Endeavour Silver Corp.

Third Quarter 2025 Financial Results

Conference Call Transcript

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Speakers:

Allison Pettit
Director of Investor Relations

Dan Dickson
Chief Executive Officer

Elizabeth Senez
Chief Financial Officer

Operator:
Welcome to the Endeavour Silver Third Quarter 2025 Financial Results Conference Call.

As a reminder, all participants are in listen-only mode and the conference is being recorded. After the presentation there will be an opportunity to ask questions. To join the question queue you may press star then one on your telephone keypad. If you need assistance during the conference call, you may signal an operator by pressing star, then zero.

I would now like to turn the conference over to Allison Pettit, Vice President of Investor Relations. Please go ahead.

Allison Pettit:
Thank you, Operator, and good morning everyone. Before we get started, I ask that you view our MD&A for cautionary language regarding forward-looking statements and the risk factors pertaining to these statements. Our MD&A and financial statements are available on our website at edrsilver.com.

On today's call, we have Dan Dickson, Endeavour Silver's Chief Executive Officer, Elizabeth Senez, our Chief Financial Officer, and Don Gray, Endeavour's Chief Operating Officer. Following Dan's formal remarks, we will open the call for questions.

Now over to Dan.

Dan Dickson:
Thank you, Allison, and welcome everyone. Q3 has been a transformational quarter at Endeavour Silver. With Terronera now in commercial production and Kolpa's first full quarter under our production profile, we have significantly expanded our operational capabilities and strengthened our position in the market. This progress sets the stage for continued growth and improved performance as we move forward.

In Q3, Endeavour produced 1.8 million ounces of silver, 7,300 ounces of gold, totalling approximately 3 million silver equivalent ounces. This does not include Terronera and represents an 88% increase compared to Q3 2024, primarily due to the addition of the Kolpa mine and full quarter production from Guanacevi.

We reported revenue of $111 million, an increase of 109% compared to the prior year, benefitting from the higher precious metal prices and increased production profile. Mine operating cash flow before working capital changes rose by 102%, while cash costs increased to $18 of payable silver ounce. The increase is driven by the impact of higher royalties, higher profit participation and higher cost of third-party mineralized material during the quarter, coupled with lower grades processed at Guanacevi and Bolañitos.

All-in sustaining costs increased from the same quarter in 2024 to $30.53 per ounce, net of byproduct credits due to a number of factors, including elevated exploration at Kolpa to validate historical resources, initial capital investment to upgrade facilities, and an increase in treatment and refining charges. All-in sustaining costs include $2.3 million of mark-to-market charge in the quarter for deferred share units granted in previous periods within G&A.

Mine operating earnings increased to $15.6 million from $12.5 million in Q3 2024 due to the higher operating earnings out of Bolañitos and Guanacevi, as well as $3.9 million in operating earnings from Kolpa, offset by Terronera's mine operating loss of $3.6 million during the commissioning period.

The Company reported a net loss of $37.5 million for the period after a loss on derivative contracts of $39 million. As previously reported, the Company entered into forward gold sales as part of the project loan facility in March 2024 when gold was trading at $2,325.

As of September 30, the Company's cash position was $57 million, and on October 16, the Company announced that Terronera was officially reached commercial production following a successful commissioning phase. During commissioning, the operation performed at an average of 90% of its design capacity of 2,000 tonnes per day while also achieving at least 90% of its projected metal recoveries. This achievement not only underscores a transformational milestone for the Company, but also represents a pivotal moment in our corporate strategy, further strengthening our position as a leading mid-tier silver producer.

The Company forecasts throughput of approximately 350,000 tonnes over the next six months, with average grades estimated to be about 120 grams per tonne silver and 2.5 grams per tonne gold. These higher grade zones are scheduled to be accessed in mid-2026. During this period, the operating team will be working to refine and optimize the operating processes, incrementally improving throughput, recoveries and our operating processes and efficiencies. In January of 2026, the Company will issue annualized 2026 production and cost guidance for Terronera with our consolidated guidance.

Since completing the Minera Kolpa acquisition on May 1, the integration of the asset and the team has progressed smoothly. On September 25, the Company announced positive drill results from its ongoing exploration program at Kolpa, demonstrating outstanding potential. The exploration program is designed to target potential while also completing work to validate historical resource estimates. Part of the acquisition agreement includes $12 million of exploration spend to validate the historical resources over 24 months. In Q3, we incurred $1.5 million, which is included for infill and step-out drilling.

