Endeavour Silver Corp.

Second Quarter 2026 Financial Results

Conference Call Transcript

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Time: **10:00 AM PT / 1:00 PM ET**

Speakers:

Allison Pettit
Director of Investor Relations

Dan Dickson
Chief Executive Officer

Elizabeth Senez
Chief Financial Officer

Operator:
Welcome to the Endeavour Silver Second Quarter 2026 Financial Results Conference Call.

As a reminder, all participants are on 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. Should you need assistance during the conference call, you may reach an Operator by pressing star then zero.

I would now like to turn the conference over to Alison Pettit, Vice President 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 precautionary 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 CEO and Elizabeth Senez, our CFO. Following Dan's formal remarks, we will open the call for questions.

Now, over to Dan.

Dan Dickson:
Thanks Allison and welcome everyone.

Endeavour Silver's second quarter performance reflects the strength of our operations with increased production, record metal sales, and a meaningful improvement in mine operating cash flow. Terronera's ramp up and the higher throughput achieved at Kolpa together with our strong cash position gives us a solid base to continue advancing our growth plans throughout the remainder of the year.

In Q2, Endeavour produced nearly 2 million ounces of silver and over 10,000 ounces of gold, totaling 3 million silver equivalent ounces. This represents a 36% increase compared to Q2

2025. We reported revenue of $212 million, an increase of 150% compared to prior year, with mine operating earnings of $74 million, again higher than the $7 million in Q2 2025, and mine operating cash flow of $100 million before taxes, a 300% increase from Q2 2025.

Our all-in sustaining costs and net of by-product credits were $37 this quarter, representing a 47% increase from Q2 2025. Profitability has significantly increased our operating costs with increased royalties, purchased material, profit sharing, and mining taxes. With increased profitability, we continue to invest in sustaining capital costs, especially compared to prior period. In Q2, Endeavour recognized an adjusted net earnings of $45 million or an adjusted net earnings per share of $0.15.

Changes in the metal price have a meaningful impact on our direct costs per ton. For example, for every $1 increase in silver ounce, costs per ton rise by about $0.90 at Terronera, $3.80 at Guanacevi, and $0.50 at Kolpa. Due to the higher royalties, mining duties, third-party purchase or and federally required profit sharing. Direct operating costs per ton were 14% higher this quarter compared to Q2 last year, as the Mexican peso is appreciated and put pressure on inputs impacting our costs.

During the first quarter, Kolpa installed and commissioned a new three-stage pressure and ball mill, increasing plant capacity to 2,500 tonnes per day. Additional expansion expenditures remain, along with capital improvement initiatives, including the expansion of the tailings storage facility to accommodate the increased plant capacity, construction of a new water treatment plant, new power substations required to support current and future operating levels, as well as upgrades to the camp accommodations aimed at attracting and retaining skilled miners in Peru. Management continues to evaluate the long-term capital needs of Kolpa and has increased the 2026 budget by $18 million to bring projects forward and meet company and Peruvian recommendations.

At Terronera, daily throughput remained consistent as the processing plant focused on metal recoveries. Silver grades were in line with plan for the quarter and are expected to increase during the second half of the year as mining operations access our higher-grade areas. Further progress is expected on recoveries as the grinding circuit continues to find efficiencies and to meet the design criteria. With higher-grade areas and other ramp-up efficiency initiatives such as the LNG plant commissioning and the waste dump to development, management expects an incremental decrease in Terronera's cost per ton throughout the second half of the year.

Exploration and drilling also restarted Terronera, making it the first drill program at the mine since 2020 and is aimed at expanding and better defining mineralization, long strike, and depth within the Terronera vein and defining the limits of mineralization near historical workings to support mine design and long-term planning at For more details, we released initial results on June 18th and you can find them on our website.

Guanacevi incurred higher direct costs per ton this quarter, largely due to higher volume and cost of third-party material purchased, which will become more expensive on a per-ton basis to the higher prices. The higher metal prices also drove higher royalties, special mining duty payable for the period. The higher prices have allowed the operating team to mine lower-grade zones, ultimately extending mine life, and we do expect higher-grade areas to come in line in the near future, increasing grades from current levels. Drilling continued throughout Q2 at Guanacevi as well, focusing on underground diamond drilling in deeper parts of the Alondra, Porvenir Dos and El Milache areas, and we continue to test Santa Cruz vein and look for additional extensions to the north.

