Condensed Consolidated Interim Financial Statements

Prepared by Management

Third Quarter Report
Three and Nine Months Ended September 30, 2013 and 2012

ENDEAVOUR SILVER CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited – Prepared by Management)
(expressed in thousands of US dollars)

	Notes	**September 30, 2013**	December 31, 2012
ASSETS			
Current assets			
Cash and cash equivalents		**$ 25,201**	$ 18,617
Investments	5	**2,295**	8,520
Accounts receivable	6	**28,794**	20,526
Inventories	7	**32,007**	40,797
Prepaid expenses		**2,803**	9,940
Total current assets		**91,100**	98,400
Non-current deposits		**1,042**	1,451
Mineral property, plant and equipment	9	**378,633**	338,431
Goodwill	4	**39,245**	39,245
Total assets		**$ 510,020**	$ 477,527
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		**$ 21,714**	$ 34,631
Income taxes payable		**1,370**	3,854
Derivative liabilities	12	**2,177**	5,336
Revolving credit facility	10	**39,000**	9,000
Total current liabilities		**64,261**	52,821
Provision for reclamation and rehabilitation		**6,526**	6,496
Contingent liability	13	**725**	8,497
Deferred income tax liability		**72,152**	69,517
Total liabilities		**143,664**	137,331
Shareholders' equity			
Common shares, unlimited shares authorized, no par value, issued and outstanding 99,741,010 shares (Dec 31, 2012 - 99,541,522 shares)	Page 4	**358,228**	357,296
Contributed surplus	Page 4	**14,128**	12,828
Accumulated comprehensive income (loss)	Page 4	**(8,743)**	(5,331)
Retained earnings (deficit)		**2,743**	(24,597)
Total shareholders' equity		**366,356**	340,196
Total liabilities and shareholders' equity		**$ 510,020**	$ 477,527

The accompanying notes are an integral part of the 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 Sept. 30, 2013	Three Months Ended Sept. 30, 2012	Nine Months Ended Sept. 30, 2013	Nine Months Ended Sept. 30, 2012
Revenue		**$ 67,803**	$ 51,880	**$ 208,926**	$ 141,360
Cost of sales:					
Direct production costs		**35,739**	24,485	**117,372**	56,986
Royalties		**287**	454	**1,093**	1,397
Share-based compensation	11(a)	**131**	146	**408**	421
Amortization and depletion		**12,566**	6,353	**37,789**	19,177
Write down (recovery) of inventory to net realizable value	7	**(2,668)**	3,345	**5,210**	3,345
	17	**46,055**	34,783	**161,872**	81,326
Mine operating earnings		**21,748**	17,097	**47,054**	60,034
Expenses:					
Exploration	14	**1,854**	3,420	**11,022**	7,342
General and administrative	15	**2,464**	2,850	**9,381**	9,564
		4,318	6,270	**20,403**	16,906
Operating earnings		**17,430**	10,827	**26,651**	43,128
Mark-to-market loss/(gain) on derivative liabilities	12	**679**	1,728	**(3,159)**	(47)
Mark-to-market loss/(gain) on contingent liability	13	**127**	5,005	**(7,772)**	5,005
Finance costs		**313**	181	**1,091**	191
Other income (expense):					
Foreign exchange		**(1,191)**	1,814	**(2,230)**	2,981
Investment and other income		**1,247**	(106)	**3,596**	1,834
		56	1,708	**1,366**	4,815
Earnings before income taxes		**16,367**	5,621	**37,857**	42,794
Current income tax expense		**2,729**	3,420	**8,928**	9,903
Deferred income tax expense		**1,341**	2,185	**2,636**	5,595
		4,070	5,605	**11,564**	15,498
Net earnings (loss) for the period		**12,297**	16	**26,293**	27,296
Other comprehensive income (loss), net of tax					
Net change in fair value of available for sale investments	5	**517**	1,321	**(3,412)**	(2,046)
Comprehensive income (loss) for the period		**$ 12,814**	$ 1,337	**$ 22,881**	$ 25,250
Basic earnings (loss) per share based on net earnings		**$ 0.12**	$ 0.00	**$ 0.26**	$ 0.30
Diluted earnings (loss) per share based on net earnings	11(c)	**$ 0.12**	$ 0.00	**$ 0.23**	$ 0.29
Basic weighted average number of shares outstanding		**99,741,010**	97,666,618	**99,704,100**	91,159,694
Diluted weighted average number of shares outstanding	11(c)	**100,637,952**	99,322,475	**101,617,107**	93,699,625

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

ENDEAVOUR SILVER CORP.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the nine month periods ended September 30, 2013 and 2012

(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)	Retained earnings (deficit)	Total equity
December 31, 2011		87,378,748	$ 259,396	$ 8,819	$ (1,700)	$ (66,725)	$199,790
Exercise of options	11 (a)	287,800	1,673	(570)			1,103
Exercise of warrants	11 (b)	792,517	7,307	(29)			7,278
Share appreciation rights	11 (a)	22,813	57	(57)			-
Issued on acquisition of mineral properties, net		11,037,528	88,740				88,740
Share based compensation	11 (a)			3,803			3,803
Unrealized gain (loss) on available for sale assets	5				(2,204)		(2,204)
Realized gain (loss) on available for sale assets	5				158		158
Expiry and forfeiture of options				(11)		11	-
Earnings for the period						27,296	27,296
September 30, 2012		99,519,406	357,173	11,955	(3,746)	(39,418)	325,964
Exercise of options	11 (a)	20,000	114	(39)			75
Exercise of warrants	11 (b)	-	-	-			-
Share appreciation rights	11 (a)	2,116	9	(9)			-
Share based compensation	11 (a)			921			921
Unrealized gain (loss) on available for sale assets	5				(1,585)		(1,585)
Realized gain (loss) on available for sale assets	5				-		-
Earnings for the period						14,821	14,821
December 31, 2012		99,541,522	357,296	12,828	(5,331)	(24,597)	340,196
Exercise of options	11 (a)	133,000	698	(244)			454
Share appreciation rights	11 (a)	66,488	234	(234)			-
Share based compensation	11 (a)			2,825			2,825
Unrealized gain (loss) on available for sale assets	5				(1,238)		(1,238)
Realized gain on available for sale assets	5				(2,174)		(2,174)
Expiry and forfeiture of options				(1,047)		1,047	-
Earnings for the period						26,293	26,293
September 30, 2013		99,741,010	$ 358,228	$ 14,128	$ (8,743)	$ 2,743	$366,356