In Q3 2025, Kolpa produced 1.3 million silver equivalent ounces, including its base metals, continuing to remain on track to align with Kolpa's historical performance benchmarks of 5 million silver equivalent ounces. Grades were marginally lower than expected. However, throughput was slightly higher, resulting in slightly higher cash cost per ounce than the historical site trend and management's expectations. Additionally, investments are being made to modernize some parts of the plant and surrounding infrastructure to support a potential increase in production. The mine received permits to increase throughput to 2,500 tonnes per day, and the team is executing improvements in the mill and the mine to support an expansion. Management expects to complete its evaluation of an expanded operation late this quarter.

Lastly, before we open the call to questions, we continue to advance Pitarrilla and are excited for the next chapter as we move this project forward, focusing on the upgrading the inferred resources to indicated while engineers are working on various studies to support a tailings dam permit and a feasibility study to be published mid-2026.

With that, Operator, I'd like to open up to questions.

Operator:
Thank you. We will now begin the question-and-answer session. To join the question queue you may press star then one on your telephone keypad. You will hear a tone acknowledging your request. If you are using a speakerphone, please pick up your handset before pressing any

keys. To withdraw your question, please press star then two.

The first question comes from Heiko Ihle with H.C. Wainwright. Please go ahead.

Heiko Ihle:
Hey Dan and team, thanks so much for taking my questions.

Dan Dickson:
Hey Heiko, I hope all is well.

Heiko Ihle:
Oh, yes. Very much so. You hinted at some of this a bit earlier on the call, but maybe walk us through what you've been seeing with Kolpa versus expectations. I know you just talked about grades and costs, the obvious ones, but also like labour relations, equipment uptime, work you've seen with the communities, other unexpected impact actual versus anticipated 12 months ago, either better or worse than pre-acquisition.

Dan Dickson:
Yes, there's a lot in there. I mean, obviously, the key drivers for a lot of our cost profile, it comes down to throughput. Our throughput was above 2,000 tonnes per day. Obviously, it's designed to be 2,000 tonnes per day and grades were just slightly lower. Obviously, we're seeing a higher price environment, and there's always opportunities to go into some lower grade areas and I think we as management have to be very mindful that we're balancing that to extend mine life versus cash flow today.

Obviously, when we took control as of May 1, we have some standards that we want to keep as a company with regards to what our assets and our facilities are, and we started some of those programs, and then a big chunk is that we're spending on exploration as well.

So the exploration has gone as expected, if not better. As I said, in early September, we put out results, and we'll continue to put out results as we go through our exploration program to really validate these historical resources. I think it's very important that we get that 43-101 estimate up to date and published so we can speak to guidance and cost profiles on the forward basis as opposed to always looking at benchmarks going back.

Labour relations, community relations, we did a lot of work on that going into the acquisition of Kolpa, and those aligned to what we saw. They've got very good community relations, very good labour relations. I think we're very impressed with the operating team they're very gung-ho to try to push this 2,500 tonne per day plant and expansion forward. We're still trying to go through some of the cash flows and the ultimate benefits in ensuring that there's going to be economies of scale to really push that 2,500. So whether we have that capacity or how we push that for an underground mine is very important. But again, it's been one quarter. Our expectation is that we will be delivering cash flow from Kolpa.

If you look at it from a mining free cash flow, because of the investments we've made in improvements in the plant and the exploration, it's higher than—or lower than what we wanted. But ultimately, I think it will deliver us good cash flow in 2026 and beyond.

Heiko Ihle:
Fair enough. I promise the next one is a lot less loaded and just a quick clarification. Terronera seems to have had eight days of downtime in Q3. What happened? And also, we're halfway through Q4 at this point. Has there been any downtime this quarter so far? And same question, if so, what happened?

Dan Dickson:
Yes. I mean that's a very fair question. We had very good results, I think, leading into September—July, we did close to 2,000 tonnes per day. In August, we brought that back to around 1,800 to focus on recoveries or even 1,600 tonnes per day to focus on recoveries and did very well until about September 22, September 23, somewhere around that timeline. We had a shutdown for 7 days. Obviously, we expected to announce commercial production on October 1. Just getting through September with that consistency and being shut down—it was an electrical issue, and we had to get some specific resistors, which is a very small investment, but ultimately something we didn't have on hand and they're made to order so it wasn't that they're available off the shelf either. We had to wait for that, and it took a little bit longer, a couple of days longer than what we expected. But nonetheless, we started up that plant late September again and got going.