As of June 30, 2026, we had a cash position of $236 million, working capital of $214 million, providing a strong and stable foundation to advance our ongoing initiatives. We continue to advance the Pitarrilla Feasibility Study, which is expected at the end of Q3, with economic information being collected, with drafts expected shortly for management.

In closing, Endeavour delivered a strong second quarter, supported by higher production, record metal sales, improved mine operating cash flow, and a strengthened balance sheet. With the Kolpa expansion now achieving higher throughput, Terronera continued to advance through its ramp-up, and with the Pitarrilla Feasibility Study underway, we are well positioned to build on this momentum through the second half of the year and into next year. Thank you for your continued support and engagement.

With that, I'm happy for questions. Operator let's please proceed to the Q&A session.

Operator:
Thank you. 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're 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 for taking my questions.

Dan Dickson:
Hey, Heiko. How are you?

Heiko Ihle:
Not too bad. Not too bad. I went back on the Terronera Environmental website this morning that you guys have set up, Terronera.com. Obviously, commissioning the site began a month ago, and then you did mention an incremental decrease in costs during the second half. A couple of questions based on that. Were there any bottlenecks or costs that you didn't anticipate so far during the commissioning or anything else that didn't come in as anticipated?

Dan Dickson:
For our LNG plant, we commissioned it in June. I wouldn't say there was anything particularly unexpected. Just going through permitting, it took a longer time. If you recall, we might have talked about this on past calls or past meetings, but there was an LNG spill in Mexico City in November, December of 2025. That impacted us having to put together additional emergency response plans for LNG to be transported to our site, which actually right now is coming out of the state of Chihuahua and eventually will come from Guadalajara. We had to do that, and then we actually had to increase our permit around storage, again, all related to some of the incidents that had happened around the country. But from a commissioning standpoint, our LNG plant went very smoothly. It just took longer than expected just because of the permitting.

Heiko Ihle:
Then, to be clear, the LNG plant obviously supplies the plant and the buildings, but then it also says that it gives loads to four portals of the mine water management system. All those are now connected, or what's the timeline to actually finish this off?

Dan Dickson:
It's a very good question, actually. Our lower platform is what we connected first, and that happened early June. At the end of June, we connected the upper platform. Effectively, the whole plant was connected by the end of the quarter. Here in August, it's coming up, by August 15, we'll have the mine connected to the LNG generation system. Right now, the mine remains on its diesel gen sets, and we've just had boreholes go through and we're actually running the line this week. Hopefully, we're connected before mid-month, but at this point, it's ongoing.

Heiko Ihle:
Fair enough. Conceptually, you guys got close to a quarter billion in cash. I remember when this Company didn't have a market cap of that size. I'm probably aging myself here a little bit. Just thinking out loud, what's the limit or what's the necessary bottom right now in regards to cash balance? Then building on that, at what point should one even maybe think out loud and maybe see a special dividend, especially once you're done with all the capital expenditures that are coming towards you over the next couple of quarters?

Dan Dickson:
Yeah, I mean, we often get that question, Heiko. It's ultimately a resource allocation and what we do with that. There'll be a time that we return money to Shareholders, even through a dividend share buyback. I think the growth plans that we have as a Company over the next five years is still pretty substantial. We obviously have our convertible debt that sits long-term and that's about $350 million that one day will be paid back for share prices at $12.45 and that gets converted, that gets converted.

Ultimately, Pitarrilla Feasibility Study and the Feasibility Study that we have coming out, hopefully here by the end of September, and have information publicly for that, dictates what we're going to do with that capital. That Feasibility Study, we fully expect to be very positive, and we expect to build costs somewhere in the $500 million to $600 million range. We don't have that CapEx number yet, but just Management's kind of expectation being around that. That cash flow that we're generating and the cash that we have in our balance sheet, it will ultimately be earmarked for Pit. Now, Pit 3, if we can have that built by 2030, ultimately now you're a company of scale that can look at dividends or share buybacks and that's when we start talking about returning capital to Shareholders.

