UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 40-F

[ ] **REGISTRATION STATEMENT PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

[x] **ANNUAL REPORT PURSUANT TO SECTION 13(a) OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2009

Commission file number: 001-33153



ENDEAVOUR SILVER CORP.

(Exact Name of Registrant as Specified in its Charter)

British Columbia	**1040**	**N/A**
(Province or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code)	(I.R.S. Employer Identification No.)

#301-700 West Pender Street
Vancouver, British Columbia, Canada V6C 1G8
(604) 685-9775
(Address and Telephone Number of Registrant's Principal Executive Offices)

Dorsey & Whitney LLP **Republic Plaza Building, Suite 4700** **370 Seventeenth Street** **Denver, Colorado 80202** **(303) 629-3400** (Name, address (including zip code) and telephone number (including area code) of agent for service in the United States)	Copies to: **Kenneth G. Sam** **Dorsey & Whitney LLP** **Republic Plaza Building, Suite 4700** **370 Seventeenth Street** **Denver, Colorado 80202** **(303) 629-3445**

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of Each Class:	Name of Each Exchange On Which Registered:
Common Shares, no par value	**NYSE Amex**

Securities registered or to be registered pursuant to Section 12(g) of the Act: **N/A**
Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: **N/A**

For annual reports, indicate by check mark the information filed with this form:
[x] Annual Information Form [ ] Audited Annual Financial Statements

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report: As at December 31, 2009, **60,626,203** common shares of the Registrant were issued and outstanding.

Indicate by check mark whether the Registrant by filing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934 (the "Exchange Act"). If "Yes" is marked, indicate the filing number assigned to the Registrant in connection with such Rule. Yes [ ] No [x]

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes [x] No [ ]

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes [ ] No [ ]

EXPLANATORY NOTE

Endeavour Silver Corp. (the “Company” or the “Registrant”) is a Canadian issuer eligible to file its annual report pursuant to Section 13 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), on Form 40-F pursuant to the multi-jurisdictional disclosure system of the Exchange Act. The Company is a “foreign private issuer” as defined in Rule 3b-4 under the Exchange Act. Equity securities of the Company are accordingly exempt from Sections 14(a), 14(b), 14(c), 14(f) and 16 of the Exchange Act pursuant to Rule 3a12-3.

FORWARD-LOOKING STATEMENTS

This annual report on Form 40-F and the exhibits attached hereto contain “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements concern the Company’s anticipated results and developments in the Company’s operations in future periods, planned exploration and development of its properties, plans related to its business and other matters that may occur in the future. These statements relate to analyses and other information that are based on forecasts of future results, estimates of amounts not yet determinable and assumptions of management.

Statements concerning reserves and mineral resource estimates may also be deemed to constitute forward-looking statements to the extent that they involve estimates of the mineralization that will be encountered if the property is developed, and in the case of mineral reserves, such statements reflect the conclusion based on certain assumptions that the mineral deposit can be economically exploited. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, using words or phrases such as “expects” or “does not expect”, “is expected”, “anticipates” or “does not anticipate”, “plans”, “estimates” or “intends”, or stating that certain actions, events or results “may”, “could”, “would”, “might” or “will” (or the negative and grammatical variations of any of these terms and similar expressions) be taken, occur or be achieved,) are not statements of historical fact and may be forward-looking statements. Forward-looking statements are subject to a variety of known and unknown risks, uncertainties and other factors which could cause actual events or results to differ from those expressed or implied by the forward-looking statements, including, without limitation:

- risks related to precious and base metal price fluctuations;
- risks related to fluctuations in the currency markets (particularly the Mexican peso, Canadian dollar and United States dollar);
- risks related to the inherently dangerous activity of mining, including conditions or events beyond our control; and operating or technical difficulties in mineral exploration, development and mining activities
- uncertainty in our ability to fund the development of our mineral properties or the completion of further exploration programs;
- uncertainty as to actual capital costs, operating costs, production and economic returns, and uncertainty that our development activities will result in profitable mining operations;
- risks related to our reserves and mineral resource figures being estimates based on interpretations and assumptions which may result in less mineral production under actual conditions than is currently estimated; and to diminishing quantities or grades of mineral reserves as properties are mined;
- risks related to governmental regulations and obtaining necessary licenses and permits;

- risks related to our business being subject to environmental laws and regulations which may increase our costs of doing business and restrict our operations;
- risks related to our mineral properties being subject to prior unregistered agreements, transfers, or claims and other defects in title;
- risks related to inadequate insurance or inability to obtain insurance;
- risks related to our ability to successfully integrate acquisitions;
- uncertainty in our ability to obtain necessary financing;
- risks related to increased competition that could adversely affect our ability to attract necessary capital funding or acquire suitable producing properties for mineral exploration in the future;
- risks related to differences between U.S. and Canadian practices for reporting resources and reserves;
- risks related to many of our primary properties being located in Mexico, including political, economic, and regulatory instability; and
- risks related to our officers and directors becoming associated with other natural resource companies which may give rise to conflicts of interests.

This list is not exhaustive of the factors that may affect our forward-looking statements. Some of the important risks and uncertainties that could affect forward-looking statements are described further in the exhibits attached to this annual report. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in the forward-looking statements. The Company's forward-looking statements are based on beliefs, expectations and opinions of management on the date the statements are made and the Company does not assume any obligation to update forward-looking statements if circumstances or management's beliefs, expectations or opinions change, except as required by law. For the reasons set forth above, investors should not place undue reliance on forward-looking statements.

NOTE TO UNITED STATES READERS-
DIFFERENCES IN UNITED STATES AND CANADIAN REPORTING PRACTICES

The Company is permitted, under the multi-jurisdictional disclosure system adopted by the United States Securities and Exchange Commission (the "SEC"), to prepare this annual report in accordance with Canadian disclosure requirements, which differ from those of the United States. The Company prepares its financial statements, which are filed as Exhibit 2 to this annual report on Form 40-F, in accordance with Canadian generally accepted accounting practices ("GAAP"), and they are subject to Canadian auditing and auditor independence standards. They are not comparable to financial statements of United States companies. Significant measurement differences between Canadian GAAP and United States GAAP are described in Note 20 of the audited consolidated financial statements of the Company.

RESOURCE AND RESERVE ESTIMATES

The Company's Annual Information Form ("AIF") filed as Exhibit 1 to this annual report on Form 40-F has been prepared in accordance with the requirements of the securities laws in effect in Canada, which differ from the requirements of United States securities laws. The terms "mineral reserve", "proven mineral reserve" and "probable mineral reserve" are Canadian mining terms as defined in accordance with Canadian National Instrument 43-101 – Standards of Disclosure for Mineral Projects ("NI 43-101") and the Canadian Institute of Mining, Metallurgy and Petroleum (the "CIM") - *CIM Definition Standards on Mineral Resources and Mineral Reserves* , adopted by the CIM Council, as amended. These definitions differ from the definitions in SEC Industry Guide 7 under the United States Securities Act of 1993, as amended (the "Securities Act").

Under SEC Industry Guide 7 standards, a “final” or “bankable” feasibility study is required to report reserves, the three-year historical average price is used in any reserve or cash flow analysis to designate reserves and the primary environmental analysis or report must be filed with the appropriate governmental authority.

In addition, the terms “mineral resource”, “measured mineral resource”, “indicated mineral resource” and “inferred mineral resource” are defined in and required to be disclosed by NI 43-101; however, these terms are not defined terms under SEC Industry Guide 7 and are normally not permitted to be used in reports and registration statements filed with the SEC. Investors are cautioned not to assume that any part or all of mineral deposits in these categories will ever be converted into reserves. “Inferred mineral resources” have a great amount of uncertainty as to their existence, and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of an inferred mineral resource will ever be upgraded to a higher category. Under Canadian rules, estimates of inferred mineral resources may not form the basis of feasibility or pre-feasibility studies, except in rare cases. Investors are cautioned not to assume that all or any part of an inferred mineral resource exists or is economically or legally mineable. Disclosure of “contained ounces” in a resource is permitted disclosure under Canadian regulations; however, the SEC normally only permits issuers to report mineralization that does not constitute “reserves” by SEC Industry Guide 7 standards as in place tonnage and grade without reference to unit measures.

Accordingly, information contained in this annual report and the documents incorporated by reference herein contain descriptions of our mineral deposits that may not be comparable to similar information made public by U.S. companies subject to the reporting and disclosure requirements under the United States federal securities laws and the rules and regulations thereunder.

CURRENCY

Unless otherwise indicated, all dollar amounts in this annual report on Form 40-F are in United States dollars. The exchange rate of Canadian dollars into United States dollars, on December 31, 2009, based upon the noon buying rate in New York City for cable transfers payable in Canadian dollars as certified for customs purposes by the Federal Reserve Bank of New York, was U.S.$1.00 = Cdn.$1.0461.

ANNUAL INFORMATION FORM

The Company’s AIF for the fiscal year ended December 31, 2009 is filed as Exhibit 1 and incorporated by reference in this annual report on Form 40-F.

AUDITED ANNUAL FINANCIAL STATEMENTS

The audited consolidated financial statements of the Company for the years ended December 31, 2009, 2008 and 2007, including the report of the independent auditor with respect thereto, are filed as Exhibit 2 and incorporated by reference in this annual report on Form 40-F. For a reconciliation of material measurement differences between Canadian and United States GAAP, see Note 20 to the Company’s audited consolidated financial statements.

MANAGEMENT’S DISCUSSION AND ANALYSIS

The Company’s management’s discussion and analysis (“MD&A”) is filed as Exhibit 3 and incorporated by reference in this annual report on Form 40-F.

TAX MATTERS

Purchasing, holding, or disposing of securities of the Registrant may have tax consequences under the laws of the United States and Canada that are not described in this annual report on Form 40-F.

CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

At the end of the period covered by this annual report for the fiscal year ended December 31, 2009, an evaluation was carried out under the supervision of, and the with the participation of, the Company's management, including its Chief Executive Officer (CEO) and Chief Financial Officer (CFO), of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) of the Exchange Act). Based upon that evaluation, the Company's CEO and CFO have concluded that the disclosure controls and procedures were effective to give reasonable assurance that the information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is (i) recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms, and (ii) accumulated and communicated to management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Management's Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rules 13a-15(f) under the Exchange Act. A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles

A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements. It should be noted that a control system, no matter how well conceived or operated, can only provide reasonable assurance, not absolute assurance, that the objectives of the control system are met. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies and procedures may deteriorate.

Management, including the CEO and CFO, assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2009. In making this assessment, management used the criteria set forth in the Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on its assessment, management has concluded that, as of December 31, 2009, the Company's internal control over financial reporting was effective and no material weaknesses in the Company's internal control over financial reporting were discovered.

The Company is required to provide an auditor's attestation report on its internal control over financial reporting for the fiscal year ended December 31, 2009. In this annual report, the Company's independent registered public accounting firm, KPMG LLP ("KPMG"), has provided its opinion as to the effectiveness of the Company's internal control over financial reporting as of December 31, 2009. KPMG has also audited the Company's financial statements included in this annual report on Form 40-F and issued a report thereon.