Since October, we haven't had any up and down days. In November here, we're about a week into November. We had a half day, 1.5 days. We have had intermittent. We're not going to be running fully at 2,000. It's more like what we saw in Q3, which is still a great rate above 90%.

Ultimately, we are in that kind of honeymoon phase now of, "Hey, we're in commercial production." We really need to hit our targets and our throughputs. And like I say, over the next six months, it's going to be about refining and optimizing that plant. We're still refining little things, but again, above what our threshold was for commercial production or declaring commercial production.

Heiko Ihle:
Very fair. As you know, I'm quite positive on the asset so it's nice to see it all come together and actually seeing it in person last week.

I'll get back in queue. Thank you guys very much and have a great weekend.

Dan Dickson:
Thanks for the questions, Heiko.

Operator:
The next question comes from Wayne Lam with TD Securities. Please go ahead.

Wayne Lam:
Thanks, guys. Maybe just following up on Heiko's question, maybe at Terronera, do you have an update on maybe how the performance has gone in the month of October? Just curious what kind of stockpile you might have ahead of the mill. And then maybe just in terms of the grade, the mine plan in the early years had around double the initially guided grades here, so just wondering what you're seeing in terms of access to those higher-grade zones and reconciliation to date versus plan.

Dan Dickson:
Yes, sure. Lots in there again. Thanks for the question, Wayne.

For stockpile, and this we've been saying for a long time, we have room for about 60,000 tonnes. We can kind of push that to 80,000 tonnes. Because of the topography at Terronera and where we have laydown yards, we don't have the ability to carry six months of stockpile in front of us, so it's about making sure we have sufficient stopes available underground and be able to go from underground right to the crusher.

Grades thus far, we're in an area where it's lower grade and that's just a function in our— ultimately, in our initial mine plans or feasibility study, it's about focus on IRR payback period and ultimately, when you're kind of going through these refinements, nothing is perfect yet in that plant. We want to make sure we're not putting metal into our tailings dam and getting the best recoveries we can on some of that higher-grade material.

Now, we've had pretty decent recoveries, but again, there are still some minor issues that work might be down for half an hour or an hour, and we want to make sure we don't have those surges. So we designed now that the plum of the resource, the Terronera plum, which is basically the middle shoot. We're about 100 metres away from that area and ultimately, we have plans that comes in mid-2026.

So right now, we're putting through lower grade, what we deem to be lower grade. So as I said earlier on the call, about 2.5 grams gold, 120 grams silver is our expectations for that next six months. And then we bring La Lutz, which is a high-grade deposit in that's about a kilometre away to supplement what's coming out of Terronera. So again, midyear next year, we're going to see those grades pick up to what you're going to see in Q3/Q4, Q1/Q2, but we should start seeing that in Q2/Q3.

Ultimately, grade reconciliation, there's a couple of things that have been happening that we've seen. A, on the vein, our grade reconciliation is relatively in line. We're getting a lot of stock work. So for those on the call that aren't familiar, stockwork would be the mineralization between veins. We have a hanging wall footwall vein on Terronera and in between we have what grades to be about 150 to 200 grams silver equivalents. Obviously, that has a lot of value and we've moved from either longitudinal stoping or cut-and-fill stoping, doing some transverse stoping. So in these areas that we should have been a little bit higher grade, we're bringing in lower grade, but we're getting more tonnes, more ounces and ultimately extend mine life.

We are in no position to update resources. It's still relatively early days in it, and it's a question of how long these stockworks continue on.

As we get into that main shoot with the higher grade, bigger widths, we don't expect that stockwork; we expect those grades to come through. But otherwise, to answer that question, our grades have aligned relatively well to what our resource model has.

Then as far as October, October has been a pretty steady month. Not any huge events, knock on wood, so it's kind of continuing on. Again, we want to make sure we refine and optimize what we can do in the plant and then really focus on driving down costs next year. It's a big push to get us through into commercial production, and I commend our team on doing that. And now it's really focusing on operating efficiencies and processes and making sure we hit our marks.

Wayne Lam:
Okay. Perfect. That was great detail, Dan. Maybe just wondering on the balance sheet, with Terronera now having declared commercial production, have you continued to execute on the ATM over the past month? And now that you're commercial, would you be able to refinance that facility for a larger amount? What could the timeline be on that?

Elizabeth Senez:
Sure, Wayne, I'll take that. This is Elizabeth Senez, the CFO. So in terms of your first question on the ATM, no, we've not used the ATM in the past month. You can see in our Q3 that we used $15 million during Q3, but since the end of September we've not used the ATM.