Heiko Ihle:
Perfect. Okay. I don't want to hold up the question queue too long here, so thanks for taking the question and I'll get back in line.

Dan Dickson:
Thanks for the questions, Heiko.

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

Wayne Lam:
Hey, yeah. Thanks, guys. Maybe first question, just on the grades of Terronera. I just want to get a bit more detail. If we look back to the commercial production announcement last October, you guys had guided to a six-month period where you're moving through the lower-grade development in order to get to the higher-grade zones. I just wanted to know what the expectation is now with the commentary that you're going to get into higher grades. Is that something that we should expect a step change immediately into Q3 or is there still more of a ramp-up? Then just with the mine plan in year one having silver grades north of 200 grams per ton and gold grades at almost four grams, should we start to model that into the back half of the year? Or I'm just wondering if there's any additional commentary you can provide us in terms of what we should expect going forward and what you've seen so far through the month of July.

Dan Dickson:
Yeah. I'll answer your second question first if that's okay, Wayne. As far as you're going back to the feasibility study when you have four gram gold that's coming through and that's related to La Luz. In our feasibility study from IRR standpoint, some payback periods, your highest-grade material starts in day one. From practicality standpoint, we obviously didn't go with that. Obviously, the price is completely different than what we did our feasibility study at, which was at $17 silver.

We didn't want to have grade end up in our ounces end up in our tailings storage facility and made the decision mid-year last year that we'd go after lower-grade material and that would happen until about mid-year this year. La Luz came out of that plan last year and now it's earmarked for Q1, Q2 of next year. Ultimately, we spent time drilling that out. We've pushed that resource to depth a little bit. Our one rig that's been on site has been drilling Terronera and it's going back to La Luz in August to see if we can continue to find the bottom of La Luz. That's all designed around so we can properly mine-design La Luz so we can be most efficient. We've gone back and forth between long-wall and cut and fill. The long way to say that ultimately that high-grade gold isn't in our plan for 2026, it's in our plan for 2027. That's why you've seen that gold run around too compared to the Feasibility Study that's running for.

The 200 gram silver is really coming from that Terronera chute. There's a chute that goes from southeast to northwest, plunging towards the northwest. That is our high-grade material.
We put out drill results, as I said, on June 18 that pushed that plunging chute towards the northwest and we've actually come into that a little bit sooner. We are starting fill development now. We've seen some of our grades come up already in July, but I think it's going to be incremental increases July, August to September. We still do have some grade in the low-grade zones. We have some mineral that we're mining that's outside of our resource that if we don't take it, we're not going to get it. That's going to slightly impact it, but we should see an increase in silver grade in the second half of the year and ultimately in Q3.

Specific timings on July, August, September, it's going to give or take three or four weeks. It's a very small time period, but ultimately, I would expect to see higher silver grades in Q3 than we saw in Q2, which has always been the plan.

Wayne Lam:
Okay, thanks. That's pretty good detail. Maybe just shifting to the costs, I'm just wondering on the ASIC performance through H1, which you had noted some of the pressures that you've been seeing. Just curious, with the performance through the first half of the year and with the silver price pushing some of those factors higher, how are you thinking about your ASIC guidance and how should we be thinking about the improved efficiencies and the decline in capital spend at H2? Just wondering if that guidance is still realistic given the performance to date.

Dan Dickson:
Yeah, it's a very difficult thing because of the amount of variables that go into your all-in sustaining costs. When we put out our guidance, we used $38 silver price or $36 silver price

and ultimately built everything off that. That actually steps back to when we started our process for planning in Q3 of 2025 and silver is sitting around that. Obviously, a huge change that's happened. We also provide all those sensitivities in that guidance and so it's difficult for whatever price you guys are using or different analysts have different prices, obviously.