Auditor's Attestation Report

KPMG's attestation report on the Company's internal control over financial reporting is included in the audit report filed in Exhibit 2 and is incorporated by reference in this annual report on Form 40-F.

Changes in Internal Control over Financial Reporting

Management, including the CEO and CFO, has evaluated the Company's internal control over financial reporting to determine whether any changes occurred during the period covered by this annual report that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. There have been no changes that occurred during the Company's fiscal year ended December 31, 2009 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

CORPORATE GOVERNANCE

The Company's Board of Directors (the "Board of Directors") is responsible for the Company's Corporate Governance policies and has separately designated standing Compensation, Corporate Governance and Nominating and Audit Committees. The Board of Directors has determined that all the members of the Compensation, Corporate Governance and Nominating, and Audit Committees are independent, based on the criteria for independence and unrelatedness set forth in section 803 of the NYSE Amex Company Guide.

Compensation Committee

Compensation of the Company's CEO and all other officers is recommended to the Board of Directors for determination by the Compensation Committee. The Compensation Committee develops, reviews and monitors director and executive compensation and policies. The Compensation Committee is also responsible for annually reviewing the adequacy of compensation for directors and others and the composition of compensation packages. The Company's CEO cannot be present during the Committee's deliberations or vote. The Compensation Committee is composed of three independent directors: Geoffrey Handley, Leonard Harris and Mario Szotlender. The Company's Compensation Committee Charter is available on the Company's website at www.edrsilver.com.

Corporate Governance and Nominating Committee

The Company's Corporate Governance and Nominating Committee is tasked with (a) developing and recommending to the Board of Directors corporate governance principles applicable to the Company; (b) identifying and recommending qualified individuals for nomination to the Board of Directors; and (c) providing such assistance as the Chair of the Board of Directors, if independent, or alternatively the lead director of the Board of Directors, may require. The Corporate Governance and Nominating Committee is composed of three independent directors: Geoffrey Handley (Chair), Leonard Harris, and Mario Szotlender. The Corporate Governance and Nominating Committee Charter is available on the Company's website at www.edrsilver.com.

The principal corporate governance responsibilities of the Corporate Governance and Nominating Committee include the following:

a) reviewing and reassessing at least annually the adequacy of the Company's corporate governance procedures and recommending any proposed changes to the Board of Directors for approval;

b) reviewing and recommending changes to the Board of Directors of the Company's Code of Conduct and considering any requests for waivers from the Company's Code of Conduct;

c) receiving comments from all directors and reporting annually to the Board of Directors with an assessment of the Board of Director's performance to be discussed with the full Board of Directors following the end of each fiscal year.

The principal responsibilities of the Corporate Governance and Nominating Committee for selection and nomination of director nominees include the following:

a) in making recommendations to the Board of Directors regarding director nominees, the Corporate Governance and Nominating Committee shall consider the appropriate size of the Board of Directors; the competencies and skills that the Board of Directors considers to be necessary for the Board of Directors, as a whole, to possess; the competencies and skills that the Board of Directors considers each existing director to possess; the competencies and skills each new nominee will bring to the Board of Directors; and whether or not each new nominee can devote sufficient time and resources to the nominee's duties as a director of the Company;

b) developing qualification criteria for directors for recommendation to the Board of Directors and, in conjunction with the Chair of the Board of Directors (or, if the Chair is not an independent director, any lead director of the Board of Directors), the Corporate Governance and Nominating Committee shall appoint directors to the various committees of the Board of Directors;

c) having the sole authority to retain and terminate any search firm to be used to identify director candidates or any other outside advisors considered necessary to carry out its duties and to determine the terms of such retainer;

d) in conjunction with the Chair of the Board of Directors (or, if the Chair of the Board of Directors is not an independent director, any lead director of the Board of Directors), overseeing the evaluation of the Board of Directors and of the Company and making recommendations to the Board of Directors as appropriate.

AUDIT COMMITTEE

The Company's Board of Directors has a separately designated standing Audit Committee established in accordance with section 3(a)(58)(A) of the Exchange Act. The Company's Audit Committee is comprised of:

- Geoffrey Handley
- Rex McLennan
- Mario Szotlender

In the opinion of the Company's Board of Directors, all members of the Audit Committee are independent (as determined under Rule 10A-3 of the Exchange Act and section 803 of the NYSE Amex Company Guide) and are financially literate. The Audit Committee meets the composition requirements set forth by section 803 of NYSE Amex Company Guide.

The members of the Audit Committee do not have fixed terms and are appointed and replaced from time to time by resolution of the Board of Directors.

The Audit Committee meets with the President, the CEO, the CFO and the Company's independent auditors to review and inquire into matters affecting financial reporting, the system of internal accounting and financial controls, as well as audit procedures and audit plans. The Audit Committee also recommends to the Board of Directors which independent registered public auditing firm should be appointed by the Company. In addition, the Audit Committee reviews and recommends to the Board of Directors for approval the annual financial statements, the MD&A, and undertakes other activities required by exchanges on which the Company's securities are listed and by regulatory authorities to which the Company is held responsible. The Company's Audit Committee Charter is available on the Company's website at www.edrsilver.com.

Audit Committee Financial Expert

The Company's Board of Directors has determined that Rex McLennan qualifies as a financial expert (as defined in Item 407 of Regulation S-K under the Exchange Act) and is independent (as determined under Exchange Act Rule 10A-3 and section 803 of the NYSE Amex Company Guide).

PRINCIPAL ACCOUNTING FEES AND SERVICES – INDEPENDENT AUDITORS

The following table shows the aggregate fees billed to the Company by KPMG LLP and its affiliates, Chartered Accountants, the Company's independent registered public auditing firm, in each of the last two years.

	2009	2008
Assurance Fees (1)	$422,650	$440,150
Tax Fees (2)	$0	$30,448
All other fees (3)	$72,000	$0
Total*	$430,150	$470,598

* All amounts are expressed in Canadian dollars

(1) The aggregate fees billed in each of the last two fiscal years for assurance and related services by the Company's external auditor that are reasonably related to the performance of the audit or review of the Company's financial statements.
(2) The aggregate fees billed in each of the last two fiscal years for professional services rendered by the company's external auditor for tax compliance and tax advice.
(3) The aggregate fees billed in each of the last two fiscal years for products and services provided by the Company's external auditor, other than the services reported under clauses 1and 2 above.

PRE-APPROVAL OF AUDIT AND NON-AUDIT SERVICES PROVIDED BY INDEPENDENT AUDITORS

The Audit Committee pre-approves all audit services to be provided to the Company by its independent auditors. Non-audit services that are prohibited to be provided to the Company by its independent auditors may not be pre-approved. In addition, prior to the granting of any pre-approval, the Audit Committee must be satisfied that the performance of the services in question will not compromise the independence of the independent auditors. All non-audit services performed by the Company's auditor for the fiscal year ended December 31, 2009 were pre-approved by the Audit Committee of the Company. No non-audit services were approved pursuant to the *de minimis* exemption to the pre-approval requirement.

OFF-BALANCE SHEET TRANSACTIONS

The Company does not have any off-balance sheet financing arrangements or relationships with unconsolidated special purpose entities.

CODE OF ETHICS

The Company has adopted a Code of Business Conduct and Ethics (the "Code") that applies to all the Company's directors, executive officers and employees, which is available on the Company's website at www.edrsilver.com.

During the fiscal year ended December 31, 2009, the Company did not substantively amend, waive or implicitly waive any provision of the Code with respect to any of the directors, executive officers or employees subject to it.

CONTRACTUAL OBLIGATIONS

The following table lists as of December 31, 2009 information with respect to the Company's known contractual obligations.

Payments due by period (in thousands of dollars)

Contractual Obligations	Total	Less than 1 year	1 – 3 years	3 – 5 years	More than 5 years
Operating Lease	$ 506	$ 253	$ 253	-	-
Promissory Note	$ 539	$ 231	$ 308	-	-
Other Long-Term Liabilities	$ 1,740	-	-	$ 618	$ 1,122
Total	$ 2,785	$ 484	$ 561	$ 618	$ 1,122

The $1.7 million of other long-term liabilities is the discounted cost estimate to settle the Company's reclamation costs of the Guanacevi mine and Guanajuato mine in Mexico. These costs include land rehabilitation, decommissioning of buildings and mine facilities, on-going care and maintenance and other costs.

NOTICES PURSUANT TO REGULATION BTR

There were no notices required by Rule 104 of Regulation BTR that the Registrant sent during the year ended December 31, 2009 concerning any equity security subject to a blackout period under Rule 101 of Regulation BTR.

NYSE AMEX CORPORATE GOVERNANCE

The Company's common shares are listed on the NYSE Amex. Section 110 of the NYSE Amex Company Guide permits the NYSE Amex to consider the laws, customs and practices of foreign issuers in relaxing certain NYSE Amex listing criteria, and to grant exemptions from NYSE Amex listing criteria based on these considerations. A company seeking relief under these provisions is required to provide written certification from independent local counsel that the non-complying practice is not prohibited by home country law.

A description of the significant ways in which the Company's governance practices differ from those followed by domestic companies pursuant to NYSE Amex standards is as follows:

Shareholder Meeting Quorum Requirement: The NYSE Amex minimum quorum requirement for a shareholder meeting is one-third of the outstanding shares of common stock. In addition, a company listed on the NYSE Amex is required to state its quorum requirement in its bylaws. The Company's quorum requirement is set forth in its Memorandum and Articles. A quorum for a meeting of members of the Company is two persons who are, or who represent by proxy, shareholders who, in the aggregate, hold at least 5% of the shares entitled to be voted at the meeting.

Proxy Delivery Requirement: The NYSE Amex requires the solicitation of proxies and delivery of proxy statements for all shareholder meetings, and requires that these proxies shall be solicited pursuant to a proxy statement that conforms to SEC proxy rules. The Company is a "foreign private issuer" as defined in Rule 3b-4 under the Exchange Act, and the equity securities of the Company are accordingly exempt from the proxy rules set forth in Sections 14(a), 14(b), 14(c) and 14(f) of the Exchange Act. The Company solicits proxies in accordance with applicable rules and regulations in Canada.

Shareholder Approval Requirement: The Company will follow Toronto Stock Exchange rules for shareholder approval of new issuances of its common shares. Following Toronto Stock Exchange rules, shareholder approval is required for certain issuances of shares that: (i) materially affect control of the Company; or (ii) provide consideration to insiders in aggregate of 10% or greater of the market capitalization of the listed issuer and have not been negotiated at arm's length. Shareholder approval is also required, pursuant to Toronto Stock Exchange rules, in the case of private placements: (x) for an aggregate number of listed securities issuable greater than 25% of the number of securities of the listed issuer which are outstanding, on a non-diluted basis, prior to the date of closing of the transaction if the price per security is less than the market price; or (y) that during any six month period are to insiders for listed securities or options, rights or other entitlements to listed securities greater than 10% of the number of securities of the listed issuer which are outstanding, on a non-diluted basis, prior to the date of the closing of the first private placement to an insider during the six month period.

The foregoing are consistent with the laws, customs and practices in Canada.