Then regarding your second question on the project finance and our plans, what to do with that now that we're in commercial production, yes we are evaluating our options with how to refinance now that we are in commercial production. We anticipate doing that in the next six months.

Wayne Lam:
Okay. That's great. Maybe just one last one for me. Just on the balance sheet flexibility. You guys were in a bit of a negative working capital position the past quarter. Do you have enough in terms of supplies and spares available at the various sites to mitigate or have any buffer to some of any potential hiccup?

Dan Dickson:
Yes, I'll take that, Wayne. Ultimately, we believe so. You'll see our warehouse inventory is a

healthy number. Obviously, going into a new operation, min/maxes have to be determined and get that experience and what those trends are. We have the idea that we have sufficient inventory and warehouse inventory to be able to work through that, giving us effectively that flexibility.

I say that and know that there's always something out there that will come up, and that's our job as management to kind of make sure that we manage that properly if there's something that we've not seen and comes up in that sense. But we feel like we have lots of flexibility.

You're right about the negative working capital on our balance sheet for the last two quarters. A big portion of that is actually our derivative liabilities. Again, I touched on the $39 million derivative liability based on the hedges that we put in from the project loan financing that we did in 2024, we put those hedges in.

Again, we've seen gold prices come from $4,500 down to $4,000, that's reduced that a little bit, but ultimately, our goal is now to get our balance sheet in a strength position and we have positive working capital. Hopefully see that sooner rather than later.

Wayne Lam:
Okay, great. Thanks for taking my questions and best of luck over the coming months.

Dan Dickson:
Thanks, Wayne. Those are good questions.

Operator:
Next question comes from Alex Terentiew with National Bank. Please go ahead.

Alex Terentiew:
Hey guys, thanks for taking my questions here. Just got a couple of questions on spending. First one really just on CapEx. It looks like CapEx spending so far this year relative to guidance has been a bit lower than planned. Am I correct in assuming we could see a bit of a catch-up in Q4? Or is just spending a little bit below planned here? That's my first question.

Dan Dickson:
Yes. No, it's a very good question. I think you're going to see pretty consistent at Bolañitos and Guanacevi. Obviously at Kolpa, it probably will end up being a little bit similar as we finish off some of these projects going into the end of the year.

For Terronera, we haven't put out specific guidance around sustaining capital and what we need for mine development but I don't see it being outsized. I think mostly to answer that question, it comes down to the existing ones in operation is what we've seen is what you'll get in Q4.

Alex Terentiew:
Okay. Then just sticking with Kolpa, I know you guys are working towards evaluating that underground expansion. In the past, you did give some guidance on spending there, but can you give us any colour kind of maybe even over the next six months or a little bit how we can think about spending on that? I know you have the permit to construct. Obviously, you're doing some underground development as well. I think from my view it seems like it's pretty clear that you would go ahead, but until you've officially made that decision I guess you can't say so. But I mean, any clarity on spending plans for the next six months?

Dan Dickson:
Yes, part of that for the next six months is difficult to say because we're coming through that budget season. That's part of that evaluation aspect of it. Ultimately, we really need to know what that capital is, and that's going to be all part of our guidance that will come out in January. I don't want to jump the gun on what it necessarily is.

A little bit of the background on Kolpa and the expansion of 2,500, they had applied for the expansion prior to our acquisition, and they've actually made some commitments on that expansion. For example, a ball mill, a 2,500-tonne ball mill was already committed to and on site when we kind of acquired it. Our concern just comes down to ensuring that there's sufficient economies of scale, not through the plant, not through the indirect costs of the camps and support on site. It's really down into the mine.

Do we need to open up more stopes and have more labour, more equipment and not get economies of scale, or are there some areas where we can get better tonnes out and be more efficient and actually see that benefit of economies of scale? That's a process. Like I say, where kind of in the next two months hopefully, we can make a final decision on that and then move forward.

And again, that's part of all the trade-off studies of understanding what that total capital spend is. And like I say, should have that done by December and hopefully out in everybody's hands or minds by January, or in January. Sorry, I can't give any more than that right now.

Alex Terentiew:
No, no, I understand. I know it's a time of year, and I was just pressing my luck and asking anyway.

Last question. Just on Kolpa, Q3 G&A, $2.245 million I think was the number there. I know that the deal closed in Q2. Is that kind of a number we should be expecting going forward on a quarterly basis or do you think that can come down a little?

Elizabeth Senez:
Hi Alex, it's Elizabeth. I'll take that question. On the Q3 G&A, it was higher than anticipated because of the share price increase, which affected the revaluation of our DSUs. So it was $2.7 million of expense during the quarter related to the DSUs. If you exclude that from the quarterly G&A number then that's our run rate going forward on corporate G&A.