The accompanying notes are an integral part of the 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 **Sept. 30, 2013**	Three Months Ended Sept. 30, 2012	Nine Months Ended **Sept. 30, 2013**	Nine Months Ended Sept. 30, 2012
Operating activities					
Net earnings (loss) for the period		**$ 12,297**	$ 16	**$ 26,293**	$ 27,296
Items not affecting cash:					
Share-based compensation	11 (a)	**886**	1,018	**2,825**	3,803
Amortization and depletion		**12,648**	6,427	**38,024**	19,354
Deferred income tax provision		**1,341**	2,184	**2,636**	5,595
Unrealized foreign exchange loss (gain)		**124**	(731)	**726**	(1,632)
Mark to market loss (gain) on derivative liability	12	**679**	1,728	**(3,159)**	(47)
Mark to market loss (gain) on contingent liability	13	**127**	5,005	**(7,772)**	5,005
Finance costs		**477**	6	**629**	16
Write down (recovery) of inventory to net realizable value	7	**(2,668)**	3,345	**5,210**	3,345
Loss (gain) on marketable securities	5	**-**	325	**(1,777)**	(158)
Net changes in non-cash working capital	16	**(3,881)**	(3,979)	**(12,389)**	(6,244)
Cash from operating activities		**22,030**	15,344	**51,246**	56,333
Investing activites					
Property, plant and equipment expenditures	9	**(18,579)**	(18,249)	**(78,936)**	(39,544)
Acquisition of Mexgold Resources Inc.	4	**-**	(100,000)	**-**	(100,000)
Investment in short term investments		**-**	-	**(130)**	(27,884)
Proceeds from sale of short term investments		**-**	3,740	**4,720**	50,373
Investment in long term deposits		**(54)**	(741)	**(54)**	(917)
Cash from (used in) investing activities		**(18,633)**	(115,250)	**(74,400)**	(117,972)
Financing activities					
Proceeds from revolving credit facility	10	**-**	-	**30,000**	-
Common shares issued on exercise of options and warrants	11(a)(b)	**-**	1,034	**454**	2,312
Interest paid		**(467)**	-	**(599)**	-
Cash from financing activites		**(467)**	1,034	**29,855**	2,312
Effect of exchange rate change on cash and cash equivalents		**(38)**	613	**(117)**	1,078
Increase (decrease) in cash and cash equivalents		**2,930**	(98,872)	**6,701**	(59,327)
Cash and cash equivalents, beginning of period		**22,309**	115,444	**18,617**	75,434
Cash and cash equivalents, end of period		**$ 25,201**	$ 17,185	**$ 25,201**	$ 17,185
Supplemental cash flow information	16				

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

1. CORPORATE INFORMATION

Endeavour Silver Corp. (the "Company" or "Endeavour Silver") is a corporation governed by the Business Corporations Act (British Columbia). The Company is engaged in silver mining in Mexico and related activities including acquisition, exploration, development, extraction, processing, refining and reclamation. The Company is also engaged in exploration activities in Chile. The address of the registered office is #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. These financial statements should be read in conjunction with the annual audited consolidated financial statements for the year ended December 31, 2012. The Board of Directors approved the condensed consolidated interim financial statements for issue on October 30, 2013.

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 condensed consolidated interim financial statements are presented in the Company's functional currency of US dollars and include the accounts of the Company and its wholly owned subsidiaries Endeavour Management Corp., Endeavour Zilver SARL, Endeavour Gold Corporation S.A. de C.V., Endeavour Capital S.A. de C.V. SOFOM ENR, 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. (formerly Mexgold Resources Inc.), Compania Minera El Cubo S.A. de C.V., Gammon Lake Guadelupe S.A. de C.V. and Metales Interamericanos 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, 2012, except as noted in Note 3(b).

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual audited consolidated financial statements as at and for the year ended December 31, 2012. In addition, the following accounting policy has been further defined for these condensed consolidated interim financial statements.

(a) Revenue recognition

The Company recognizes revenue from the sale of bullion and concentrates upon delivery when it is probable that the economic benefits associated with the transaction will flow to the Company, the risks and rewards of ownership are transferred to the customer, and the revenue can reliably measured. Revenue from the sale of concentrates is based on prevailing market prices and estimated mineral content which is subject to adjustment upon final settlement based on metal prices, weights and assays. For each reporting period until final settlement, estimates of metal prices are used to record sales. Variations between the sales price recorded at the initial recognition date and the actual final sales price at the settlement date caused by changes in the market metal prices results in an embedded derivative in the related trade accounts receivable balance. The embedded derivative is recorded at fair value each period until final settlement occurs with changes in fair value classified as a component of revenue. Revenue is recorded in the consolidated statement of comprehensive income gross of treatment and refining costs paid to counterparties under the terms of the sales agreements.

(b) Changes in International Financial Reporting Standards (IFRS)

The Company has adopted the following new standards, along with any consequential amendments, effective January 1, 2013. These changes were made in accordance with the applicable transitional provisions.

Several other new standards and amendments came into effect on January 1, 2013; however, they do not impact the condensed consolidated interim financial statements and are not anticipated to materially impact the Company's annual consolidated financial statements.

The nature and impact of each new standard and amendment applicable to the Company are described below:

IAS 1 Presentation of items of other comprehensive income (Amendment)
The amendments to IAS 1 introduced a grouping of items presented in other comprehensive income (OCI). Items that could be reclassified to profit or loss at a future point in time (e.g. net gain or loss on available-for-sale financial assets) shall be presented separately from items that will never be reclassified. This amendment has no impact on the Company's presentation as the components of OCI pertain only to net gains or losses on marketable securities classified as available-for-sale financial assets.

IFRS 10 Consolidated Financial Statements
In May 2011, the IASB issued IFRS 10, Consolidated Financial Statements to replace IAS 27, Consolidated and Separate Financial Statements and SIC 12, Consolidation – Special Purpose Entities. The new consolidation standard changes the definition of control so that the same criteria apply to all entities, both operating and special purpose entities, to determine control. The revised definition focuses on the need to have both power and variable returns before control is present. The adoption of IFRS 10 did not result in any change in the consolidation status of any of the Company's subsidiaries or investees.