In addition, the Company may from time-to-time seek relief from NYSE Amex corporate governance requirements on specific transactions under Section 110 of the NYSE Amex Company Guide by providing written certification from independent local counsel that the non-complying practice is not prohibited by our home country law, in which case, the Company shall make the disclosure of such transactions available on its website at www.edrsilver.com (information contained on the Company's website is not part of this annual report) and/or in its annual report distributed to shareholders in the United States.

During the fiscal year ended December 31, 2009, the Company obtained an exemption, pursuant to Section 110 of the NYSE Amex Company Guide, from the NYSE Amex shareholder approval requirements in connection with a private placement of units of the Company in October 2009.

In accordance with Section 110 of the NYSE Amex Company, an explanation of the differences between the NYSE Amex shareholder approval requirements and the Canadian requirements applicable to the Company in connection with the private placement of units of the Company in October 2009 is as follows:

> *Shareholder Approval of Certain Transactions*: The NYSE Amex Company Guide provides that shareholder approval is required for the participation of certain directors and senior officers (ie. insiders) in a private placement pursuant to which units will be issued at a price less than the market value because such issuance of units to insiders is considered an equity compensation arrangement. However, pursuant to the rules of the TSX, such insider participation in the Company's private placement did not require shareholder approval as none of the insiders acquired in any private placements during the past six months securities of the Company which exceeded 10% of the outstanding common shares of the Company. In addition, the insider participation in the private placement was also exempt from the minority shareholder approval requirements of Multilateral Instrument 61-101. As shareholder approval was not required in Canada, the Company was granted an exemption from the requirements of the NYSE Amex Company Guide pursuant to Section 110 thereof.

UNDERTAKING

The Company undertakes to make available, in person or by telephone, representatives to respond to inquiries made by the Commission staff, and to furnish promptly, when requested to do so by the Commission staff, information relating to: the securities registered pursuant to Form 40-F; the securities in relation to which the obligation to file an annual report on Form 40-F arises; or transactions in said securities.

CONSENT TO SERVICE OF PROCESS

The Company filed an Appointment of Agent for Service of Process and Undertaking on Form F-X with the SEC on November 14, 2006, with respect to the class of securities in relation to which the obligation to file this annual report on Form 40-F arises.

EXHIBIT INDEX

The following exhibits have been filed as part of this annual report:

Exhibit	Description
Annual Information	
1.	Annual Information Form of the Company for the year ended December 31, 2009
2.	The following audited consolidated financial statements of the Company, are exhibits to and form a part of this annual report:
	Independent Registered Public Accounting Firm's Report on Consolidated Financial Statements and Attestation on Internal Control Over Financial Reporting
	Consolidated Balance Sheets as of December 31, 2009 and 2008

	Consolidated Statement of Operations and Comprehensive Income for the year ended December 31, 2009, year ended December 31, 2008 and year ended December 31, 2007
	Consolidated Statement of Shareholders' Equity and Deficit for the year ended December 31, 2009, the year ended December 31, 2008 and the year ended December 31, 2007
	Consolidated Statements of Cash Flow for the year ended December 31, 2009, the year ended December 31, 2008 and the year ended December 31, 2007
	Notes to Consolidated Financial Statements (which includes a reconciliation with United States GAAP as Note 20)
3.	Management's Discussion and Analysis
Certifications	
4.	Certificate of Chief Executive Officer Pursuant to Rule 13a-14(a) of the Exchange Act
5.	Certificate of Chief Financial Officer Pursuant to Rule 13a-14(a) of the Exchange Act
6.	Certificate of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
7.	Certificate of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
Consents	
8.	Consents of William J. Lewis, B.Sc., P.Geo. of Micon International Ltd ("Micon")
9.	Consents of Robert J. Leader, P.Eng of Micon
10.	Consent of Dibya Kanti Mukhopadhyay, MAusIMM of Micon
11.	Consents of Charley Z. Murahwi, M.Sc., P.Geo, MAusIMM of Micon
12.	Consent of Ing. Alan J. San Martin, MAusIMM of Micon
13.	Consent of Thomas C. Stubens, M.A.Sc., P.Eng. of Micon
14.	Consent of KPMG LLP

SIGNATURES

Pursuant to the requirements of the Exchange Act, the Registrant certifies that it meets all of the requirements for filing on Form 40-F and has duly caused this annual report to be signed on its behalf by the undersigned, thereto duly authorized.

ENDEAVOUR SILVER CORP.

By: /s/ Bradford Cooke
Name: Bradford Cooke
Title: Chairman and Chief Executive Officer

Date: March 23, 2010

ANNUAL INFORMATION FORM

("AIF")

of

ENDEAVOUR SILVER CORP.

(the "Company" or "Endeavour")

Suite #301 - 700 West Pender Street
Vancouver, British Columbia, Canada, V6C 1G8
Phone: (604) 685-9775
Fax: (604) 685-9744

Dated: March 19, 2010

TABLE OF CONTENTS

ITEM 1:	**PRELIMINARY NOTES**	**1**
1.1	Incorporation of Financial Statements, Information Circular and Other Documents	1
1.2	Date of Information	1
1.3	Forward-Looking Statements	1
1.4	Currency and Exchange Rates	2
1.5	Classification of Mineral Reserves and Resources	3
1.6	Cautionary Note to US Investors Measured, Indicated and Inferred Resources	3
ITEM 2:	**CORPORATE STRUCTURE**	**3**
2.1	Name, Address and Incorporation	3
2.2	Subsidiaries	4
ITEM 3:	**GENERAL DEVELOPMENT OF THE BUSINESS**	**4**
3.1	Three Year History	4
3.2	Significant Acquisitions	8
ITEM 4:	**DESCRIPTION OF THE BUSINESS**	**9**
4.1	General Description	9
4.2	Risk Factors	9
4.3	Asset-Backed Securities Outstanding	17
4.4	Mineral Projects	17
ITEM 5:	**DIVIDENDS**	**35**
5.1	Dividends	35
ITEM 6:	**DESCRIPTION OF CAPITAL STRUCTURE**	**35**
6.1	General Description of Capital Structure	35
6.2	Constraints	36
6.3	Ratings	36
ITEM 7:	**MARKET FOR SECURITIES**	**36**
7.1	Trading Price and Volume	36
ITEM 8:	**ESCROWED SECURITIES**	**38**
8.1	Escrowed Securities	38
ITEM 9:	**DIRECTORS AND OFFICERS**	**38**
9.1	Name, Occupation and Security Holding	38
9.2	Cease Trade Orders, Bankruptcies, Penalties or Sanctions	41
9.3	Conflicts of Interest	42
ITEM 10:	**PROMOTERS**	**42**
ITEM 11:	**LEGAL PROCEEDINGS**	**43**
11.1	Legal Proceedings	43
11.2	Regulatory Actions	43

ITEM 12:	**INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**	**43**
12.1	Interest of Management and Others in Material Transactions	43
ITEM 13:	**TRANSFER AGENT AND REGISTRAR**	**43**
13.1	Transfer Agent and Registrar	43
ITEM 14:	**MATERIAL CONTRACTS**	**44**
14.1	Material Contracts	44
ITEM 15:	**INTERESTS OF EXPERTS**	**45**
15.1	Names of Experts	45
15.2	Interests of Experts	45
ITEM 16:	**ADDITIONAL INFORMATION**	**45**
16.1	Additional Information	45
16.2	Audit Committee	46

ITEM 1: PRELIMINARY NOTES

1.1 Incorporation of Financial Statements, Information Circular and Other Documents

Specifically incorporated by reference and forming part of this Annual Information Form ("AIF") are the Consolidated Financial Statements for Endeavour Silver Corp. (the "Company" or "Endeavour" which includes its subsidiaries) for the year ended December 31, 2009, for the year ended December 31, 2008 and for the year ended December 31, 2007, together with the Management Discussion and Analysis accompanying such financial statements.

All financial information in this AIF is prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). All amounts are stated in US dollars unless otherwise indicated.

The information provided in the AIF is supplemented by disclosure contained in the documents listed below which are incorporated by reference into this AIF. These documents must be read together with the AIF in order to provide full, true and plain disclosure of all material facts relating to Endeavour. The documents listed below are not contained within, nor attached to this document. The documents may be accessed by the reader at the following locations:

Type of Document	Effective Date / Period Ended	Date Filed / Posted	Document name which may be viewed at the SEDAR website at **www.sedar.com** (or alternative location for non-SEDAR documents)
NI 43-101 Technical Report Audit of the Resource and Reserve Estimates for the Guanacevi Project, Durango State, Mexico	March 15, 2010	March 23, 2010	Technical Report (43-101) – English Qualification Certificate(s) and Consent(s)
NI 43-101 Technical Report Audit of the Resource and Reserve Estimates for the Guanajuato Mines Project, Durango State, Mexico	March 15, 2010	March 23, 2010	Technical Report (43-101) – English Qualification Certificate(s) and Consent(s)
NI 43-101 Technical Report Audit of the Mineral Resource for the Parral Project (El Cometa Property), Chihuahua State, Mexico	March 15, 2010	March 23, 2010	Technical Report (43-101) – English Qualification Certificate(s) and Consent(s)

1.2 Date of Information

All information in this AIF is as of December 31, 2009 unless otherwise indicated.

1.3 Forward-Looking Statements

This Annual Information Form contains "forward-looking statements" within the meaning of application Canadian securities legislation. Such forward-looking statements concern the Company's anticipated results and developments in the Company's operations in future periods, planned exploration and development of its properties, plans related to its business and other matters that may occur in the future.

These statements relate to analyses and other information that are based on expectations of future performance, including silver and gold production and planned work programs.

Statements concerning reserves and mineral resource estimates may also be deemed to constitute forward-looking statements to the extent that they involve estimates of the mineralization that will be encountered if the property is developed and, in the case of mineral reserves, such statements reflect the conclusion based on certain assumptions that the mineral deposit can be economically exploited.

Forward-looking statements are subject to a variety of known and unknown risks, uncertainties and other factors which could cause actual events or results to differ from those expressed or implied by the forward-looking statements, including, without limitation:

- risks related to precious and base metal price fluctuations;
- risks related to fluctuations in the currency markets (particularly the Mexican peso, Canadian dollar and United States dollar);
- risks related to the inherently dangerous activity of mining, including conditions or events beyond our control, and operating or technical difficulties in mineral exploration, development and mining activities;
- uncertainty in our ability to fund the development of our mineral properties or the completion of further exploration programs;
- uncertainty as to actual capital costs, operating costs, production and economic returns, and uncertainty that our development activities will result in profitable mining operations;
- risks related to our reserves and mineral resource figures being estimates based on interpretations and assumptions which may result in less mineral production under actual conditions than is currently estimated and to diminishing quantities or grades of mineral reserves as properties are mined;
- risks related to governmental regulations and obtaining necessary licenses and permits;
- risks related to our business being subject to environmental laws and regulations which may increase our costs of doing business and restrict our operations;
- risks related to our mineral properties being subject to prior unregistered agreements, transfers, or claims and other defects in title;
- risks relating to inadequate insurance or inability to obtain insurance;
- risks related to our ability to successfully integrate acquisitions;
- uncertainty in our ability to obtain necessary financing;
- risks related to increased competition that could adversely affect our ability to attract necessary capital funding or acquire suitable producing properties for mineral exploration in the future;
- risks related to many of our primary properties being located in Mexico, including political, economic, and regulatory instability; and
- risks related to our officers and directors becoming associated with other natural resource companies which may give rise to conflicts of interests.