Dan Dickson:
I think it's a very good question on that, Alex, because that flows into Kolpa, and we had the internal discussions of, well, we have G&A out of Vancouver, and we've given out these DSUs historically that get mark-to-market. And in itself, when you look at the all-in sustaining cost for Kolpa, that includes those DSUs being allocated and how we do our allocation is a weighted calculation and how we distribute the cost out of Vancouver to that. So that G&A is not cost at Kolpa. Kolpa's G&A cost is in their indirect costs on a per tonne basis.

So obviously, there's no right or wrong answer to how you allocate those ounces. That's how we've done it. That's how it'll consistently be. It's a noncash item, but we do include that as it is an expense that historically goes through.

So again, not reflective of Kolpa's performance, just an allocation on that all-in sustaining cost.

Alex Terentiew:
Okay. That makes sense. Perfect. Okay, that's it for me. Thanks.

Dan Dickson:
Thanks for those questions, Alex. Good questions. Thank you.

Operator:
The next question comes from Soundarya Iyer with B. Riley Securities. Please go ahead.

Soundarya Iyer:
Hi, Dan and team. Thanks for taking my question. I just wanted to follow up on the sustaining CapEx question asked earlier. So at Guanacevi, you spent about $13 million of the $19 million planned, and there is a considerable amount of development being done. How critical is completing this development to maintaining production levels at Guanacevi? And what's the current pace of advancement over there?

Dan Dickson:
Yes. No, fair. It's a very good question. As you pointed out, we spent $13 million year-to-date over the nine months, which is just about $3 million, just over $3 million per quarter, and that's what we were here in Q3. And again, we don't have a big catch-up in Q4.

A lot of the Guanacevi sustaining capital is mine development and we always want to stay ahead for mine development that's ultimately underground mining. We have sufficient development to continue on. Obviously, we try to always try to get it a bit ahead and I think we're always a little bit of ambitious on our total capital, so $19 million. Whether we come in at $16 million. I think it's positive. We've got the metres that we've needed to get this year thus far, and we expect that to come.

Typically, what we see in Mexico is December slows down a little bit because of Christmas. So we focus on ore extraction and less on mine development because of the kind of that two-week period around Christmas.

At Bolañitos, similarly, we did have some mine equipment that we purchased early Q3, but most of the work that we do at Bolañitos is mine development. Again, if you look at guidance, we're slightly behind what we expect to spend, but we're hitting our metres. So we don't see an expected change in our operating profile because of mine development at either of those operations.

Soundarya Iyer:
That makes sense. Thank you. Thank you for that. Just one more on this third-party ore purchase that has gone up and increased the cash cost. Could you just provide some context on the economics of these purchases and how does that fit into like your own ore extracted at the mine versus this third-party ore?

Dan Dickson:
Yes. Happy to give detail on that. We do have some third-party ore at Kolpa, which is a lot more lower impact ultimately to ounces and costs. But at Guanacevi, it's about 15% of our throughput now. The Guanacevi plant was built in 1981 by the Mexican government and under that original when it was passed on to who we bought it from, there's a requirement that 10%, at least 10% of throughput can go through to local miners.

In our district of Guanacevi, there's a lot of small local miners and obviously with higher prices, there's actually a lot more ore that's coming to our plant asking to be tolled.

The way we pay out, ultimately, we buy that tolled ore for a percentage, around 70%, and we have margins between 20% and 25% depending on the group, depending on recoveries and ultimately where prices end up.

It does displace our own ore, obviously, but at the same time, it extends life at Guanacevi. As the price has gone up, that cost per tonne when we're buying that ore tonne it’s higher because of what it contains of silver and gold. So with the price increases we've gotten similar grades, sometimes lower grades, but the actual cost for that ore tonne is higher, and how we incorporate that in is purchase ore. So it's higher cost than our mine tonnes, but again, displaces ours, and we are making a profit, somewhere around 20% to 25%.

So we'll continue to do that. And again, more and more tolled ore is coming to Guanacevi. And again, we're required to take at least 10%, and we've been taking higher than that.

I hope that answers your question.

Soundarya Iyer:
Yes, thank you. I'll get back. Thank you.

Dan Dickson:
Okay.

Operator:
Once again, if you have a question, please press star then one.

The next question comes from Cosmos Chiu with CIBC. Please go ahead.