IFRS 11 Joint Arrangements
In May 2011, the IASB issued IFRS 11, Joint Arrangements to replace IAS 31, Interests in Joint Ventures. The new standard defines two types of arrangements: Joint Operations and Joint Ventures. The focus of the standard is to reflect the rights and obligations of the parties involved in the joint arrangement, regardless of whether the joint arrangement operates through a separate legal entity. Joint arrangements that are classified as joint ventures are accounted for using the equity method of accounting. Joint arrangements that are classified as joint operations require the venturers to recognize the individual assets, liabilities, revenues and expenses to which they have legal rights or are responsible. The adoption of IFRS 11 did not result in any changes to the Company's condensed consolidated interim financial statements.

IFRS 12 Disclosure of Interests in Other Entities
In May 2011, the IASB issued IFRS 12, Disclosure of Interests in Other Entities to create a comprehensive disclosure standard to address the requirements for subsidiaries, joint arrangements and associates including the reporting entity's involvement with other entities. It also includes requirements for unconsolidated structured entities (i.e. special purpose entities). We have adopted IFRS 12 effective January 1, 2013. The adoption of IFRS 12 will result in incremental disclosures in our annual consolidated financial statements.

IFRS 13 Fair Value Measurement
In May 2011, the IASB issued IFRS 13, Fair Value Measurement as a single source of guidance for all fair value measurements required by IFRS to reduce the complexity and improve consistency across its application. The standard provides a definition of fair value and guidance on how to measure fair value as well as a requirement for enhanced disclosures. We have adopted IFRS 13 on a prospective basis.

IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7, *Financial Instruments: Disclosures*. Some of these disclosures are specifically required by IAS 34 for financial instruments, thereby affecting the condensed consolidated interim financial statements. The Company has provided these disclosures in note 19.

The Company has not early adopted any other standard, interpretation or amendment in the condensed consolidated interim financial statements that have been issued, but not yet effective.

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

4. PURCHASE PRICE ALLOCATION

On July 13, 2012, the Company completed the acquisition of 100% of the issued and outstanding shares of Mexgold Resources Inc. ("Mexgold") and its three wholly owned subsidiaries. As at December 31, 2012, the total consideration and the allocation of the consideration to the fair value of the assets and liabilities acquired were preliminary and subject to change. Total consideration paid was as follows:

Purchase Cost		
Cash paid	$	100,000
Common shares issued		88,944
Contingent consideration (note 13)		7,908
Working capital adjustment		6,635
	$	203,487

During the period ended June 30, 2013, the Company and the counterparty agreed on a final working capital adjustment, resulting in a $138 increase in the estimated purchase price and a corresponding change in the value of inventory acquired.

The purchase price is allocated to the underlying assets acquired and liabilities assumed, based upon their estimated fair values at the date of acquisition. Final fair values were determined based on independent appraisals, discounted cash flow models, and quoted market prices, as deemed appropriate. The following sets forth the final allocation of the purchase price to assets acquired and liabilities assumed, based on estimates of fair values.

Assets:		
Cash and cash equivalents	$	843
Receivables		7,306
Inventories		5,000
Prepaid expenses		228
Plant and equipment		10,161
Mineral properties		197,536
Goodwill		39,245
Total assets		260,319
Liabilities:		
Accounts payable and accrued liabilities		(6,521)
Provision for reclamation and rehabilitation		(3,735)
Deferred income tax liability		(46,576)
Total liabilities		(56,832)
Net identifable assets acquired	$	203,487

Under the terms of the Las Torres lease, the Company was required to provide financial guarantees to the owner of the Las Torres Facility as security against any environmental damages. As at September 30, 2013, there was $1 million in letters of credit provided by the Company as security to the owner of the Las Torres facility.

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

5. INVESTMENTS

	September 30 2013	December 31 2012
Notes receivable:		
Carrying value	$ -	$ 2,133
Unrealized gain (loss)	-	1,837
Unrealized foreign exchange gain (loss)	-	357
	-	4,327
Investment in marketable securities, at cost	**11,039**	11,698
Unrealized gain (loss) on marketable securities	**(8,596)**	(7,723)
Unrealized foreign exchange gain (loss)	**(148)**	218
	2,295	4,193
	$ 2,295	$ 8,520

In March 2013, the Company disposed of Canadian dollar denominated restructured Asset Backed Commercial Paper Notes (the “Notes”) that were acquired in February 2009 from the restructuring of Canadian Asset Backed Commercial Paper (“ABCP”). Management recorded the Notes at their estimated fair market value with the change in fair value and any related foreign exchange gains or losses recognized in other comprehensive income. On disposition of the Notes, the Company recognized in investment and other income $2,174 in net earnings for the period, which represents the cumulative gain previously recognized in other comprehensive income.

Marketable securities are classified as Level 1 in the fair value hierarchy (see Note 19) and as available-for-sale financial assets. The fair value of available-for-sale investments are determined based on a market approach reflecting the closing price of each particular security at the reporting date. The closing price is a quoted market price obtained from the exchange that is the principal active market for the particular security, being the market with the greatest volume and level of activity for the assets.

6. ACCOUNTS RECEIVABLE

	Note	September 30 2013	December 31 2012
Trade receivables		**$ 10,290**	$ -
IVA receivables		**16,062**	17,711
Income tax receivables		**2,001**	1,914
Due from related parties	8	**242**	136
Other receivables		**199**	765
		$ 28,794	**$ 20,526**

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 19).

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

7. INVENTORIES

	September 30 2013	December 31 2012
Warehouse inventory	**$ 10,407**	$ 9,273
Stockpile inventory (1)	**9,949**	8,691
Finished goods inventory (2) (3)	**10,226**	18,691
Work in process inventory (3)	**1,425**	4,142
	$ 32,007	$ 40,797

(1) The Company stockpiled 120,434 tonnes of mined ore as of September 30, 2013 (December 31, 2012 – 113,134 tonnes). The stockpile inventory balance at September 30, 2013 included a recovery of a write down to net realizable value of $3,359 that was recognized at June 30, 2013 for the stockpile inventory held at the Guanacevi mine.