Right now, with the increased sustaining CapEx that we have at Kolpa, it's offset by the by-product credits that we're getting from lead, zinc, silver, some of the efficiencies we're getting. There's a lot going on. We haven't changed our guidance on that all-in sustaining cost and clearly where we're sitting is much higher than our guidance and that's going to continue because of the higher prices.

Wayne Lam:
Okay, great. Then maybe just lastly, on the hedging strategy, can you give us a bit of detail on the go-forward hedging program on Mexican Peso and then just with the higher costs at Guanacevi, I know you have the hedging in place currently from the build, but is there any thought to hedging silver price a bit further out to protect the margins at Guanacevi?

Elizabeth Senez:
Hi, I'll take that one. On the foreign exchange hedging, all of the foreign exchange hedges that we put in as part of the build have been unwound. But yes, we are doing foreign exchange hedging for the operating costs that are denominated in Peso for Guanacevi and that also reflects on Terronera as well. With the stronger Peso, we've not put any in in the last three months, but that book's sitting pretty healthy for us and our plan generally is to hedge the Peso a small amount to tolerate any significant shifts in the price of the Peso as it moves around.

On the metal hedging, as you know, all the silver collars unwound in June and were paid out July 2 and then the gold hedges stream out to the end of June of next year. We've got another year of gold hedges to pay out and at this time, we have no plans to do any further metal hedging.

Wayne Lam:
Okay, great. Thanks. Thanks for taking my questions.

Dan Dickson:
Thanks for the questions, Wayne.

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

Cosmos Chiu:
Great. Thanks, Dan and team. Maybe, again, a question on the all-in sustaining cost. Dan, as you said, it's quite complex in terms of forecasting and guiding to all-in sustaining costs and we talked about the different variables in terms of commodity price assumptions, but how about inflation? Could you remind us what kind of inflationary assumptions you have made? I think the realized inflation, is this kind of what you had expected or is it higher and how should we factor that in as we look at our all-in sustaining cost?

Dan Dickson:
Yeah, thanks, Cos. It's a good question and ultimately the inflation that we looked at is obviously different for a lot of things. Our labour, we had a planned 5% increase in labour, and I think that's effectively where we settled, maybe a little bit higher by points. Our initial plan, when we go through our budgeting process, I think last year we had about 3% inflation. Obviously, everything is different with what's happened in the Strait of Hormuz and the impact on diesel prices and not necessarily specific to us because we're captured a little bit in Mexico where Pemex controls that a little bit, but obviously those prices impact our supplies and that gets passed down the chain. We're seeing a little bit more of that in the second quarter than obviously we saw in the first quarter. How long that continues is that long-term inflation, short-term inflation. I don't think we need to get into that here, but ultimately, it's kind of expected it’s (inaudible 20:48).

Cosmos Chiu:
Okay. As I look at the individual all-in sustaining cost and the one that's much higher than what you had expected is Guanaceví, I think in large part due to a higher cost of purchasing third-party ore. Could you maybe talk about that strategy? How much is that actually adding to your all-in sustaining cost because your all-in sustaining cost is over $50 an ounce and that's almost touching spot.

Dan Dickson:
Yeah, there's two parts to that cost. Ultimately, our all-in sustaining costs at Guanaceví are higher because we're also seeing on a per-ton basis, and I'll come back to the per-ton basis based off it, but our grades have been lower than planned out of Guanaceví. The grades lower than planned mean on a per-ounce basis, the cost goes up on a per-ounce basis, right? We're getting eight ounces instead of 10 ounces out of that ton and that's pretty straightforward.

Ultimately, we're going into lower-grade areas, anywhere in El Curso, back into Porvenir Dos, and then ultimately moving towards Milache where grades will come up. The idea of going after those lower-grade ounces is because we have a two-year mine life right now at Guanaceví and obviously that extends mine life. The idea of the purchased ore in that area, there's a number of different family-run operations in Guanaceví. It's a quilt system. We control a large part of the claims at Guanaceví, but there's a lot of family claims and a couple of small miners and mills in that area as well. Around us is also Frisco, which we obviously have the NSR, that's 16% NSR. With higher prices, we pay higher Royalties. That goes into our all-in sustaining costs. The special mining duty, the profits that we're making at Guanaceví go into our all-in sustaining costs, of course, all that.