Cosmos Chiu:
Thanks, Dan and team, and thanks for a lot of good details on this call today. But overall, I guess my question is, Dan, when should we start expecting the company to generate positive free cash flow? You got close in Q3, but based on prices now, when would you expect—is it next year? Clearly, we're hitting an inflection point for the company, but when can we expect positive free cash flow?

Dan Dickson:
Yes, it's very fair. I mean, obviously, we averaged $38 on silver. This quarter, we're up in the $48 range, so I would fully expect free cash flow in Q4. It's all predicated now that Terronera is going from commissioning to commercial production. We hit our numbers in Q4/Q1, we're going to have free cash flow out of Terronera.

I think it's easier to always speak it separately. Guanacevi and Bolañitos—and Cosmos, you and I have had this conversation—they're mature assets. I think where they are in their lifecycle, we've got to make sure that the grades that we're pulling out of the grades that make free cash flow at this point in time. We can always go into back—old areas and trade dollars, but it's also about harvesting and what our job as a management team is to deliver rate of return, right? Rate of return on investment.

Guanacevi have done a phenomenal job for us to build our company. They are going to be high-cost assets going forward. The transition that we've gone through over the last two years—and been a bit of a heavy lift some days—is trying to find assets that are long life, low-cost. Terronera in itself completely changes our profile.

As we go through Q4, Q1, Q2, it's going to be our job to work to get those cost profiles down to what we expected in the feasibility study. It's not going to be $88 that we have there. It's going to be we've seen inflation 25%, 30%. So we can be around $120 to $130 and I think that's going to be good. Of course, we want it to be $88, but the world has changed.

Right now, we have aspects around Terronera that's making our cost higher. We're running diesel gen sets because we're waiting for a permit from the Mexican government, the power arm, to ultimately let us start using our LNG plant that's completed. So we've had the construction permit; now we're waiting for our vaporization plant permit to be able to take the LNG, turn it into electricity. We expect that relatively soon.

We didn't have any setbacks in Mexico. There was an LNG truck that exploded in Mexico City. It required everybody to put in an emergency response plan. Hopefully, we get that before the year is out, but that's out of our control. But that diesel cost versus LNG costs, you're talking about $0.33 per kilowatt hour compared to LNG, our expectation of $0.17. Big savings that comes from that.

Ultimately, we're trucking some waste, trucking some ore further than we want. Part of that is our MEA regional permit that we received. We have (inaudible 32:09). Again, great dialogue through the authorities. We expect that to come.

All that to say, over the next—to answer your question on free cash flow, we expect it soon, and we expect those costs at Terronera to really improve over the—partly from some of these permits, partly from our operational efficiencies.

So Q4/Q1 free cash flow. Again, Kolpa is going to be in a great position again and we get that stuff out and you'll see that in January.

I hope that helps answer the question, Cos.

Cosmos Chiu:
Yes, yes, that does. I do have a follow-up. For Q4 and Q1 positive free cash flow,when can I start asking you about capital return in terms of potentially a dividend, share buybacks or a reverse ATM and other sort of capital return policy like that. Instead of me asking about are you using your ATM, I can potentially ask you about share buybacks.

Dan Dickson:
Yes. No, it's very fair, and I think we're still in that transition, right?

We're excited about what Terronera is going to deliver to us from a cash flow standpoint. And I can understand when you look at those numbers, it comes down dividends. What we haven't really talked about today is the opportunity with Pitarrilla.

Pitarrilla, 600 million ounces in the ground, half of that sulfides. Obviously, I touched that we have a feasibility study out next year. There's the envelope numbers that you can look at for Pitarrilla and it's a very compelling asset. We foresee any of the cash flow that we have at Terronera going into pushing on Pitarrilla. Our goal is to produce 30 million ounces by 2030, 30 by 30.

We think Pitarrilla being between 3,000, 4,000 tonne per day operation. The grades run around 300 grams. silver, silver equivalent, 60% of that is silver. It could have a mine life of 10, 15, 20, 25 years, but ultimately being a low-cost asset. So, roundabout saying that cash flow that we're going to generate is going to go into Pitarrilla and completely transform Endeavour Silver, and then we can start talking about returning cash to our shareholders.

I think it's very important that we deliver here at Terronera and hit our marks. That will give us the ability to go out and build Pitarrilla. But I really think the numbers that we're going to see of the Pitarrilla feasibility study are going to be compelling and allow us to invest at that operation or that development project.

Cosmos Chiu:
So investing in Pitarrilla likely come first before capital return?

Dan Dickson:
Yes.