This list is not exhaustive of the factors that may affect our forward-looking statements. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in the forward-looking statements. The Company's forward-looking statements are based on beliefs, expectations and opinions of management on the date the statements are made and the Company does not assume any obligation to update forward-looking statements if circumstances or management's beliefs, expectations or opinions change, except as required by law. For the reasons set forth above, investors should not place undue reliance on forward-looking statements

1.4 Currency and Exchange Rates

All dollar amounts in this AIF are expressed in U.S. dollars unless otherwise indicated. References to "CDN$" are to Canadian dollars.

1.5 Classification of Mineral Reserves and Resources

In this AIF, the definitions of proven and probable mineral reserves, and measured, indicated and inferred resources are those used by the Canadian provincial securities regulatory authorities and conform to the definitions utilized by the Canadian Institute of Mining, Metallurgy and Petroleum ("CIM") in the "CIM Standards on Mineral Resources and Reserves – Definitions and Guidelines" adopted on August 20, 2000 and amended December 11, 2005.

1.6 Cautionary Note to U.S. Investors concerning Estimates of Measured, Indicated and Inferred Resources

This AIF has been prepared in accordance with the requirements of the securities laws in effect in Canada, which differ from the requirements of United States securities laws. The terms "mineral reserve", "proven mineral reserve" and "probable mineral reserve" are Canadian mining terms as defined in accordance with Canadian National Instrument 43-101 – Standards of Disclosure for Mineral Projects ("NI 43-101") and the Canadian Institute of Mining, Metallurgy and Petroleum (the "CIM") - *CIM Definition Standards on Mineral Resources and Mineral Reserves* , adopted by the CIM Council, as amended. These definitions differ from the definitions in SEC Industry Guide 7 under the United States Securities Act of 1993, as amended (the "Securities Act"). Under SEC Industry Guide 7 standards, a "final" or "bankable" feasibility study is required to report reserves, the three-year historical average price is used in any reserve or cash flow analysis to designate reserves and the primary environmental analysis or report must be filed with the appropriate governmental authority.

In addition, the terms "mineral resource", "measured mineral resource", "indicated mineral resource" and "inferred mineral resource" are defined in and required to be disclosed by NI 43-101; however, these terms are not defined terms under SEC Industry Guide 7 and are normally not permitted to be used in reports and registration statements filed with the SEC. Investors are cautioned not to assume that any part or all of mineral deposits in these categories will ever be converted into reserves. "Inferred mineral resources" have a great amount of uncertainty as to their existence, and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of an inferred mineral resource will ever be upgraded to a higher category. Under Canadian rules, estimates of inferred mineral resources may not form the basis of feasibility or pre-feasibility studies, except in rare cases. Investors are cautioned not to assume that all or any part of an inferred mineral resource exists or is economically or legally mineable. Disclosure of "contained ounces" in a resource is permitted disclosure under Canadian regulations; however, the SEC normally only permits issuers to report mineralization that does not constitute "reserves" by SEC Industry Guide 7 standards as in place tonnage and grade without reference to unit measures.

Accordingly, information contained in this AIF contain descriptions of our mineral deposits that may not be comparable to similar information made public by U.S. companies subject to the reporting and disclosure requirements under the United States federal securities laws and the rules and regulations thereunder.

ITEM 2: CORPORATE STRUCTURE

2.1 Name, Address and Incorporation

The Company was incorporated under the laws of the Province of British Columbia on March 11, 1981 under the name, "Levelland Energy & Resources Ltd". Effective August 27, 2002 the Company changed its name to "Endeavour Gold Corp.", consolidated its share capital on the basis of four old common shares for one new common share and increased its share capital to 100,000,000 common shares without par value. Then on September 13, 2004, the Company changed its name to "Endeavour Silver Corp.", transitioned from the Company Act (British Columbia) to the British Columbia Business Corporations Act (British Columbia) and increased its authorized share capital to unlimited common shares without par value.

The Company's principal business office is located at:

Suite 301 - 700 West Pender Street
Vancouver, British Columbia
Canada, V6C 1G8

and its registered and records office is located at:

19th Floor, 885 West Georgia Street
Vancouver, British Columbia
Canada, V6C 3H4

2.2 Subsidiaries

The Company conducts its business in Mexico through subsidiary companies. The following table lists the subsidiaries, place incorporated and % ownership held.

Name of Company	Incorporated	% held
Endeavour Gold Corporation, S.A. de C.V.	Mexico	100
Minera Plata Adelante, S.A. de C.V.	Mexico	100
Minera Santa Cruz y Garibaldi, S.A. de C.V.	Mexico	100
Refinadora Plata Guanacevi, S.A. de C.V.	Mexico	100
Metallurgica Guanacevi, S.A. de C.V.	Mexico	100
Mina Bolanitos S.A de C.V.	Mexico	100
Guanacevi Mining Service, S.A. de C.V.	Mexico	100
Recursos Humanos Guanacevi, S.A. de C.V.	Mexico	100

ITEM 3: GENERAL DEVELOPMENT OF THE BUSINESS

3.1 Three Year History

Overview

The Company is a Canadian mineral company engaged in the evaluation, acquisition, exploration, development and exploitation of precious metal properties in Mexico.

Guanacevi Mines Project

In May 2004, Endeavour signed formal option agreements to acquire up to a 100% interest in the producing Santa Cruz silver-gold mine, certain other mining concessions and the Guanacevi mineral processing plant (collectively, the "Guanacevi Mines Project") in Durango, Mexico. The terms of the agreements gave Endeavour the option to acquire an initial 51% interest in these operating assets by paying a total of approximately US$4 million to the vendors and incurring $1 million in mine exploration and development within one year. This was completed on January 28, 2006. The balance of the 49% interest was purchased through the payment of a further $3 million by instalments. The purchase of the remaining 49% of the mill facility was completed in July 2006 and the purchase of the remaining 49% of the mining assets was completed in January 2008.

Under the option interest agreement, a scheduled January 28, 2007 payment of $638,000 was made with 176,201 shares of the Company in lieu of cash. Further to a negotiated early buy-out of the minority shareholders, the Company acquired the remaining shares of Minera Santa Cruz y Garibaldi S.A. de C.V. (“Minera Santa Cruz”), which owned 49% of the Santa Cruz silver-gold mine in May 2007 by the issue of 1,350,000 shares of the Company with a fair market value of $5.04 per share. The value of 1,350,000 shares reflected the minority shareholders’ earnings to May 2007, the 2008 option payment of $638,000 that was to be made in January 2008, and projected 2007 mine earnings.

The Company elected to accelerate the buy out in order to streamline the mining operations and facilitate additional capital investments for the mine development program.

Guanajuato Mines Project (formerly referred to as Bolanitos Mines Project)

In February 2007, the Company acquired the right to purchase the exploitation contracts to the producing Unidad Bolanitos silver (gold) mines located in the northern parts of the Guanajuato and La Luz silver districts in the state of Guanajuato, Mexico from Minas de la Luz SA de CV ("MdlL") for $3.4 million, comprised of $2.4 million in cash and $1.0 million in common shares of the Company. On April 30, 2007 the Company completed the acquisition by paying $2.4 million in cash and issuing 224,215 common shares priced at $4.46 per share.

In April 2007 the Company entered into an agreement with two subsidiaries of Industrial Penoles S.A. de C.V. (“Penoles”) to purchase all of the Guanajuato property and plant assets for 800,000 common shares of the Company and a share purchase warrant exercisable for an additional 250,000 common shares at CDN$5.50 per share within a two year period. The acquisition was completed on May 30, 2007 and the Company has a 100% interest in the Guanajuato Mines project, free and clear of any royalties. The share purchase warrant expired on May 30, 2009 unexercised.

The Guanacevi Mines Project and the Guanajuato Mines Project have been the primary focus of business activity for the last year with the Guanacevi Mines Project the primary focus for the preceding 2 years. See Item 4.4 for further details.

Three Year History

2010 to March 19th

On March 3, 2010 the Company released updated NI 43-101 Reserve and Resource estimates as at December 31, 2009 for its active silver mining and exploration projects in Mexico, the Guanacevi Mines Project, the Guanajuato Mines Project and the Parral Project.

In February 2010, the Company completed an early exercise of its option to purchase the El Porvenir Cuatro properties, located approximately 2.5 kilometers northwest of the operating Porvenir silver mine, part of the Company’s Guanacevi’s Mines project in Durango, Mexico. The Company acquired a 100% interest in the Porvenir Cuatro properties by paying a total consideration of US$700,000 to the vendors, consisting of US$100,000 cash and 136,054 shares on signing of the agreement in February 2009 and an additional 71,428 shares and US$160,000 on the early exercise of the option to purchase. On the basis of positive internal resource and economic assessments, management elected to fast-track Porvenir Cuatro to production in 2010. Mine permitting was completed in late 2009, a 4 meter by 4 meter access ramp was collared in Janaury 2010 and to date more than 160 meters of ramp development has been completed.

In February, 2010, the Company acquired an option to purchase the San Sebastian silver-gold properties in Jalisco State, Mexico. The Company can acquire a 100% interest in the properties from IMMSA (Grupo Mexico) by making cash payments totaling US$2.75 million and spending US$2.0 million on exploration over a three year period. IMMSA will retain a 2% NSR royalty on mineral production from the properties.

2009

Endeavour recorded its fourth consecutive year of growing sales revenue and mine operating cash-flow in 2009 (during fiscal 2005 no revenue was reported as the Company only held an option to purchase on the Guanacevi project at that time). During 2009, Sales revenues increased 29% to $50.8 million and mine operating cash-flow increase by 85% to $21.3 million. Cash costs declined and operating profit margins rose for the second straight year resulting in the Company's best financial performance yet, with EBITDA turning positive for the first time in Endeavour's five year operating history.

Endeavour reported its fifth consecutive year of growing silver and gold production for 2009, increasing silver production by 11% to 2,598,518 oz silver and gold production by 66% to 13,398 oz gold. The Company successfully opened two new mines during the year, one in each operating district, thereby facilitating the next phase of growth at both operations. The Company commenced production from the new Lucero mine at Guanajuato in Q1, 2009 and commenced production from the new Porvenir Dos mine at Guanacevi in Q4, 2009. Capital projects were completed on time and budget, and record silver recoveries and gold grades each helped Endeavour's operating performance in 2009.

Endeavour achieved its fifth consecutive year of combined reserve and resource growth in 2009. New high grade silver-gold discoveries were made in both Guanacevi and Guanajuato, thereby confirming once again the prolific exploration potential of these two historic mining districts. New property acquisitions also helped Endeavour's exploration performance in 2009.

In 2009, the Company emphasized its primary focus on safety, as demonstrated by over 13,000 hours of safety training. Mine rescue groups at both operations went to their first mine rescue competition and Endeavour placed 3rd in the first aid division. Safety and mine rescue training programs are held regularly at both operations and the direct results are safer working environments.

Endeavour also continued its focus on maintaining high environmental standards at both operations. New toxic waste storage facilities were constructed in 2008, tailings water is routinely recycled and we have a policy of zero emissions from our tailings facilities.