(2) The Company held 385,126 silver ounces and 2,473 gold ounces as of September 30, 2013 (December 31, 2012 – 611,661 and 8,934, respectively). These ounces are carried at the lesser of cost and net realizable value. As at September 30, 2013, the quoted market value of the silver ounces is $8,350 (December 31, 2012 - $18,319) and the quoted market value of the gold ounces is $3,280 (December 31, 2012 - $14,804).

(3) The finished goods and work in process inventory balances at September 30, 2013 include a write down to net realizable value of $691 for inventory held by the El Cubo mine. The write down for El Cubo is comprised of $433 of direct costs and $258 of depreciation and depletion.

8. RELATED PARTY TRANSACTIONS

The Company shares common administrative services and office space with related party companies, with directors and management in common, and from time to time will incur third party costs on behalf of the related parties on a full cost recovery basis. The Company has a $242 net receivable related to administration costs and other items outstanding as of September 30, 2013 (December 31, 2012 – $136).

One of the related parties that the Company shares administrative services and office space with has been unable to meet its obligations. Therefore, the Company has provided an allowance totaling $181 at September 30, 2013 (December 31, 2012 - $181).

The Company was charged $106 for the nine months ended September 30, 2013 for legal services from a legal firm in which the Company's Corporate Secretary is a partner (September 30, 2012 - $468). The Company has a $4 payable related to legal costs outstanding as of September 30, 2013 (December 31, 2012 - $10).

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

9. MINERAL PROPERTY, PLANT AND EQUIPMENT

Mineral property, plant and equipment comprise:

	Mineral property	Plant	Machinery & equipment	Building	Transport & office equipment	Total
Cost						
Balance at December 31, 2011	$ 90,365	$ 37,431	$ 26,634	$ 2,812	$ 3,560	$ 160,802
Additions	238,949	14,454	13,700	3,909	2,634	273,646
Disposals	-	-	-	-	(167)	(167)
Balance at December 31, 2012	329,314	51,885	40,334	6,721	6,027	434,281
Additions	31,671	34,545	11,114	586	1,101	79,017
Disposals	-	(16)	-	-	(49)	(65)
Balance at September 30, 2013	**$ 360,985**	**$ 86,414**	**$ 51,448**	**$ 7,307**	**$ 7,079**	**$ 513,233**
Accumulated amortization						
Balance at December 31, 2011	$ 50,888	$ 8,632	$ 5,177	$ 751	$ 1,826	$ 67,274
Amortization	21,343	2,827	3,382	263	886	28,701
Disposals	-	-	-	-	(125)	(125)
Balance at December 31, 2012	72,231	11,459	8,559	1,014	2,587	95,850
Amortization	29,629	3,821	3,749	484	1,108	38,791
Disposals	-	-	-	-	(41)	(41)
Balance at September 30, 2013	**$ 101,860**	**$ 15,280**	**$ 12,308**	**$ 1,498**	**$ 3,654**	**$ 134,600**
Net book value						
At December 31, 2012	$ 257,083	$ 40,426	$ 31,775	$ 5,707	$ 3,440	$ 338,431
At September 30, 2013	**$ 259,125**	**$ 71,134**	**$ 39,140**	**$ 5,809**	**$ 3,425**	**$ 378,633**

As of September 30, 2013, the Company had $1,335 committed to capital equipment purchases.

10. REVOLVING CREDIT FACILITY

On July 24, 2012, the Company entered into a $75 million revolving credit facility ("the Facility") reducing over 3 years with Scotia Capital. The purpose of the Facility is for general corporate purposes and 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 Bolanitos SA de CV and Compania Minera del Cubo SA de CV. The interest rate margin on the Facility ranges from 2.75% to 4.25% over LIBOR based on the Company's net debt to EBITDA ratio, where EBITDA is adjusted for gains or losses on derivative liabilities. The Company agreed to pay a commitment fee of between 0.69% and 1.05% on undrawn amounts under the facility based on the Company's net debt to EBITDA ratio. The Facility is subject to various qualitative and quantitative covenants, including debt to EBITDA leverage ratio, interest service coverage ratio and a tangible net worth calculation. The Company is in compliance with all such covenants as at September 30, 2013. At September 30, 2013, the Company had drawn $39,000 on this facility and has recognized $1,061 in financing costs during the period. On July 24, 2013, as part of the facility agreement the capacity of the credit facility was reduced to $50 million. Subsequent to September 30, 2013, the Company extended the Facility until July 24, 2016, reducing from $50 million to $25 million July 24, 2015.

The Company has deferred commitment fees and legal costs of $732 which are being amortized over the life of the facility. $198 of the deferred commitment fees and legal costs was amortized for the nine month period ended September 30, 2013.

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

11. SHARE CAPITAL

(a) Purchase Options

Options to purchase common shares of the Company 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 of the Company's common shares 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 presented:

Expressed in Canadian dollars	**Nine Months Ended September 30, 2013**		Year Ended December 31, 2012	
	Number of Shares	**Weighted average exercise price**	Number of Shares	Weighted average exercise price
Outstanding, beginning of period	**4,171,450**	**$5.87**	3,697,000	$5.07
Granted	**2,022,500**	**$4.12**	1,070,250	$8.46
Exercised [1]	**(253,000)**	**$3.56**	(346,800)	$3.67
Cancelled	**(239,400)**	**$8.20**	(249,000)	$8.14
Outstanding, end of period	**5,701,550**	**$5.26**	4,171,450	$5.87
Options exercisable at period-end	**3,739,000**	**$5.45**	3,423,850	$5.33

[1] There were 120,000 options priced at CAN $3.67 that were cancelled in exchange for 66,488 share appreciation rights during the nine month period ended September 30, 2013 (September 30, 2012 – 35,000 options priced at CAN $3.05 cancelled in exchange for 22,813 share appreciation rights).

The following tables summarize information about stock options outstanding at September 30, 2013:

	Expressed in Canadian dollars				
	Options Outstanding			Options Exercisable	
CAN $ Price Intervals	Number Outstanding as at Sept. 30, 2013	Weighted Average Remaining Contractual Life (Number of Years)	Weighted Average Exercise Prices	Number Exercisable as at Sept. 30, 2013	Weighted Average Exercise Prices
$1.00 - $1.99	300,000	0.7	$1.87	300,000	$1.87
$2.00 - $2.99	40,000	3.7	$2.01	40,000	$2.01
$3.00 - $3.99	1,413,400	1.5	$3.53	1,413,400	$3.53
$4.00 - $4.99	2,022,500	4.6	$4.12	404,500	$4.12
$8.00 - $8.99	1,925,650	3.1	$8.31	1,581,100	$8.27
	5,701,550	3.1	$5.26	3,739,000	$5.45

During the nine month period ended September 30, 2013, the Company recognized share-based compensation expense of $2,825 (September 30, 2012 - $3,803) based on the fair value of the vested portion of options granted in current and prior periods.