Cosmos Chiu:
Okay. As you mentioned, Dan, you had to do it, but you had to put in some forward sales contracts in place, some hedges in place for part of your gold production and gold prices have now since done a lot better and it's created some volatility for you in terms of accounting. Also mark-to-market, you're selling gold at lower price now. Any thoughts in terms of buying those back?

Dan Dickson:
Yes. We talk about it all the time. Ultimately, as Libby said in an earlier question, we have a project loan facility right now and we're always looking to try to improve our cost profile, of course. That's our job as management; And taking that project loan and trying to get it refinanced and put it at the corporate level is something that we're looking at.

Obviously, part of that whole discussion and security around everything is those hedge contracts that sit with those project loan providers. That's part of our discussion. We haven't made any decision on how to handle those hedges going forward. Whether we leave them fully in, fully take them out or partial. When we figure that out, obviously, we'll announce that to the market. We don't have one way or the other at this point in our heads.

Cosmos Chiu:
Okay. Sounds good. Maybe one last question. I

Dan Dickson:
Yes, for sure.

Cosmos Chiu:
I didn’t know that Guanacevi was older than you, the mill, but hopefully, it's aged okay. But on that, as you mentioned, Q3 throughput, higher grade, lower? How should we look at throughput and grade into Q4? And then Bolañitos, as you mentioned, both throughput and grade were lower in Q3. How should we look at Q4?

Dan Dickson:

Yes. Throughput would be similar. I mean we know they're pretty steady state between 1,100, 1,200 tonnes per day for both operations. Ultimately, grades have continued in October to be slightly lower. We always look at the trend for the year. I know for the year, we've trended relatively on plan.

If you look at our production profile we put out for guidance at Guanacevi, Bolañitos, we're kind of trending towards the bottom end of that guidance and that's because of the grades that we're seeing really out of Bolañitos and a little bit lower grades out of Guanacevi, but mostly the lower gold grades out of Bolañitos. I expect that to continue here in Q4.

Cosmos Chiu:

Great job. Thanks, Dan, for answering all my questions. That's all I have. Have a good weekend.

Dan Dickson:

No, I appreciate all those questions, Cos. Thank you.

Cosmos Chiu:

Thank you.

Operator:

The next question comes from Trevor Ward, Private Investor. Please go ahead.

Trevor Ward:

Hey Dan, thanks for taking my call.

Dan Dickson:

Happy to take your call, Trevor.

Trevor Ward:

Thanks, buddy. It's been quite some time since I last spoke almost two years ago. Obviously, a lot has changed in two years. I will say, obviously, like I mentioned earlier, obviously, these other talking heads, it sounds to me for the most part, a lot of them represent clients, whereas myself being a personal investor, obviously, it's rather disappointing to see my portfolio, which I'm mostly exposed with Endeavour to fall so hard, so fast in one month. I think it's almost 30% or thereabouts.

Just a couple of questions in terms of going forward. Obviously, another big loss in this third quarter. And if I'm correct, I think I heard you say initially that this third quarter you didn't include Terronera?

Dan Dickson:
Correct.

Trevor Ward:
Terronera—so—so when you say you didn't include Terronera in the third quarter, it didn't—obviously, it didn't make any money or you just included the losses from there into the third quarter.

Dan Dickson:
No. So let me clarify that then, Trevor.

Yes, ultimately, in our income statement, Terronera is included; it was going through the commissioning phase. We actually recognized the revenue. We recognized the cost of sales. Obviously, we incur it. It sits on our balance sheet. The working capital numbers sit on our balance sheet.

Where Terronera has not been included is in our production profile metrics. So as we've gone through construction into commissioning and commissioning now into commercial production, going forward, our cash costs, our all-in sustaining costs, our production profile will include Terronera's numbers.

Prior to that, it's unfair to kind of throw those in because they're so volatile. We've got days we're operating, not operating, we're testing different things. It's not reflective of what we see going forward at Terronera. So it's just not in our operating metrics when we report that or speak to that because we're speaking to numbers that aren't reflective of what we see going forward.

I hear you from a standpoint on losses and a significant loss coming through on Q3, and I'm appreciative of that. And that's a big function of that, Trevor, is the loss derivatives that we're recognizing on a mark-to-market basis under accounting rules under IFRS. And ultimately, it was $39 million this quarter. That's a reflection of gold price going from $2,300 or $2,325 when we entered into these hedges, and at the end of the quarter I think gold sat around $4,400. So that delta of $2,000 plus times 68,000 ounces of gold, we recognize that immediately as it's happening. It creates—the last question, it creates a lot of noise in that income statement and a lot of volatility. Unfortunately, those are the IFRS rules. We don't change that. It is what it is. We have to report to that.