It's a little bit of everything at Guanaceví. It's why our all-in sustaining costs are higher than what we guide at lower grades, higher prices that drive profit-sharing purchased ore. The purchased ore in this quarter, I think it was 21%, maybe even a bit higher than that, but it has been increasing to about 11,000 to 12,000 tonnes came through in the quarter. That's just, again, a function of the higher prices mean more family operations can open up areas and they're making more profit and they're delivering more material. That material, when you're buying it at $50, increases. Our cost per ton on an all-in basis, we call it our direct costs, which includes Royalties and purchased ore, is $400, $130 of that $400 is purchased ore. Over 25% of our costs is related to purchased ore. Now, we make about a 30% to 33% margin on that purchased ore. If we buy it for $100, we make $30. It extends our mine life.

One of the things, the Guanaceví plant was originally built by the Mexican government in 1981 or 1982. Under that plant, when it got sold, 10% of that plant needs to be available for family operations to toll their ore. Some of it's in our control, some of it's out of our control, but ultimately us taking more allows us to continue to extend mine life, give Luis and his exploration team time to continue to find resources as we move along. Hopefully, we're at Guanaceví another three, five, 10 years.

Cosmos Chiu:
I wasn't aware of that, or maybe I forgot about that 30% profitability. You're actually making money off of it. It's beyond profitability as well. It sounds like it's part of the agreement that you might have in place in terms of giving access to some of these families.

Dan Dickson:
We have to give access, but it also has to be profitable. There are gating items in that agreement that protect us as well. But ultimately, there’s a number of things, community relations, et cetera, et cetera. There's a lot of qualitative aspects of buying that purchased ore. We do a lot of work around it to make sure those claims are legitimate. It is a profitable segment for us and extends our mine life.

Cosmos Chiu:
That may be one last question, Dan, talking about unexpected cost. I see that your CapEx has increased now from $157 million for the year to $181 million. At Kolpa, it's going to be $18 million additional CapEx. Would you categorize that as unexpected cost, or is there a future benefit to it whereby it might equate to over 2,500 tonnes per day or lower cost later on in terms of per ton? Could you maybe talk about that?

Dan Dickson:
That's very fair. In that $18 million, there's about $5 million of overruns from putting that ball mill in place, recommendations from Peruvian authorities on what we have to increase for power consumption and substations, and then lifts required on the current tailings’ facility. Similarly, we've been running certain days at 2,600 all the way up to 2,800 tonnes per day, but obviously we don't have facility capabilities to continually run that for the next two or three years.

By increasing the power substations, putting in a water treatment plant and our filter systems, we're going from conventional tailings to dry stack tailings. We're trying to push that forward. That $18 million that we've added in is project expenditures we expect to happen this year, but it could end up getting pushed into next year. We don't start that work now. We'll be racing come 2030 to get it all finished so we can continue to fill our tailings dam with ore.

As far as your question of what's expected and what's unexpected, some of it was unexpected. As I say, overruns, which is about five of the 18, and then $13 million us bringing things forward from 2027. Inside that, there's $3 million for accommodations, so new camp. Again, we're losing or having high turnover in Peru because of all the informal miners that have been popping up with high prices. We're building that out sooner than what we'd planned to attract and retain talent. It's something that we didn't take very lightly when we started looking at it, but also, we see a lot of potential through our exploration programs that we've done there. Hey, this is a long-term investment. We're going to be there well past the eight years that we thought we had in our effectively model when we purchased it. We're going to be here 15, 20, 25 years and we're going to make these investments now.

Cosmos Chiu:
Great. Thanks, Dan, for answering all my questions. Very good answers. Thank you.

Dan Dickson:
Thanks for the questions, Cos.