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

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

	Nine Months Ended September 30, 2013	Year Ended December 31, 2012
Weighted average fair value of options granted during the period	$1.61	$4.41
Risk-free interest rate	1.20%	1.28%
Expected dividend yield	0%	0%
Expected stock price volatility	57%	73%
Expected option life in years	3.27	3.81

(b) Warrants

The following table summarizes the status of the Company's share purchase warrants and changes during the period presented:

Exercise Price	Expiry Dates	Oustanding at December 31, 2012	Issued	Exercised	Expired	Oustanding at September 30, 2013
CAN $						
$1.90	February 25, 2014	475,000	-	-	-	475,000
$1.51	February 25, 2014	25,292	-	-	-	25,292
$1.90	February 26, 2014	322,207	-	-	-	322,207
$2.05	February 26, 2014	427,098	-	-	-	427,098
		1,249,597	-	-	-	1,249,597

The warrants with an expiry date of February 26, 2014, consisting of agents warrants issued for placing debentures and warrants issued on conversion of debentures, are eligible to be exercised "cashless" in which event no payment of the exercise price is required and the holder receives the number of shares based upon the intrinsic value of the warrants over the five day trading average share price of the Company prior to exercise. For the period ended September 30, 2013, no warrants (September 30, 2012 – 117,039) were elected by the holders to be exercised "cashless" resulting in no shares (September 30, 2012 – 95,283) being issued.

(c) Diluted Earnings per Share

	Note	Three Months ended Sept. 30 2013	Three Months ended Sept. 30 2012
Basic earnings (loss)		**$ 12,297**	$ 16
Effect of dilutive securities:			
Mark to market (gain) on warrant derivative liability	12	**-**	-
Diluted earnings (loss)		**12,297**	16
Effect of anti-dilutive derivative liabilities:			
Mark to market loss on warrant derivative liability		**679**	1,728
Adjusted earnings		**$ 12,976**	$ 1,744
Basic weighted average number of shares outstanding		**99,741,010**	97,666,618
Effect of dilutive securities:			
Stock options		**692,862**	1,352,229
Share purchase warrants		**204,080**	303,628
Share purchase warrants with embedded derivative liabilities		**-**	-
Diluted weighted average number of share outstanding		**100,637,952**	99,322,475
Effect of anti-dilutive derivative liabilities:			
Share purchase warrants with embedded derivative liabilities		**509,877**	842,881
Adjusted diluted weighted average number of share outstanding		**101,147,829**	100,165,356
Diluted earnings (loss) per share		**$ 0.12**	$ 0.00
Adjusted diluted earnings per share		**$ 0.13**	$ 0.02

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

		Nine Months ended	
	Note	**Sept. 30 2013**	**Sept. 30 2012**
Basic earnings (loss)		**$ 26,293**	$ 27,296
Effect of dilutive securities:			
Mark to market (gain) on warrant derivative liability	12	**(3,159)**	(47)
Diluted earnings (loss)		**$ 23,134**	$ 27,249
Basic weighted average number of shares outstanding		**99,704,100**	91,159,694
Effect of dilutive securities:			
Stock options		**1,124,124**	1,551,699
Share purchase warrants		**224,142**	277,518
Share purchase warrants with embedded derivative liabilities		**564,741**	710,714
Diluted weighted average number of share outstanding		**101,617,107**	93,699,625
Diluted earnings (loss) per share		**$ 0.23**	$ 0.29
Adjusted diluted earnings per share		**$ 0.23**	$ 0.29

12. DERIVATIVE LIABILITIES

Equity offerings were completed in previous periods whereby warrants were issued with exercise prices denominated in Canadian dollars. As the warrants have an exercise price denominated in a currency which is different from the functional currency of the Company (U.S. dollar), the warrants are treated as a financial liability. The Company's share purchase warrants are classified and accounted for as a financial liability at fair value with changes in fair value recognized in net earnings. The warrant derivative liability is classified as level 2 in the fair value hierarchy (see Note 19). The publicly traded warrants and warrants with similar characteristics were valued using the quoted market price as of exercise or at period end, from the market with the greatest volume and level of activity. For the non-publicly traded warrants, the Company uses the Black-Scholes Option Pricing Model to estimate the fair value of the Canadian dollar denominated warrants. All warrants outstanding at September 30, 2013 will expire in February 2014.

Balance at December 31, 2011	$ 13,130
Exercise of financial liability	(5,866)
Mark to market loss (gain)	(47)
Balance at September 30, 2012	7,217
Exercise of financial liability	-
Mark to market loss (gain)	(1,881)
Balance at December 31, 2012	5,336
Exercise of financial liability	-
Mark to market loss (gain)	(3,159)
Balance at September 30, 2013	$ 2,177

Assumptions used in the Black-Scholes model to estimate the fair value of the warrant derivative liability:

	Nine Months Ended Sept. 30, 2013	**Year Ended Dec. 31, 2012**
Outstanding warrants	902,098	902,098
Weighted average fair value of warrants at period end	$2.41	$5.92
Risk-free interest rate	1.19%	1.12%
Expected dividend yield	0%	0%
Expected stock price volatility	76%	46%
Expected warrant life in years	0.4	1.2

Black-Scholes pricing models require the input of highly subjective assumptions. Volatility was estimated based on average daily volatility based on historical share price observations over the expected life of the warrants.

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

13. CONTINGENT LIABILITY

On July 13, 2012, the Company completed the acquisition of 100% of the issued and outstanding shares of Mexgold. The seller is entitled to receive up to an additional $50 million in cash payments from the Company upon the occurrence of certain events as follows:

i) $20 million if at any time during the 3 years following the acquisition date, the Company renews or extends the Las Torres lease, other than a one-time 3 month extension after the current lease expires;

ii) $10 million upon the simple average of the daily London Metals Exchange closing prices for gold exceeding $1,900.00 per ounce for a period of twelve consecutive months at any time during the three year period immediately following the acquisition date;

iii) $10 million upon the simple average of the daily London Metals Exchange closing prices for gold exceeding $2,000.00 per ounce for a period of twelve consecutive months at any time during the three year period immediately following the acquisition date; and

iv) $10 million upon the simple average of the daily London Metals Exchange closing prices for gold exceeding $2,100.00 per ounce for a period of twelve consecutive months at any time during the three year period immediately following the acquisition date.