The Company remained very pro-active in its employee and community relations in 2009. We instituted an enhanced employee bonus program in order to retain and attract the best mine workers in Mexico. Endeavour also maintained good relations with each of the local communities in which it operates with community outreach programs, providing access to medical doctors and introducing new employment opportunities and skills training programs.

During 2009, the Company's net financing activities generated $30.0 million. The Company raised $10.0 million through the issuance of convertible debentures in February (as described below), $19.4 million through equity issued on a private placement and short form prospectus and $1.4 million through the exercise of warrants and options during the year. The Company paid out $0.8 million in interest on the convertible debentures during the year.

On February 26, 2009, the Company completed CDN$14 million in private placement financing of five year 10% subordinated unsecured, convertible, redeemable debentures. The 10% per annum interest is payable quarterly in arrears. At any time after the closing date and prior to maturity date each debenture may be converted by the holder at a conversion price of CDN$1.90 into one unit of the Company, consisting of approximately 526 of the Company's common shares without par value and approximately 263 common share purchase warrants. Each share purchase warrant will entitle the holder to purchase one common share prior to the maturity date at an exercise price of CDN$2.05. At any time after 18 months following the closing date and prior to the maturity date, each debenture can be redeemed by the Company for cash, so long as the volume weighted average price of the common shares on the Toronto Stock Exchange ("TSX") for a period of 30 consecutive trading days prior to the date of the redemption notice is equal to or greater than CDN$2.85, and by paying a 7% redemption fee to the holder.

The net proceeds from the debenture offering were used to acquire mining equipment, develop underground access to mineralized zones and upgrade certain plant circuits at the Company's Guanacevi and Guanajuato Mines in Mexico, and for general corporate purposes.

On October 7, 2009, the Company received gross proceeds of CDN$18.5 million from a prospectus offering of 6,152,500 units at CDN$3.00 per unit. Each unit was comprised of one common share and one-half share purchase warrant with each whole share purchase warrant exercisable to purchase one common share at an exercise price of CDN$3.60 until October 7, 2011. The agents received a cash commission of 6% totaling $1.1 million and 369,150 agent warrants, each exercisable to purchase one common share at an exercise price of CDN$3.00 until October 7, 2011.

On October 26, 2009 the Company completed a non-brokered private placement for 1,299,843 units at CDN$3.00 per unit for gross proceeds of CDN$3.9 million. Each unit consisted of one common share and one-half share purchase warrant with each whole share purchase warrant exercisable to purchase one common share at an exercise price of CDN$3.60 until October 26, 2011.

2008

During 2008, the Company continued its focus on increasing production, increasing proven and probable reserves, and upgrading facilities.

On March 3, 2008 the Company released updated NI 43-101 Reserve and Resource estimates as at December 31, 2007 for its three active silver mining and exploration projects in Mexico, the Guanacevi Mines Project, the Guanajuato Mines Project and the Parral Exploration Project, showing significantly higher reserves and resources than at December 31, 2006 based on the acquisition of the Guanajuato Mines Project and the results of drilling and development undertaken during 2007.

In 2008, at the Guanacevi Mines Project the Company experienced a 3% reduction in silver production. The main factors in the slight reduction were lower ore grades, re-assignment of some mine personnel from production to development and some down-time at the plant for repairs and various capital projects. Some of the completed upgrade projects in 2008 were: mine development of 5,048 metres, a ventilation shaft, pump station modification, leach circuit expansion, electrical substation expansion, floatation circuit rehabilitation, tailings dam phase 2 expansion, new silver refinery, new warehouse, new security building and a new assay lab. During 2008, new zones were defined in San Pedro which will require further drilling to develop resources.

At the Guanajuato Mines Project during 2008 the Company experienced a 113% increase in silver production. In 2008, the average silver grade increased due to a focus on mining higher grade material and reducing dilution in the stopes and the average silver recovery rate increased due to an optimization of the plant. At the beginning of 2008, the mines were operating at minimal levels to upgrade the safety standards on the shafts and surrounding work areas. During this rehabilitation time, mine output was limited to old exposed workings. The mines came back on stream in June and mine production output increased monthly during the rest of 2008. Some of the completed upgrade projects in 2008 were: mine development of 2,197 metres, shaft safety upgrades, mine equipment rehabilitation, crushing circuit rehabilitation, new concentrate load-out, new assay lab, new mechanic's shop, tailings dam phase 2 expansion and drill road/pad replanting of 2,000 trees. During the year there were three new discoveries at Guanajuato: the 3785 zone, the San Jose vein and the Lucero vein.

During 2008, the Company raised approximately $2.1 million through the issuance of Special Warrants.

2007

During 2007, the Company focused primarily on increasing production, increasing proven and probable reserves, acquiring additional mining assets and upgrading facilities.

On April 17, 2007, the Company released the NI 43-101 Technical Report Audit of the Resources and Reserve Estimates for the Guanacevi Project, Durango, Mexico showing significantly higher reserves and resources at the Guanacevi Mines Project based on the results of drilling and development undertaken during 2006.

At the Guanacevi Mines Project, silver production increased 41% over 2006 primarily due to the increase in the plant throughput as the new ball mill was on stream and allowed a higher daily processing rate. Other improvements completed during the year were upgrading the performance of the CCD leach, Merrill Crowe precipitation and refinery circuits. Other capital projects completed during the year were the lined tailings pond, underground pump station, expansion of the plant electrical substation, widening of the Santa Cruz Mine level #6 to access the Alex Breccia zone and a new mine camp and kitchen. The Company also expanded the mineralization at the Porvenir mine and discovered three new mineralized zones (Alex Breccia, La Prieta and El Pelayo).

In May 2007, the Company acquired the remaining 49% interest in the Guanacevi Mines properties by entering into an agreement to acquire early the remaining 49% of the shares of Minera Santa Cruz SA de CV, through the issuance of 1.35 million common shares with an estimated value of $6.8 million. The Company expanded the property holdings at Guanacevi by 74% through the acquisition of options to purchase the El Milache and San Pedro properties.

On November 27, 2007, the company acquired an option to purchase the El Milache properties which are located along the trend of the Santa Cruz silver vein approximately 2 kilometers northwest of the Porvenir Mine, part of the Guanacevi Mines Project.. The Company acquired a 100% interest by paying $50,000 (paid) and issuing 30,000 shares (issued) upon signing the agreement and paying $50,000 in 2009.

On December 12, 2007, the Company acquired an option to purchase the San Pedro properties which are located about 6 kilometers northwest of the Company's operating Porvenir Mine, in the Guanacevi silver mining district, Durango State, Mexico. Endeavour can earn a 100% interest by issuing 120,000 common shares and issuing 60,000 warrants to purchase 60,000 shares at $4.69 within a 1 year period and a further 570,776 shares within a 24 month period. On signing, 120,000 common shares and 60,000 warrants were issued to the vendor. The vendor will retain a 1% net smelter royalty on mineral production.

During 2007, the Company expanded its mining assets considerably through the acquisition of the Guanajuato Mines Project. See "Overview – Guanajuato Mines Project".

Upon acquisition of the Guanajuato Mines Project, the Company commenced mine exploration and underground rehabilitation programs to access and sample historic block reserves. By the end of 2007, the Company had completed phase 1 tailings pond expansion, Cebada level 315 cleanup, Cebada level 51 cleanup and Ascuncion mine dewatering.

During 2007 the Company raised approximately $10 million through the exercise of warrants and options of the Company.

3.2 Significant Acquisitions

No significant acquisitions for which disclosure is required under Part 8 of National Instrument 51-102 were completed by the Company during its most recently completed financial year.

ITEM 4: DESCRIPTION OF THE BUSINESS

4.1 General Description

The Business of the Company

The Company's principal business activities are the evaluation, acquisition, exploration, development and exploitation of mineral properties. The Company produces silver-gold from its underground mines at Guanacevi and Guanajuato in Mexico.

Number of Employees

The Company has approximately 760 full and part-time employees.

4.2 Risk Factors

The Company's ability to generate revenues and profits from its mineral properties, or any other mineral property it may acquire, is dependent upon a number of factors, including, without limitation, the following risk factors.

Precious and Base Metal Price Fluctuations
The profitability of the precious and base metal operations in which the Company has an interest will be significantly affected by changes in the market prices of precious and base metals. Prices for precious and base metals fluctuate on a daily basis, have historically been subject to wide fluctuations and are affected by numerous factors beyond the control of the Company such as the level of interest rates, the rate of inflation, central bank transactions, world supply of the precious and base metals, foreign currency exchange rates, international investments, monetary systems, speculative activities, international economic conditions and political developments. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving adequate returns on invested capital or the investments retaining their respective values. Declining market prices for these metals could materially adversely affect the Company's operations and profitability.

Fluctuations in the price of consumed commodities
Prices and availability of commodities consumed or used in connection with exploration, development and mining, such as natural gas, diesel, oil, electricity, cyanide and other reagents fluctuate affecting the costs of production at our operations. These fluctuations can be unpredictable, can occur over short periods of time and may have a materially adverse impact on our operating costs or the timing and costs of various projects. Our general policy is not to hedge our exposure to changes in prices of the commodities we use in our business.

Competitive Conditions
Significant competition exists for natural resource acquisition opportunities. As a result of this competition, some of which is with large, well established mining companies with substantial capabilities and significant financial and technical resources, the Company may be unable to either compete for or acquire rights to exploit additional attractive mining properties on terms it considers acceptable. Accordingly, there can be no assurance that the Company will be able to acquire any interest in additional projects that would yield reserves or results for commercial mining operations.

Operating Hazards and Risks

Mining operations generally involve a high degree of risk, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. These risks include, but are not limited to, the following: environmental hazards, industrial accidents, third party accidents, unusual or unexpected geological structures or formations, fires, power outages, labour disruptions, floods, explosions, cave-ins, land-slides, acts of God, periodic interruptions due to inclement or hazardous weather conditions, earthquakes, war, rebellion, revolution, delays in transportation, inaccessibility to property, restrictions of courts and/or government authorities, other restrictive matters beyond the reasonable control of the Company, and the inability to obtain suitable or adequate machinery, equipment or labour and other risks involved in the operation of mines.

Operations in which the Company has a direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration, development and production of precious and base metals, any of which could result in work stoppages, delayed production and resultant losses, increased production costs, asset write downs, damage to or destruction of mines and other producing facilities, damage to life and property, environmental damage and possible legal liability for any or all damages. The Company may become subject to liability for pollution, cave-ins or hazards against which it cannot insure or against which it may elect not to insure. Any compensation for such liabilities may have a material, adverse effect on the Company's financial position.

Our property, business interruption and liability insurance may not provide sufficient coverage for losses related to these or other hazards. Insurance against certain risks, including certain liabilities for environmental pollution, may not be available to us or to other companies within the industry at reasonable terms or at all. In addition, our insurance coverage may not continue to be available at economically feasible premiums, or at all. Any such event could have a material adverse affect on our business.

Exploration and Development

There is no assurance given by the Company that its exploration and development programs and properties will result in the discovery, development or production of a commercially viable ore body or yield new reserves to replace or expand current reserves.