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

Alex Terentiew:
Hey, guys. A lot of good questions asked here already. Maybe just a few follow-ups to dig into some of those. Starting with Kolpa, the additional spending here, this mine, I guess, since you guys bought it, has been performing operationally, I think, pretty well. You got your expansion up and production has been looking pretty good, but I think the offset has been, there's been a bit more spending, at least more than I anticipated. I'm just trying to get a sense of spending this year. How should I think about longer-term spending here? Is this catch-up spending that maybe you didn't anticipate or is sustaining going to be a little bit higher on this project or this mine forward? I'm just trying to get a sense of longer-term expectations here.

Dan Dickson:
Yeah. No, that's a very fair question. I'd say it's more focused on one-time expenditures with regards to expansion going from effectively 2,000 tonnes per day to 2,500 tonnes per day. When our Management team that we inherited came through with the program, there's definitely

things they missed from a conceptual standpoint that when you start peeling back the onion and go, well, hold on, there's not enough capacity from a power standpoint here. Hey, we're going to run out of Taney's Dam in 2029, 2030 if we don't start moving on this.

As we've taken control and now we've been in control for just over a year, there's things that we have recommendations on, things that they ultimately missed. Most of that is actually one-time expenditures for the long-term viability of Kolpa effectively putting the tailing storage filter presses in, going from wet stack to dry stack. That's a one-time thing. New accommodations, one-time items, new power substations, a new water treatment plant to bring their standards up. Some of these things from an acquisition standpoint, we felt like we could live with for a while, but at these prices with these cash flows, it gives us the ability to make that investment now. It's something we don't have to worry about in year three, year four, year five to push that out.

Again, I'd point back to a lot of the work that Luis's team is doing and our Kolpa exploration team and what we're seeing. Our enthusiasm to get these investment projects done points to what we think the resource is ultimately going to be.

Alex Terentiew:
Okay that makes sense. Did you have an estimate on when an updated resource and mine plan would be out for Kolpa?

Dan Dickson:
We expect it to be out by the end of the year.

Alex Terentiew:
End of the year. Okay, good. Going back to Terronera, you talked about higher silver grades coming in the second half of this year. Any higher gold grades coming with those as well?

Dan Dickson:
No, we're staying in Terronera. There are some pockets in Terronera. Even the drill results that we put out had three to four grams in some of that area, but ultimately, gold should hover around two. It's the silver that will pick up.

Alex Terentiew:

Okay. Sticking with this one, you've had some really nice exploration results that you touched on earlier in the call and published a couple of weeks ago. Are you still thinking of putting out a new updated plan here for Terronera? Obviously, the mine plan has changed quite a bit with the silver prices and exploration.

Dan Dickson:

Yeah. No, it's a very fair question. We're not doing a new technical study, and a new mine plan won't be in that. When we come out in 2027, we'll have the guidance for the year with expected tonnes and ultimately grades, but we just put out ounces per expected produced. We'll have a new resource for Terronera coming out at the end of this year. Luis right now has continued to drill Terronera. As I say, we've finished that up. We're going back over to Luis, and he'll bring that rig back to Terronera. It's just a question of when we cut off the Terronera drill results for the year-end resource.

Alex Terentiew:

Okay. Sounds good. Thanks.

Dan Dickson:

Thanks for the questions, Alex.

Operator:

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

Soundarya Iyer:

Thanks, team, for taking my question. Again, most of the questions have been answered, but just one on Kolpa. The throughput was higher quarter over quarter, but I think the grades were slightly lower. Is that a sequencing as you ramp up to that 2,500 tonnes and achieve steady state? How should we think about the grade and unit cost trending from here?

Dan Dickson:

Yeah, Soundarya, the grades actually quarter over quarter are relatively flat. Silver is down just a little bit. I would say that's under 5%, maybe 2% or 3%. Ultimately, our grades going forward for Kolpa are pretty flat. There's times where we have what we call the yen pit. It's an open pit where it allows us to ultimately feed some lower grade material through or if we're short on tonnes. But again, generally, I expect grades to be relatively flat for the next six months.

Soundarya Iyer:
Thank you. That's helpful. One on Pitarrilla spending. Forty-eight million budgeted and I think roughly $5 million spent. What are the key areas that need to be funded from here? Is it like back half catch up or we can roll some of that into 2027 without affecting?

