnings (loss) before taxes	\$ (5,757)	\$ (3,553)	\$ 13,642	\$ 8,837	\$ (6,578)	\$ 6,591
Current income tax expense (recovery)	(81)	-	3,113	1,063	35	4,130
Deferred income tax expense (recovery)	-	-	1,306	1,688	(916)	2,078
Total income tax expense (recovery)	(81)	-	4,419	2,751	(881)	6,208
Net earnings (loss)	\$ (5,676)	\$ (3,553)	\$ 9,223	\$ 6,086	\$ (5,697)	\$ 383

The Exploration segment included \$161 of costs incurred in Chile for the six months ended June 30, 2016 (2015 - \$279).

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15. INCOME TAXES

Tax Assessments

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

In June 2015, the Superior Court ruled in favour of MSCG on a number of the matters under appeal; however, the Superior Court ruled against MSCG for failure to provide appropriate support for certain deductions taken in MSCG’s 2006 tax return. In June 2016, the Company received a MXN\$123 million assessment, which includes interest and penalties by Mexican fiscal authorities for failure to provide the appropriate support for certain expense deductions taken in MSCG’s 2006 tax return, failure to provide appropriate support for loans made to MSCG from affiliated companies, and deemed an unrecorded distribution of dividends to shareholders, among other individually immaterial items. If MSCG agrees to pay the tax assessment, or a lesser settled amount, it is eligible to apply for forgiveness of 100% of the penalties and 50% of the interest, with the latter amounting to MXN 53.4 million (~USD \$2.9 million) on the MXN 46.5 million estimated tax assessment.

Included in the Company’s consolidated financial statements, are net assets of \$240, including \$42 in cash, of MSCG. Following the Tax Court’s rulings, MSCG will engage in discussions with the tax authorities with regards to the shortfall of assets within MSCG to settle its estimated tax liability. An alternative settlement option would be to transfer the shares and assets of MSCG to the tax authorities. The Company recognized an allowance for transferring the shares and assets of MSCG amounting to \$240. The Company is currently assessing MSCG’s settlement options.

16. FAIR VALUE MEASUREMENTS

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

Financial assets and liabilities measured at fair value on a recurring basis include:

	Total	Level 1	Level 2	Level 3
As at June 30, 2016	\$	\$	\$	\$
<u>Financial assets:</u>				
Available for sale securities	104	104	-	-
Trade receivables	11,775	11,775	-	-
Total financial assets	11,879	11,879	-	-
<u>Financial liabilities:</u>				
Derivative liability	1,372	-	1,372	-
Total financial liabilities	1,372	-	1,372	-

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Fair values of financial assets and liabilities:

	As at June 30, 2016		As at December 31, 2015	
	Carrying value	Estimated Fair value	Carrying value	Estimated Fair value
	\$	\$	\$	\$
Financial assets:				
Cash and cash equivalents	56,848	56,848	20,413	20,413
Investments	104	104	614	614
Accounts receivables	30,962	30,962	24,343	24,343
Total financial assets	87,914	87,914	45,370	45,370
Financial liabilities:				
Accounts payable and accrued liabilities	14,248	14,248	18,949	18,949
Derivative liability	1,372	1,372	-	-
Credit facility	14,000	14,000	22,000	22,000
Total financial liabilities	29,620	29,620	40,949	40,949

Disclosure of the valuation techniques to estimate the fair values of financial assets and liabilities are disclosed in the following notes:

- Trade receivables (see Note 4)

17. **FINANCIAL INSTRUMENTS**

Financial assets and financial liabilities, including derivatives and contingent liabilities, are measured at fair value on initial recognition and recorded on the statement of financial position. Measurement in subsequent periods depends on whether the financial instrument has been classified as a financial asset at fair value through profit or loss, held for trading, available-for-sale, held-to-maturity or loans and receivables or as a financial liability at fair value through profit or loss or at amortized cost.

Derivative instruments, including embedded derivatives, are recorded on the statement of financial position at fair value. Changes in the fair value of derivative instruments are recognized in net earnings.

As at June 30, 2016, the Company had a derivative liability of \$1,372 related to the change in fair value for the forward sales of 878,190 ounces of silver and 980 ounces of gold, which will be settled in the third quarter. The change in the fair value has been recognized as a reduction of revenue for the Guanacevi mine.

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HEAD OFFICE

Suite #301, 700 West Pender Street
Vancouver, BC, Canada V6C 1G8
Telephone: (604) 685-9775
1-877-685-9775
Facsimile: (604) 685-9744
Website: www.edrsilver.com

DIRECTORS

Geoff Handley
Ricardo Campoy
Bradford Cooke
Rex McLennan
Kenneth Pickering
Mario Szotlender
Godfrey Walton

OFFICERS

Bradford Cooke ~ Chief Executive Officer
Godfrey Walton ~ President and Chief Operating Officer
Dan Dickson ~ Chief Financial Officer
Dave Howe ~ Vice-President, Country Manager
Luis Castro ~ Vice-President, Exploration
Dale Mah ~ Vice-President, Corporate Development
Bernard Poznanski - Secretary

REGISTRAR AND TRANSFER AGENT

Computershare Trust Company of Canada
3rd Floor - 510 Burrard Street
Vancouver, BC, V6C 3B9

AUDITORS

KPMG LLP
777 Dunsmuir Street
Vancouver, BC, V7Y 1K3

SOLICITORS

Koffman Kalef LLP
19th Floor – 885 West Georgia Street
Vancouver, BC, V6C 3H4

SHARES LISTED

Toronto Stock Exchange
Trading Symbol - EDR

New York Stock Exchange
Trading Symbol – EXK