The business of exploration for minerals and mining involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. At this time, apart from the mineral reserves on the Company's Guanacevi Mines Project and Guanajuato Mines Project, none of the Company's properties have any defined ore-bodies with proven reserves.

The economics of developing silver, gold and other mineral properties are affected by many factors including capital and operating costs, variations of the tonnage and grade of ore mined, fluctuating mineral markets, and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals and environmental protection. Depending on the prices of silver, gold or other minerals produced, the Company may determine that it is impractical to commence or continue commercial production. Substantial expenditures are required to discover an ore-body, to establish reserves, to identify the appropriate metallurgical processes to extract metal from ore, and to develop the mining and processing facilities and infrastructure. The marketability of any minerals acquired or discovered may be affected by numerous factors which are beyond the Company's control and which cannot be accurately foreseen or predicted, such as market fluctuations, conditions for precious and base metals, the proximity and capacity of milling and smelting facilities, and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting minerals and environmental protection. In order to commence exploitation of certain properties presently held under exploration concessions, it is necessary for the Company to apply for an exploitation concession. There can be no guarantee that such a concession will be granted. Unsuccessful exploration or development programs could have a material adverse impact on the Company's operations and profitability.

Calculation of Reserves and Resources and Precious Metal Recoveries
There is a degree of uncertainty attributable to the calculation and estimates of reserves and resources and their corresponding metal grades to be mined and recovered. Until reserves or resources are actually mined and processed, the quantities of mineralization and metal grades must be considered as estimates only. Any material change in the quantity of mineral reserves, mineral resources, grades and recoveries may affect the economic viability of the Company's properties.

Government Regulation
The Company's operations, exploration and development activities are subject to extensive foreign federal, state and local laws and regulations governing such matters as environmental protection, management and use of toxic substances and explosives, management of natural resources, health, exploration and development of mines, production and post-closure reclamation, safety and labour, mining law reform, price controls import and export laws, taxation, maintenance of claims, tenure, government royalties and expropriation of property. There is no assurance that future changes in such regulation, if any, will not adversely affect the Company's operations. The activities of the Company require licenses and permits from various governmental authorities.

The costs associated with compliance with these laws and regulations are substantial and possible future laws and regulations, changes to existing laws and regulations and more stringent enforcement of current laws and regulations by governmental authorities, could cause additional expenses, capital expenditures, restrictions on or suspensions of the Company's operations and delays in the development of its properties. Moreover, these laws and regulations may allow governmental authorities and private parties to bring lawsuits based upon damages to property and injury to persons resulting from the environmental, health and safety practices of the Company's past and current operations, or possibly even those actions of parties from whom the Company acquired its mines or properties, and could lead to the imposition of substantial fines, penalties or other civil or criminal sanctions. The Company retains competent and well trained individuals and consultants in jurisdictions in which it does business, however, even with the application of considerable skill the Company may inadvertently fail to comply with certain laws. Such events can lead to financial restatements, fines, penalties, and other material negative impacts on the Company.

Obtaining and Renewing of Government Permits
In the ordinary course of business, the Company is required to obtain and renew government permits for the operation and expansion of existing operations or for the development, construction and commencement of new operations. Obtaining or renewing the necessary governmental permits is a complex and time-consuming process involving numerous jurisdictions and possibly involving public hearings and costly undertakings on the Company's part. The duration and success of the Company's efforts to obtain and renew permits are contingent upon many variables not within its control including the interpretation of applicable requirements implemented by the permitting authority. The Company may not be able to obtain or renew permits that are necessary to its operations, or the cost to obtain or renew permits may exceed what the Company believes it can recover from a given property once in production. Any unexpected delays or costs associated with the permitting process could delay the development or impede the operation of a mine, which could adversely impact the Company's operations and profitability.

Environmental Factors
All phases of the Company's operations are subject to environmental regulation in the various jurisdictions in which it operates. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that any future changes in environmental regulation, will not adversely affect the Company's operations. The costs of compliance with changes in government regulations have the potential to reduce the profitability of future operations. Environmental hazards that may have been caused by previous or existing owners or operators may exist on the Company's mineral properties, but are unknown to the Company at the present.

Title to Assets

Although the Company has or will receive title opinions for any properties in which it has a material interest, there is no guarantee that title to such properties will not be challenged or impugned. The Company has not conducted surveys of the claims in which it holds direct or indirect interests and, therefore, the precise area and location of such claims may be in doubt. The Company's claims may be subject to prior unregistered agreements or transfers or native land claims and title may be affected by unidentified or unknown defects. The Company has conducted as thorough an investigation as possible on the title of properties that it has acquired or will be acquiring to be certain that there are no other claims or agreements that could affect its title to the concessions or claims. If title to the Company's properties is disputed it may result in the Company paying substantial costs to settle the dispute or clear title and could result in the loss of the property, which events may affect the economic viability of the Company.

Uncertainty of Funding

The Company has limited financial resources, and the mineral claims in which the Company has an interest or an option to acquire an interest require financial expenditures to be made by the Company. There can be no assurance that adequate funding will be available to the Company so as to exercise its option or to maintain its interests once those options have been exercised. Further exploration work and development of the properties in which the Company has an interest or option to acquire depend upon the Company's ability to obtain financing through joint venturing of projects, debt financing or equity financing or other means. Failure to obtain financing on a timely basis could cause the Company to forfeit all or parts of its interests in mineral properties or reduce or terminate its operations.

Agreements with Other Parties

The Company has entered into agreements with other parties relating to the exploration, development and production of its properties. The Company may, in the future, be unable to meet its share of costs incurred under agreements to which it is a party, and the Company may have its interest in the properties subject to such agreements reduced as a result. Furthermore, if other parties to such agreements do not meet their share of such costs, the Company may be unable to finance the costs required to complete recommended programs.

Employee Recruitment and Retention

Recruiting and retaining qualified personnel is critical to the Company's success. The Company is dependent on the services of key executives including the Company's President and Chief Executive Officer and other highly skilled and experienced executives and personnel focused on managing the Company's interests. The number of persons skilled in acquisition, exploration, development and operation of mining properties are limited and competition for such persons is intense. As the Company's business activity grows, the Company will require additional key financial, administrative and mining personnel as well as additional operations staff. We could experience increases in our recruiting and training costs and decreases in our operating efficiency, productivity and profit margins. If we are not able to attract, hire and retain qualified personnel, the efficiency of our operations could be impaired, which could have an adverse impact on the Company's future cash flows, earnings, results of operations and financial condition.

Potential Conflicts of Interest

The directors and officers of the Company may serve as directors and/or officers of other public and private companies, and may devote a portion of their time to manage other business interests. This may result in certain conflicts of interest. To the extent that such other companies may participate in ventures in which the Company is also participating, such directors and officers of the Company may have a conflict of interest in negotiating and reaching an agreement with respect to the extent of each company's participation. The laws of British Columbia, Canada, require the directors and officers to act honestly, in good faith, and in the best interests of the Company and its shareholders. However, in conflict of interest situations, directors and officers of the Company may owe the same duty to another company and will need to balance the competing obligations and liabilities of their actions.

There is no assurance that the needs of the Company will receive priority in all cases. From time to time, several companies may participate together in the acquisition, exploration and development of natural resource properties, thereby allowing these companies to: (i) participate in larger properties and programs; (ii) acquire an interest in a greater number of properties and programs; and (iii) reduce their financial exposure to any one property or program. A particular company may assign, at its cost, all or a portion of its interests in a particular program to another affiliated company due to the financial position of the company making the assignment. In determining whether or not the Company will participate in a particular program and the interest therein to be acquired by it, it is expected that the directors and officers of the Company will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time.

Foreign Operations

The Company's mining and exploration properties are located in Mexico, and mineral exploration and mining activities may be affected in varying degrees by political stability and government regulations relating to the mining industry. Any changes in regulations or shifts in political attitudes may vary from country to country and are beyond the control of the Company and may adversely affect its business. Operations may be affected in varying degrees by government regulations with respect to restrictions on production, price controls, export controls, income and other taxes and duties, expropriation of property, environmental legislation and mine safety. These uncertainties may make it more difficult for the Company to obtain any required production financing for its mineral properties. As the Company's business is carried on in a foreign country, it is exposed to a number of risks and uncertainties including; labour unrest, high rates of inflation, changes to tax regimes, extreme fluctuations in currency exchange rates and difficulty obtaining key equipment and components for equipment.

Third Party Reliance

The Company's rights to acquire interests in certain mineral properties have been granted by third parties who themselves may hold only an option to acquire such properties. As a result, the Company may have no direct contractual relationship with the underlying property holder.

Absolute Assurance on Financial Statements

We prepare our financial reports in accordance with accounting policies and methods prescribed by Canadian generally accepted accounting principles. In the preparation of financial reports, management may need to rely upon assumptions, make estimates or use their best judgment in determining the financial condition of the Company. Significant accounting details are described in more detail in the notes to our annual consolidated financial statements for the year ended December 31, 2009. In order to have a reasonable level of assurance that financial transactions are properly authorized, assets are safeguarded against unauthorized or improper use and transactions are properly recorded and reported, we have implemented and continue to analyze our internal control systems for financial reporting. Although we believe our financial reporting and financial statements are prepared with reasonable safeguards to ensure reliability, we cannot provide absolute assurance in that regard.

General economic conditions

The unprecedented events in global financial markets during the last few years have had a profound effect on the global economy. Many industries, including the gold and silver mining industry, are affected by these market conditions. Some of the key effects of the current financial market turmoil include contraction in credit markets resulting in a widening of credit risk, devaluations and high volatility in global equity, commodity, foreign exchange and precious metal markets, and a lack of market liquidity. A continued or worsened slowdown in the financial markets or other economic conditions, including but not limited to, consumer spending, employment rates, business conditions, inflation, fuel and energy costs, consumer debt levels, lack of available credit, the state of the financial markets, interest rates, and tax rates may adversely affect the Company's growth and profitability.

Specifically:

- the global credit/liquidity crisis could affect the cost and availability of financing and our overall liquidity;
- the volatility of gold and silver prices affects our revenues, profits and cash flow;
- volatile energy prices, commodity and consumables prices and currency exchange rates affect our production costs; and
- the devaluation and volatility of global stock markets affects the valuation of our equity securities.

These factors could have a material adverse effect on the Company's financial condition and results of operations.

Passive Foreign Investment Company Consequences

The Company has not made a determination as to whether it is considered a "passive foreign investment company" (a "PFIC") as such term is defined in the U.S. Internal Revenue Code of 1986, as amended (the "Code"), for U.S. federal income tax purposes for the current tax year and any prior tax years. A non-U.S. corporation generally will be considered a PFIC for any taxable year if either (1) at least 75% of its gross income is passive income or (2) at least 50% of the value of its assets (based on an average of the quarterly values of the assets during a taxable year) is attributable to assets that produce or are held for the production of passive income.

In general, if the Company is or becomes a PFIC, any gain recognized on the sale of securities and any "excess distributions" (as specifically defined in the Code) paid on the securities must be ratably allocated to each day in a U.S. taxpayer's holding period for the securities. The amount of any such gain or excess distribution allocated to prior years of such U.S. taxpayer's holding period for the securities generally will be subject to U.S. federal income tax at the highest tax applicable to ordinary income in each such prior year, and the U.S. taxpayer will be required to pay interest on the resulting tax liability for each such prior year, calculated as if such tax liability had been due in each such prior year.