Dan Dickson:
Yeah, some of it's going to roll into 2027. We'd always had a plan of having that feasibility study done in Q3. Internally, that may mean the front end of Q3 and externally, that means the back end of Q3. Because we're not going to have that feasibility study done until the end of Q3, it pushes back some equipment purchase long lead items, deposits that would be required.

Again, the gating item for Pitarrilla isn't necessarily the feasibility study from our standpoint. It's a permitting of the tailing storage facility that we're going through that process. Obviously, Mexico has been very difficult to get things through permitting, but we're seeing that kind of unlock over the last six, seven months. We hope that we can get the permitting of that TSF. Again, we already have EMEA that's in place, and we have our underground permitted plants permitted. It's just our tailing storage facility, which is a dry stack, which is easier to ultimately get approved. It's a timing on all that, and we're definitely behind on what we expect to spend at this point in time.

Soundarya Iyer:
Got it. That's helpful colour. Thank you. I'll turn it back.

Dan Dickson:
Thanks for the question.

Operator:
Once again, if you have a question, please press star, then one. The next question comes from John Tumazos with John Tumazos Independent Research. Please go ahead.

John Tumazos:
Congratulations on all the progress. Should we think of the $70 million of value-added tax refund like $70 million more cash as though your cash balances are $300 million?

Dan Dickson:
Yeah, it's a very fair way to think about that. We expect to collect that in Q3, and it's on track. We've had a very good track record historically in Mexico in collecting our value-added tax back. We really haven't had any issues since 2010 or 2011 when we had to go through courts to receive it, but it's been a pretty normal course over the last couple of years. There was a big build-up of value-added tax through the build of Terronera, but again, we expect to collect that in Q3.

John Tumazos:
How much of the cash balances are designated to finish Kolpa and finish Terronera? To one significant digit, how much do you think Pitarrilla is going to take?

Dan Dickson:
Ultimately, the cash balance on our balance sheet is not needed for the capital sustaining capital program at Terronera or the expansion work at Kolpa. Kolpa is generating cash flow that covers off our capital expenditures. Similarly, at Terronera, we're generating cash flow that covers off some of these commission items with LNG or waste development too, and little jobs that need to get done. Effectively, our warehouse is going to get completed here in the second half. The cash balance should be growing, especially from this point forward, and not earmarked for any of that. What it's ultimately earmarked for in the cash flow that we're going to generate this year, next year, and hopefully into next year is earmarked for the construction of Pitarrilla.

John Tumazos:
Do you know the rough magnitude of the capital Pitarrilla requires?

Dan Dickson:
We don't have that yet internally from our external advisors who are putting together the feasibility study on Pitarrilla. We've always said publicly that we expect it to be somewhere between 500 or 600, but that's just a Management estimate at this point.

John Tumazos:

How many tonnes per day is the mine and mill?

Dan Dickson:

We expect the mill to be somewhere between 3,500 and 4,000 tonnes, but again, that will come out of our feasibility study.

John Tumazos:

Is it practical for me to root for you to buy in some stock at $7.5 to hold toward the conversion at $12.45, or to buy some of those bonds now when they might be depressed because your stock is depressed?

Dan Dickson:

That's for you to determine. Ultimately, I can just talk to you about our business. People's investment philosophies are different amongst everybody, and they have different wants and needs and criteria. We'll let you make that assessment, John, as opposed to us giving you advice.

John Tumazos:

I'm not asking you for investment advice. Do you want to buy in some of those bonds when your stock is down?

Dan Dickson:

I believe in our Company wholeheartedly. Yes, I would always want to buy into our stock, especially with our price compared to our net asset value right now. There are a lot of things that factor into that. Mostly for me, it's my wife and how much she spends, but what I want to do is always different based on what's happening in my life.

John Tumazos:

Thanks, and congratulations on your progress.

Dan Dickson:

Thanks for the questions, John. I hope I dodged that last one well.

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:

Thanks, Operator, and thanks to our Shareholders for listening in today. I think we have a lot to deliver in the second half of the year. We're well-positioned to do that, and I look forward to the further growth that we have in Endeavor Silver for this year and next year. Have a good day.

Operator:

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