It creates so much noise that sometimes it's nice pulling that out and that's why you'll have various companies use adjusted earnings or adjusted EPS, etc., etc., to take away some of that noise that are onetime items or mark-to-markets that aren't actually cash.

So again, we'd love to have that go the other way, but the other way that means my revenue number goes down, the value of the company goes down. If you've held Endeavor two years as we talked, I would argue that our share price is a lot higher. I know there's movements over the last 30 days where silver hit 55, now we're sitting at $48. That's going to be reflected in our share price and those movements are sometimes hard, but I think the volatility of Endeavor has attracted a lot of different shareholders into us. Over time, I hope our share price appreciates and you stick with us.

Trevor Ward:
Yes, sure. These derivatives going forward are kind of—I kind of get it. I understand it to some extent where it went from $2325, obviously, you're having to pay the difference there. I mean, obviously, I suppose you needed the input, you needed the money, so you had to take this option, right?

Dan Dickson:
Well, that's ultimately it. When we entered in the Project 1 facility in 2022, all the offers on the table, putting in $6,800 gold hedge—our gold hedge on 68,000 ounces at $2,300 when gold was at $1,600, $1,700 felt like a good thing. At $4,400 it probably feels a little bit differently, obviously.

Trevor Ward:
So now going forward, what's the exposure to the same scenario happening in the next quarter, the following quarter? These recurring charges in terms of the derivatives, how does that look going forward?

Dan Dickson:
Yes. So right now, we originally entered into 68,000. I think we're sitting on about 57,000 in that. So it rolls off over time. We have no interest in entering any other gold hedges. But that means Pitarrilla comes and depending on the market, depending on how we want to finance that, we're going to look at it. Our preference is to stay out of that hedge.

If you're going to invest in Endeavour Silver, you believe in the silver price going up. That's the first hypothesis. I really believe that we want to—we don't want to take that away from our shareholders. And there's times maybe little things intraquarter or whatever have you that we do things, but fully recognize that you're buying a silver company because you believe silver price is going up.

Trevor Ward:
Sure. Okay. But I didn't quite understand that. What are you looking at? Let's just give an average price of this cost in the quarters going forward. I mean, $39 million is a big chunk. I mean how does that show in real terms on paper? Or I don't quite understand that.

Dan Dickson:
Yes, maybe —so we have 57,000 ounces sold at $2,325. Over the next 18 months, 20 months, we'll roll out of that. And so ultimately, our cash flow coming in is going to be $2,325, and we recognize that loss on a mark-to-market basis that flows through as the price happens. So if gold goes to $5,000 at the end of this quarter, you're going to see more loss go through, and that's that delta from $4,400 to $5,000.

If gold goes from $4,400 to $4,000 like you've seen, you're going to see a reversal of that derivative liability, so you're going to have a gain in our income statement, $400 times the $57,000. Again, that rolls off. That noise goes away.

Trevor Ward:

Is it not—and there's no way you can buy yourself out of it or refund in somewhere else?

Dan Dickson:

And that was Cosmos's question previously, can you buy yourself out of it? And again, right now, with where our cash is going, we're not in a position to go spend $90 million to buy out those hedges. And if it's the right thing, wrong thing, we haven't made a decision on that at this point in time.

Trevor Ward:

Okay. So that was—because I didn't understand his question, but now I can see it. So ultimately, the best thing to do would be hopefully to find the money somewhere to buy yourself out of the situation, considering that going forward, gold, silver could reach much higher prices, it's going to hurt even more.

Dan Dickson:

Correct. But we just need to produce and deliver into those hedges so we're good.

Thanks for the questions today, Trevor. Much appreciate it, and thanks for being a shareholder.

Trevor Ward:

Thanks. Okay, thanks. Bye.

Operator:

This concludes the question-and-answer session. I would like to turn the conference back over to Dan Dickson for any closing remarks. Please go ahead.

Dan Dickson:

Thank you, Operator, and I appreciate everybody listening in on our Q3 financial call. Again, a very transformational quarter for Endeavor with us bringing Terronera online. We're very excited about what it's going to mean for us going forward. Q4, Q1, Q2 and ultimately get out guidance here in January on next year. And again, with where prices are, I expect, again, a big and ultimately exciting future for our company. Thanks a lot.

Operator:

This brings to a close today's conference call. You may disconnect your lines. Thank you for participating and have a pleasant day.