Current market events and conditions

In 2007, 2008 and into 2009, the U.S. credit markets experienced serious disruption due to a deterioration in residential property values, defaults and delinquencies in the residential mortgage market (particularly, sub-prime and non-prime mortgages) and a decline in the credit quality of mortgage backed securities. These problems led to a slow-down in residential housing market transactions, declining housing prices, delinquencies in non-mortgage consumer credit and a general decline in consumer confidence. These conditions continued and worsened in 2008 and 2009, causing a loss of confidence in the broader U.S. and global credit and financial markets and resulting in the collapse of, and government intervention in, major banks, financial institutions and insurers and creating a climate of greater volatility, less liquidity, widening of credit spreads, a lack of price transparency, increased credit losses and tighter credit conditions. In addition, general economic indicators have deteriorated, including declining consumer sentiment, increased unemployment and declining economic growth and uncertainty about corporate earnings.

These unprecedented disruptions in the credit and financial markets have had a significant material adverse effect on a number of financial institutions and have limited access to capital and credit for many companies. These disruptions could, among other things, make it more difficult for the Company to obtain, or increase its cost of obtaining, capital and financing for its operations. The Company's access to additional capital may not be available on terms acceptable to it or at all.

Substantial Volatility of Share Price

In recent years, the securities markets in the United States and Canada have experienced a high level of price and volume volatility, and the securities of many mineral exploration companies have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies.

The price of the Company's common shares is also likely to be significantly affected by short-term changes in mineral prices or in the Company's financial condition or results of operations as reflected in its quarterly financial reports. Other factors unrelated to the Company's performance that may have an effect on the price of its common shares include the following: the extent of analytical coverage available to investors concerning the Company's business may be limited if investment banks with research capabilities do not follow the Company's securities; lessening in trading volume and general market interest in the Company's securities may affect an investor's ability to trade significant numbers of the Company's common shares; the size of the Company's public float may limit the ability of some institutions to invest in the Company's securities; and a substantial decline in the price of the Company's common shares that persists for a significant period of time could cause the Company's securities to be delisted from the Toronto Stock Exchange and NYSE Amex, further reducing market liquidity.

Differences in U.S. and Canadian reporting of reserves and resources

The Company's reserve and resource estimates are not directly comparable to those made in filings subject to SEC reporting and disclosure requirements, as the Company generally reports reserves and resources in accordance with Canadian practices. These practices are different from those used to report reserve and resource estimates in reports and other materials filed with the SEC. It is Canadian practice to report measured, indicated and inferred resources, which are not permitted in disclosure filed with the SEC by United States issuers. In the United States, mineralization may not be classified as a "reserve" unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time the reserve determination is made. United States investors are cautioned not to assume that all or any part of measured or indicated resources will ever be converted into reserves.

Further, "inferred resources" have a great amount of uncertainty as to their existence and as to whether they can be mined legally or economically. Disclosure of "contained ounces" is permitted disclosure under Canadian regulations; however, the SEC permits issuers to report "resources" only as in-place tonnage and grade without reference to unit of metal measures.

Accordingly, information concerning descriptions of mineralization, reserves and resources contained in this AIF, or in the documents incorporated herein by reference, may not be comparable to information made public by United States companies subject to the reporting and disclosure requirements of the SEC.

Adequacy of internal control over financial reporting as per the requirements of the U.S. Sarbanes-Oxley Act

The Company documented and tested during its most recent fiscal year, its internal control procedures in order to satisfy the requirements of Section 404 of the U.S. Sarbanes-Oxley Act ("SOX"). SOX requires an annual assessment by management of the effectiveness of the Company's internal control over financial reporting and an attestation report by the Company's independent auditor addressing this assessment. The Company may fail to achieve and maintain the adequacy of its internal control over financial reporting as such standards are modified, supplemented, or amended from time to time, and the Company may not be able to ensure that it can conclude on an ongoing basis that it has effective internal control over financial reporting in accordance with Section 404 of SOX. The Company's failure to satisfy the requirements of Section 404 of SOX on an ongoing, timely basis could result in the loss of investor confidence in the reliability of its financial statements, which in turn could harm the Company's business and negatively affect the trading price of its common shares or market value of its other securities. In addition, any failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm the Company's operating results or cause it to fail to meet its reporting obligations. Future acquisitions of companies may provide the Company with challenges in implementing the required processes, procedures and controls in its acquired operations. Acquired companies may not have disclosure controls and procedures or internal control over financial reporting that are as thorough or effective as those required by securities laws currently applicable to the Company.

No evaluation can provide complete assurance that the Company's internal control over financial reporting will detect or uncover all failures of persons within the Company to disclose material information required to be reported. The effectiveness of the Company's control and procedures could also be limited by simple errors or faulty judgments. In addition, as the Company continues to expand, the challenges involved in implementing appropriate internal control over financial reporting will increase and will require that the Company continue to improve its internal control over financial reporting. Although the Company intends to devote substantial time and incur substantial costs, as necessary, to ensure ongoing compliance, the Company cannot be certain that it will be successful in complying with Section 404 of SOX.

Potential dilution of present and prospective shareholdings

In order to finance future operations and development efforts, the Company may raise funds through the issue of common shares or the issue of securities convertible into common shares. The Company cannot predict the size of future issues of common shares or the issue of securities convertible into common shares or the effect, if any, that future issues and sales of the Company's common shares will have on the market price of its common shares. Any transaction involving the issue of shares, or securities convertible into shares, could result in dilution, possibly substantial, to present and prospective holders of shares.

Lack of Dividends

No dividends on the Company's common shares have been paid to date. The Company currently plans to retain all future earnings and other cash resources, if any, for the future operation and development of its business. Payment of any future dividends, if any, will be at the discretion of the Board of Directors after taking into account many factors, including the Company's operating results, financial condition, and current and anticipated cash needs.

Future Sales of Common Shares by Existing Shareholders

Sales of a large number of the Company's common shares in the public markets, or the potential for such sales, could decrease the trading price of the common shares and could impair the Company's ability to raise capital through future sales of common shares.

Claims Under U.S. Securities Laws

The enforcement by investors of civil liabilities under the federal securities laws of the United States may be affected adversely by the fact that the Company is incorporated under the laws of British Columbia, Canada, that the independent registered chartered accountants who have audited the Company's financial statements and some or all of the Company's directors and officers may be residents of Canada or elsewhere, and that all or a substantial portion of the Company's assets and said persons are located outside the United States. As a result, it may be difficult for holders of the Company's common shares to effect service of process within the United States upon people who are not residents of the United States or to realize in the United States upon judgments of courts of the United States predicated upon civil liabilities under the federal securities laws of the United States

4.3 Asset-Backed Securities Outstanding

The Company has not issued any asset-backed securities.

4.4 Mineral Projects

To satisfy the reporting requirements of National Instrument 51-102F2 with respect to the Company's mineral projects, the Company has opted, as allowed by the Instrument, to reproduce the summaries from the technical reports on the respective material properties.

Guanacevi Mines Project, Durango State, Mexico

The following summary of the Guanacevi Mines Project is extracted from a technical report titled "*NI 43-101 Technical Report Audit of the Resource and Reserve Estimates for the Guanacevi Project, Durango State, Mexico*" prepared by William J. Lewis, BSc., P.Geo., Charley Z. Murahwi, M.Sc., P.Geo, MAusIMM, Robert J. Leader, P. Eng. and Dibya Kanti Mukhopadhyay, MAusIMM of Micon International Limited and dated March 15, 2010. The complete report can be viewed on SEDAR at www.sedar.com. The detailed disclosure contained in this technical report is incorporated by reference into this AIF.

Endeavour Silver Corp. (Endeavour Silver) has retained Micon International Limited (Micon) to conduct an audit of the updated resource and reserve estimate for its Guanaceví Mines project, located near the town of Guanaceví in the northwest part of the State of Durango in Mexico. This Technical Report constitutes an audit of the December 31, 2009 mineral resource and reserve estimate conducted on the property by Endeavour Silver. The audit was performed to ensure that the mineral resources and reserves comply with the Canadian Institute of Mining, Metallurgy and Petroleum (CIM) standards and definitions referred to in Canadian National Instrument 43-101 (NI 43-101).

The previous December 31, 2008 resource and reserve estimate was the subject of a March 18, 2009, NI 43-101 Technical Report by Micon. The current Micon audit incorporates the exploration and mining data gathered since the publication of the March, 2009, report. The March, 2008, Endeavour Silver Technical Report was posted on the System for Electronic Document Analysis and Retrieval (SEDAR). SEDAR is the filing system developed for the Canadian Securities Administrators (CSA).

Property Description

The Guanaceví Mines project is located within the Municipality of Guanaceví in the State of Durango, Mexico, near its northern border with the state of Chihuahua. The property is accessed by travelling from the city of Durango located 320 kilometres (km) southeast. Durango has a modern airport with daily flights to and from Mexico City and portions of the United States. The Guanaceví Mines project is located on the edge of the Sierra Madre, a series of rugged mountains with higher points reaching 3,300 metres (m) above sea level. The Guanaceví Mines project is located at approximately 105°58'20"W longitude and 25°54'47"N latitude.

The Guanaceví mining district covers an area measuring approximately 5 km northeast -southwest by 10 km northwest - southeast and contains more than 50 silver/gold mines. Although only three of the mines are presently operating, there is considerable mining experience available in the area.

Ownership

Endeavour Silver holds the Guanaceví Mines project through its 100% owned Mexican subsidiary Endeavour Gold Corporation S.A. de C.V. (Endeavour Gold). Endeavour Gold holds the project through its two 100% owned subsidiaries Minera Plata Adelante S.A. de C.V. (Minera Plata Adelante) and Refinadora Plata Guanaceví S.A. de C.V. (Refinadora Plata Guanaceví).

At present, the project is comprised of 38 mineral concessions. The mineral concessions are not all contiguous and vary in size, for a total property area of 1,054 ha. The annual 2010 concession tax for the Guanaceví properties is approximately 205,576 Mexican pesos, which is equal to about US $16,011 at an exchange rate of 12.84 pesos to US $1.00 dollar.

On February 9, 2009, Endeavour Silver entered into a mining exploration agreement with Minerales Monte Blanco S.A. de C.V. (Minerales Monte Blanco), represented by Sergio Enrique Silva Franco, on the El Porvenir Cuatro and La Brisa concessions totaling approximately 55.5518 ha. The El Porvenir Cuatro and La Brisa agreement is an option to earn 100% of these properties over two years for a total consideration of US $700,000.

In February, 2010, Endeavour Silver exercised its option to purchase the El Porvenir Cuatro and La Brisa properties. Endeavour Silver has now acquired a 100% interest in the Porvenir Cuatro and La Brisa properties by paying a total consideration of US $700,000 to the vendors, consisting of US $100,000 cash and 136,054 shares on signing the option agreement and an additional 71,428 common shares and US $160,000 cash on the early exercise of the option to purchase.

In addition to the mineral rights, Endeavour Silver has agreements with various private ranch owners and local Ejidos (El Hacho and San Pedro) that provide access for exploration and exploitation purposes.