The contingent consideration related to the Las Torres lease was valued based on factoring the probability of the Company negotiating a lease extension. Management determined the probability of extending the lease to be highly unlikely, resulting in a Nil value assigned to the liability at acquisition. During the quarter ended September 30, 2013, the Las Torres lease was terminated resulting in no further liability.

The contingent consideration related to the metal price targets is considered a derivative, is recognized at fair value at period end, and is classified as Level 2 in the fair value hierarchy (see Note 19). The contingent consideration based on the performance of gold prices was valued using a Monte Carlo simulation. Monte Carlo simulation approaches are a class of computational algorithms that rely on repeated random sampling to compute their results. Gold price paths were developed using a mathematical formula based on a stochastic process with mean reversion to a long term trend line. As at September 30, 2013, the fair value of the contingent consideration was estimated to be $725 (December 31, 2012 - $8,497).

14. EXPLORATION

	Three months ended		Nine months ended	
	September 30 2013	September 30 2012	**September 30 2013**	September 30 2012
Amortization and depletion	**$ 34**	$ 32	**$ 101**	$ 91
Share-based compensation	**46**	121	**112**	374
Salaries, wages and benefits	**758**	443	**2,387**	1,311
Direct costs	**1,016**	2,824	**8,422**	5,566
	$ 1,854	$ 3,420	**$ 11,022**	$ 7,342

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

15. GENERAL AND ADMINISTRATIVE

	Three months ended		Nine months ended	
	September 30 2013	September 30 2012	**September 30 2013**	September 30 2012
Amortization and depletion	**$ 48**	$ 42	**$ 134**	$ 86
Share-based compensation	**709**	750	**2,305**	3,007
Salaries, wages and benefits	**901**	731	**3,994**	2,536
Direct costs	**806**	1,327	**2,948**	3,935
	$ 2,464	$ 2,850	**$ 9,381**	$ 9,564

16. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	Nine months ended	
	September 30 2013	September 30 2012
Net changes in non-cash working capital		
Accounts receivable	**$ (8,162)**	$ (13,152)
Inventories	**3,680**	(12,828)
Prepaid expenses	**7,137**	(1,097)
Due from related parties	**(106)**	(82)
Accounts payable and accrued liabilities	**(12,454)**	17,675
Income taxes payable	**(2,484)**	3,240
	$ (12,389)	$ (6,244)
Non-cash financing and investing activities:		
Fair value of exercised options allocated to share capital	**$ 244**	$ 570
Fair value of shares issued under the share appreciation rights plan	**234**	57
Fair value of exercised agent warrants allocated to share capital	**-**	29
Fair value of equity issued on acquisition of other mineral properties	**-**	88,944
Other cash disbursements:		
Income taxes paid	**$ 11,599**	$ 12,839

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

17. 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.

	September 30, 2013					
	Corporate	Exploration	Guanacevi	Bolanitos	El Cubo	Total
Cash and cash equivalents	$ 4,124	$ 201	$ 6,574	$ 11,005	$ 3,297	$ 25,201
Investments	2,295	-	-	-	-	2,295
Accounts receivables	497	710	3,440	9,046	15,101	28,794
Inventories	-	-	19,857	4,626	7,524	32,007
Prepaid expenses	627	341	720	479	636	2,803
Non-current deposits	198	56	582	143	63	1,042
Mineral property, plant and equipment	259	4,203	75,837	58,032	240,302	378,633
Goodwill	-	-	-	-	39,245	39,245
Total assets	$ 8,000	$ 5,511	$ 107,010	$ 83,331	$ 306,168	$ 510,020
Accounts payable and accrued liabilities	$ 4,642	$ 207	$ 4,589	$ 3,925	$ 8,351	$ 21,714
Income taxes payable	-	-	208	1,162	-	1,370
Revolving credit facility	39,000	-	-	-	-	39,000
Provision for reclamation and rehabilitation	-	-	1,842	922	3,762	6,526
Contingent liability	725	-	-	-	-	725
Derivative liabilities	2,177	-	-	-	-	2,177
Deferred income tax liability	(81)	-	11,591	21,620	39,022	72,152
Total liabilities	$ 46,463	$ 207	$ 18,230	$ 27,629	$ 51,135	$ 143,664

	December 31, 2012					
	Corporate	Exploration	Guanacevi	Bolanitos	El Cubo	Total
Cash and cash equivalents	$ 6,360	$ 189	$ 7,839	$ 213	$ 4,016	$ 18,617
Investments	8,520	-	-	-	-	8,520
Accounts receivables	901	257	5,806	1,332	12,230	20,526
Inventories	-	-	15,488	16,047	9,262	40,797
Prepaid expenses	1,372	280	1,546	1,871	4,871	9,940
Non-current deposits	661	56	582	143	9	1,451
Mineral property, plant and equipment	217	1,952	74,255	49,504	212,503	338,431
Goodwill	-	-	-	-	39,245	39,245
Total assets	$ 18,031	$ 2,734	$ 105,516	$ 69,110	$ 282,136	$ 477,527
Accounts payable and accrued liabilities	$ 13,497	$ 1,409	$ 4,942	$ 4,947	$ 9,836	$ 34,631
Income taxes payable	42	-	1,147	2,564	101	3,854
Revolving credit facility	9,000	-	-	-	-	9,000
Provision for reclamation and rehabilitation	-	-	1,830	918	3,748	6,496
Contingent liability	8,497	-	-	-	-	8,497
Derivative liabilities	5,336	-	-	-	-	5,336
Deferred income tax liability	(81)	-	9,110	16,979	43,509	69,517
Total liabilities	$ 36,291	$ 1,409	$ 17,029	$ 25,408	$ 57,194	$ 137,331

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

	Corporate	Exploration	Guanacevi	Bolanitos	El Cubo	Total
			Three months ended September 30, 2013			
Silver revenue	$ -	$ -	$ 14,090	$ 18,241	$ 5,948	$ 38,279
Gold revenue	-	-	2,178	21,696	5,650	29,524
Total revenue	$ -	$ -	$ 16,268	$ 39,937	$ 11,598	$ 67,803
Salaries, wages and benefits:						
mining	$ -	$ -	$ 1,812	$ 1,495	$ 2,495	$ 5,802
processing	-	-	605	443	600	1,648
administrative	-	-	923	1,233	704	2,860
stock based compensation	-	-	43	44	44	131
change in inventory	-	-	(208)	488	199	479
Total salaries, wages and benefits	-	-	3,175	3,703	4,042	10,920
Direct costs:						
mining	-	-	3,733	4,963	2,334	11,030
processing	-	-	3,345	5,302	1,908	10,555
administrative	-	-	554	745	1,206	2,505
change in inventory	-	-	(605)	840	625	860
Total direct production costs	-	-	7,027	11,850	6,073	24,950
Depreciation and depletion:						
depreciation and depletion	-	-	3,808	3,015	5,653	12,476
change in inventory	-	-	(192)	342	(60)	90
Total depreciation and depletion	-	-	3,616	3,357	5,593	12,566
Royalties	-	-	287	-	-	287
Write down of inventory to NRV	-	-	(3,359)	-	691	(2,668)
Total cost of sales	$ -	$ -	$ 10,746	$ 18,910	$ 16,399	$ 46,055
Earnings (loss) before taxes	$ (3,527)	$ (1,854)	$ 5,522	$ 21,027	$ (4,801)	$ 16,367
Current income tax expense			(339)	3,047	21	2,729
Deferred income tax expense			1,754	2,041	(2,454)	1,341
Total income tax expense	-	-	1,415	5,088	(2,433)	4,070
Earnings (loss) after taxes	$ (3,527)	$ (1,854)	$ 4,107	$ 15,939	$ (2,368)	$ 12,297
			Three months ended September 30, 2012			
Silver revenue	$ -	$ -	$ 22,474	$ 12,986	$ 1,713	$ 37,173
Gold revenue	-	-	4,158	8,757	1,792	14,707
Total revenue	$ -	$ -	$ 26,632	$ 21,743	$ 3,505	$ 51,880
Salaries, wages and benefits:						
mining	$ -	$ -	$ 1,536	$ 1,740	$ 1,811	$ 5,087
processing	-	-	493	315	492	1,300
administrative	-	-	859	752	468	2,079
stock based compensation	-	-	72	74	-	146
change in inventory	-	-	582	296	(2,247)	(1,369)
Total salaries, wages and benefits	-	-	3,542	3,177	524	7,243
Direct costs:						
mining	-	-	4,518	2,704	2,945	10,167
processing	-	-	2,317	2,712	1,999	7,028
administrative	-	-	764	848	1,416	3,028
change in inventory	-	-	1,534	94	(4,463)	(2,835)
Total direct production costs	-	-	9,133	6,358	1,897	17,388
Depreciation and depletion:						
depreciation and depletion	-	-	3,077	2,074	3,569	8,720
change in inventory	-	-	53	290	(2,710)	(2,367)
Total depreciation and depletion	-	-	3,130	2,364	859	6,353
Royalties	-	-	454	-	-	454
Write down of inventory to NRV	-	-		-	3,345	3,345
Total cost of sales	$ -	$ -	$ 16,259	$ 11,899	$ 6,625	$ 34,783
Earnings (loss) before taxes	$ (8,056)	$ (3,420)	$ 10,373	$ 9,844	$ (3,120)	$ 5,621
Current income tax expense	-	-	2,441	1,396	-	3,837
Deferred income tax expense	-	-	891	877	-	1,768
Total income tax expense	-	-	3,332	2,273	-	5,605
Earnings (loss) after taxes	$ (8,056)	$ (3,420)	$ 7,041	$ 7,571	$ (3,120)	$ 16

The Exploration Segment included $714 for the three months ended September 30, 2013 (2012 - $176) of costs incurred in Chile.

ENDEAVOUR SILVER CORP.

Notes to the Condensed Consolidated Interim Financial Statements

Three and nine months ended September 30, 2013 and 2012

(Unaudited – Prepared by Management)

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

	Corporate	Exploration	Guanacevi	Bolanitos	El Cubo	Total
			Nine months ended September 30, 2013			
Silver revenue	$ -	$ -	$ 43,454	$ 59,032	$ 18,515	$ 121,001
Gold revenue	-	-	5,790	65,264	16,871	87,925
Total revenue	$ -	$ -	$ 49,244	$ 124,296	$ 35,386	$ 208,926
Salaries, wages and benefits:						
mining	$ -	$ -	$ 5,177	$ 5,044	$ 7,943	$ 18,164
processing	-	-	1,775	1,607	1,568	4,950
administrative	-	-	2,703	3,761	3,219	9,683
stock based compensation	-	-	136	136	136	408
change in inventory	-	-	(731)	2,646	67	1,982
Total salaries, wages and benefits	-	-	9,060	13,194	12,933	35,187
Direct costs:						
mining	-	-	11,594	14,405	8,905	34,904
processing	-	-	9,403	17,454	5,779	32,636
administrative	-	-	2,335	2,616	3,454	8,405
change in inventory	-	-	(1,881)	7,207	1,322	6,648
Total direct production costs	-	-	21,451	41,682	19,460	82,593
Depreciation and depletion:						
depreciation and depletion	-	-	11,018	8,823	16,087	35,928
change in inventory	-	-	(1,007)	2,536	332	1,861
Total depreciation and depletion	-	-	10,011	11,359	16,419	37,789
Royalties	-	-	1,093	-	-	1,093
Write down of inventory to NRV	-	-	1,039	-	4,171	5,210
Total cost of sales	$ -	$ -	$ 42,654	$ 66,235	$ 52,983	$ 161,872
Earnings (loss) before taxes	$ 1,825	$ (11,022)	$ 6,590	$ 58,061	$ (17,597)	$ 37,857
Current income tax expense			2,177	5,996	755	8,928
Deferred income tax expense			2,482	4,641	(4,487)	2,636
Total income tax expense	-	-	4,659	10,637	(3,732)	11,564
Earnings (loss) after taxes	$ 1,825	$ (11,022)	$ 1,931	$ 47,424	$ (13,865)	$ 26,293
			Nine months ended September 30, 2012			
Silver revenue	$ -	$ -	$ 69,561	$ 33,709	$ 1,713	$ 104,983
Gold revenue	-	-	11,142	23,443	1,792	36,377
Total revenue	$ -	$ -	$ 80,703	$ 57,152	$ 3,505	$ 141,360
Salaries, wages and benefits:						
mining	$ -	$ -	$ 4,464	$ 4,356	$ 1,811	$ 10,631
processing	-	-	1,483	902	492	2,877
administrative	-	-	2,459	2,228	468	5,155
stock based compensation	-	-	204	217	-	421
change in inventory	-	-	683	(861)	(2,247)	(2,425)
Total salaries, wages and benefits	-	-	9,293	6,842	524	16,659
Direct costs:						
mining	-	-	12,822	6,672	2,945	22,439
processing	-	-	7,542	6,954	1,999	16,495
administrative	-	-	2,220	2,037	1,416	5,673
change in inventory	-	-	3,290	(2,686)	(4,463)	(3,859)
Total direct production costs	-	-	25,874	12,977	1,897	40,748
Depreciation and depletion:						
depreciation and depletion	-	-	9,576	6,235	3,569	19,380
change in inventory	-	-	366	2,141	(2,710)	(203)
Total depreciation and depletion	-	-	9,942	8,376	859	19,177
Royalties	-	-	1,397	-	-	1,397
Write down of inventory to NRV	-	-	-	-	3,345	3,345
Total cost of sales	$ -	$ -	$ 46,506	$ 28,195	$ 6,625	$ 81,326
Earnings (loss) before taxes	$ (9,898)	$ (7,342)	$ 34,197	$ 28,957	$ (3,120)	$ 42,794
Current income tax expense	-	-	5,014	5,306	-	10,320
Deferred income tax expense	-	-	2,244	2,934	-	5,178
Total income tax expense	-	-	7,258	8,240	-	15,498
Earnings (loss) after taxes	$ (9,898)	$ (7,342)	$ 26,939	$ 20,717	$ (3,120)	$ 27,296

The Exploration Segment included $1,788 for the nine months ended September 30, 2013 (2012 - $310) of costs incurred in Chile.

18. TAX ASSESSMENTS

On February 18, 2013, the Mexican tax administration published temporary regulations on the tax amnesty program enacted in December 2012. Under the tax amnesty, available until May 31, 2013, taxpayers were able to settle tax liabilities for years 2006 and prior with forgiveness of up to 80% of the omitted tax and inflation adjustments and up to 100% of interest and penalties. Further, interest and penalties on qualified liabilities arising after 2007 will be eligible for a 100% forgiveness of penalties and interest.

Refinadora Plata Guanacevi SA de CV, a subsidiary of the Company, received a MXN$63 million (US$4.8 million) assessment on May 7, 2011 by Mexican fiscal authorities for failure to provide the appropriate support for certain expense deductions taken in the entity's 2006 tax return. During the audit process, the Company retained an international accounting firm and external counsel to expedite the audit process and to ensure the delivery of the appropriate documentation. Based on the advice of our tax advisors and legal counsel, it was the Company's view that it had provided the appropriate documentation and support for the expenses, however the Company estimated a potential tax exposure of $425, plus additional interest and penalties of $460, for which the Company made a provision in the consolidated financial statements for the year ended December 31, 2012. On May 30, 2013, under the tax amnesty program the Company paid $561 to settle the dispute.

Metales Interamericanos S.A. de C.V., a subsidiary of the Company, acquired in the El Cubo transaction received a MXN$68 million (US$5.2 million) assessment on August 24, 2010 by Mexican fiscal authorities for failure to provide the appropriate support for certain expense deductions in the entity's 2006 tax return. Based on the advice of legal counsel, it was the Company's view that the tax assessment had no legal merit and an appeals process was initiated in 2010. On May 30, 2013, under the tax amnesty program the Company paid $682 to settle the dispute.

Minera Santa Cruz y Garibaldi SA de CV, a subsidiary of the Company, received a MXN$238 million (US$18.3 million) assessment on October 12, 2010 by Mexican fiscal authorities for failure to provide the appropriate support for certain expense deductions taken in the entity's 2006 tax return. During the audit process, the Company retained an international accounting firm and external counsel to expedite the audit process and to ensure the delivery of the appropriate documentation. Based on the advice of our tax advisors and legal counsel, it is the Company's view that it provided the appropriate documentation and support for the expenses and the tax assessment has no legal merit, however as a result of a detailed review by the Company of its accounting records and available information to support the deductions taken, the Company has estimated a potential tax exposure of $40, plus additional interest and penalties of $40, for which the Company has made a provision in the condensed consolidated interim financial statements. The Company did not elect to use the tax amnesty program to settle this assessment and will continue the appeal process.

19. 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 no or little market activity). The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

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

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

As at September 30, 2013	Total $	Level 1 $	Level 2 $	Level 3 $
Financial assets:				
Available for sale securities	2,295	2,295	-	-
Trade receivables	10,290	10,290	-	-
Total financial assets	12,585	12,585	-	-
Financial liabilities:				
Contingent liabilities	725	-	725	-
Derivative liabilities	2,177	-	2,177	-
Total financial liabilities	2,902	-	2,902	-

Fair values of financial assets and liabilities:

	As at September 30, 2013		As at December 31, 2012	
	Carrying value $	Estimated Fair value $	Carrying value $	Estimated Fair value $
Financial assets:				
Cash and cash equivalents	25,201	25,201	18,617	18,617
Available for sale securities	2,295	2,295	8,520	8,520
Trade receivables	10,290	10,290	-	-
Other receivables	18,504	18,504	20,526	20,526
Total financial assets	56,290	56,290	47,663	47,663
Financial liabilities:				
Accounts payable and accrued liabilities	23,084	23,084	38,485	38,485
Revolving credit facility	39,000	39,000	9,000	9,000
Contingent liabilities	725	725	8,497	8,497
Derivative liabilities	2,177	2,177	5,336	5,336
Total financial liabilities	64,986	64,986	61,318	61,318

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

- Available for sale securities (see Note 5)
- Trade receivables (see Note 6)
- Derivative liabilities (see Note 12)
- Contingent liability (see Note 13)

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

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