History

It is not known if the indigenous peoples or the Spanish colonists first began mining in the Guanaceví district but mining extends back to at least 1535 when the mines were first worked by the Spanish. By the start of the 18th century, Guanaceví had become an important mining centre in the Nueva Vizcaya province of Nueva España (New Spain) as reported by Alexander von Humboldt in his travels through Nueva España. However, the Guanaceví mining district is not as well known today.

The Guanaceví mining district and the Guanaceví project area are riddled with mine openings and old workings, in a somewhat haphazard fashion near surface, representing the earliest efforts at extraction, and more systematic at depth, which is indicative of later, better organized and engineered mining. Associated with these openings and workings is a number of ruins, which represent the mine buildings, chapels and residences of the inhabitants and indicate the wealth of the mining district during its past.

The vast bulk of the material which has been extracted from underground operations through the tunnels, shafts and winzes is scattered over the hillsides in waste dumps and beneath the foundations of the ruins and modern buildings. Historically, individual veins or deposits had separate owners and, in the case of some of the larger veins or deposits, had several owners along the strike length which resulted in a surfeit of adits and shafts and very inefficient operations.

During the late sixteenth century silver production accounted for 80% of all exports from Nueva España, although, by the mid-seventeenth century silver production collapsed when mercury, necessary to the refining process, was diverted to the silver mines of Potosí in present day Bolivia. Collapse of the seventeenth century mining led to widespread bankruptcy among the miners and hacienda owners; however, in the latter half of the seventeenth century silver mining began to recover in Nueva España. By the start of the 18th century, Guanaceví had become an important mining centre in the Nueva Vizcaya province.

The peasant uprisings of 1810 to 1821 were disastrous to the Mexican mining industry with both the insurgents' soldiers and royalist troops all but destroying the mining production in Mexico, and the Guanaceví mining district was not spared during this period.

The district has experienced several periods of bonanza-grade production including the operation of a mint in 1844. The Guanaceví mining district, however, reached its greatest period of activity at the start of the 20th century when five processing plants were in operation and more than 15 mines were in production.

J.R. Southworth in his 1905 volume entitled “The Mines of Mexico” mentions that Guanaceví is a very rich district and “that many of the largest capitalists of New York have enormous interests in its mines”. Southworth mentions that the Barradán, Hacienda Wilson, El Carmen, Nueva Australia and Hacienda Avila were all good mines and properties within the Guanaceví mining district. However, Southworth also mentioned that “considering the large number of once famous properties in Guanaceví, there are comparatively few now in operation. The cessation of development has been due to various causes, though usually not from lack of ore.”

The vast majority of production came prior to the 1910 Mexican Revolution with the Guanaceví mining district being known for its high silver grades. Previous reports noted that the official production records indicate that a total value of 500 million pesos equivalent to approximately 500 million ounces of silver and silver equivalents, with a present day value of about US $3.25 billion, had been extracted from this mining district. This makes the Guanaceví district one of the top five silver mining districts in Mexico on the basis of past production.

The extent of historical exploration on the property is relatively unknown. Prior to management by Endeavour Silver, production was coming from three mines without the benefit of any systematic exploration drilling, geological mapping or mine planning.

Geology and Mineralization

The Guanaceví mineral deposits occur as an epithermal low sulphidation, quartz-carbonate, fracture-filling vein hosted by a structure that trends approximately N45°W and dips 55° southwest. The fault and vein comprise a structural system referred to locally as the Santa Cruz vein structure or Santa Cruz vein fault. The Santa Cruz vein itself has been traced for 5 km along the trend and averages approximately 3.0 m in width. High-grade mineralization in the system is not continuous, but occurs in steeply northwest-raking shoots up to 200 m in strike length. A second vein is located sub-parallel and subjacent (located in the footwall) to the Santa Cruz vein but is less continuous. The footwall vein is economically significant in the Porvenir Dos zone and in the northern portion of deep North Porvenir.

The Santa Cruz vein is a silver-rich structure with lesser amounts of gold, lead and zinc. Based on historic production, mineralization has averaged 500 grams per tonne (g/t) silver and 1 g/t gold over 3 m true width. The minerals encountered are argentite-acanthite with limited gold, galena, sphalerite, pyrite and manganese oxides. Gangue minerals noted are barite, rhodonite, rhodochrosite, calcite, fluorite and quartz. The mineralization down to Level 6 in the Santa Cruz mine is mainly oxidized with a transition zone of oxides to sulphides occurring between Levels 6 to 8, although sulphide ore was mined above Level 6. Mineralization exhibits evidence of episodic hydrothermal events which generated finely banded textures. High-grade mineralization in the district is commonly associated with multiple phases of banding and brecciation. In the Porvenir Dos area and in the deeper portion of North Porvenir, a footwall-hosted vein is associated with the Santa Cruz vein structure. In both areas, this footwall vein is either within Guanaceví Formation footwall rocks or is at the structural contact between the Guanaceví Formation and Lower Volcanic Sequence andesite. It is banded to brecciated quartz plus carbonate and contains local scatterings (< 1%) of sulphides (pyrite>sphalerite >galena>chalcopyrite) and rare pods (< 50 cm) of sulphides.

Exploration

Exploration data for the Guanaceví Mines project are kept on file at both the project geological/engineering and exploration offices. The data are also on file at Endeavour’s exploration administration office, currently located in the city of Durango, Mexico. The data handling system includes a Microsoft Excel database, ACAD drafting software and Maptek’s Vulcan deposit modeling software.

In 2009, exploration drilling at Guanaceví focused in two main areas: exploring the Santa Cruz vein structure on the Porvenir Cuatro concession so that any new mineralization could be added to the mine plan for development and production; and discovering new high-grade silver-gold-base metal mineralized zones in the San Pedro area north of the Porvenir mine that have the potential to develop future resources and production.

During 2009, Endeavour Silver completed 13,560 m of drilling in 45 surface diamond drill holes at Porvenir Cuatro and San Pedro. A total of 4,568 samples were collected and submitted for assay.

In the third quarter of 2009, a diamond drilling program was initiated in the North Porvenir mine. The program consisted of one surface rig and one underground rig. By the end of 2009, 5,664 m were drilled in 10 surface drill holes (4,232 m) and 7 underground drill holes (1,432 m).

In 2010, Endeavour Silver plans a follow-up exploration program focused on several of the new discoveries made in the San Pedro sub-district near Endeavour's mining operation at Guanaceví and testing several new prospective targets within the district. The primary long-term goal of this program is to expand reserves and resources and to identify properties for potential acquisition in the Guanaceví district for future growth.

The 2010 exploration program is planned to include 8,000 m of core in 25 surface diamond drill holes to test mantos, stockworks and veins in the San Pedro area in the Guanaceví district. The estimated cost of diamond drilling is US $150/m. A limited program of geological studies is also budgeted for Porvenir Cuatro in 2010.

Drilling proposed for the San Pedro area will test high grade veins as well as moderate grade mantos and one larger stockwork zone of silver-lead-zinc mineralization, all within an area measuring more than 1.5 km in length and 500 m across. Mineralized zones are mainly comprised of narrow veinlets of quartz, carbonate and adularia with sphalerite, galena and pyrite hosted in Tertiary-age volcaniclastic andesite.

Micon has reviewed Endeavour Silver’s proposal for further exploration on its Guanaceví Mines property and recommends that Endeavour Silver conducts the exploration program as proposed subject to funding and any other matters which may cause the proposed exploration program to be altered in the normal course of its business activities or alterations which may affect the program as a result of exploration activities themselves.

Resource and Reserve Estimation

The previous resource and reserve estimate was the subject of a March, 2009, Technical Report by Micon. An updated reserve and resource estimation was prepared by Endeavour staff as of December 31, 2009, and this present report incorporates data gathered since the publication of the March, 2009, Technical Report and discusses any changes in the estimation methodologies.

The December 31, 2009 mineral resource estimates used the following parameters:

- Cut-off grade for indicated and inferred resources is 129 g/t for the Alex Breccia, Santa Cruz, Porvenir North and Provenir Dos zones. A silver equivalent cut-off grade was not used for these areas.
- Cut-off grade for indicated and inferred resources is 190 g/t silver equivalent for Porvenir Cuatro.
- Cut-off grade for indicated and inferred resources is 200 g/t silver equivalent or 50 g/t plus 3.5% lead and zinc combined for the Noche Buena and Buena Fe.

- Silver equivalents in the resource tables were estimated using a 65:1 ratio based on prices of US $17/oz silver and US $1,100/oz gold, with no base metal credits.

The December 31, 2009 mineral reserve estimates used the following parameters:

- Cut-off grade for proven and probable reserves is 222 g/t silver equivalent.
- Silver equivalents in the reserve tables were also estimated using a 65:1 ratio based on prices of US $17/oz silver and US $1,100/oz gold, with no base metal credits.

Micon has audited Endeavour Silver's updated resource and reserve estimate for the period ending December 31, 2009. The measured and indicated mineral resource estimate is presented in Table 1.1, while the inferred mineral resources are presented in Table 1.2. The mineral reserve estimate is presented in Table 1.3. The mineral reserve figures reported here are in addition to the reported mineral resources.

Table 1.1
Guanaceví Mines Project Measured and Indicated Mineral Resource Summary as at December 31, 2009

Resource Categories	Tonnes	Silver g/t	Gold g/t	Silver Equivalent g/t	Silver oz	Gold oz	Silver Equivalent oz
Measured	-	-	-	-	-	-	-
Indicated	**2,173,000**	**255**	**0.53**	**290**	**17,830,000**	**37,100**	**20,244,100**
Total Measured + Indicated	**2,173,000**	**255**	**0.53**	**290**	**17,830,000**	**37,100**	**20,244,100**

Table 1.2
Guanaceví Mines Project Inferred Mineral Resource Summary as at December 31, 2009

Resource Categories	Tonnes	Silver g/t	Gold g/t	Silver Equivalent g/t	Silver oz	Gold oz	Silver Equivalent oz
Inferred	**1,431,000**	**209**	**0.36**	**232**	**9,607,200**	**16,400**	**10,674,800**

Table 1.3
Guanaceví Mines Project Mineral Reserve Summary as at December 31, 2008

Reserve Categories	Tonnes	Silver g/t	Gold g/t	Silver Equivalent g/t	Silver oz	Gold oz	Silver Equivalent oz
Proven	**229,000**	**368**	**0.62**	**408**	**2,706,000**	**4,600**	**3,001,800**
Probable	**1,083,000**	**354**	**0.51**	**388**	**12,329,200**	**17,900**	**13,494,200**
Total Proven + Probable	**1,312,000**	**356**	**0.54**	**391**	**15,035,200**	**22,500**	**16,496,000**

The process of mineral resource and reserve estimation includes technical information which requires subsequent calculations or estimates to derive sub-totals, totals and weighted averages. Such calculations or estimations inherently involve a degree of rounding and consequently introduce a margin of error. Where these occur, Micon does not consider them to be material. The final resource and reserve figures in Tables 1.1 through 1.3 have been rounded in most cases to reflect that the numbers are estimates. Mineral resources that are not mineral reserves do not have demonstrated economic viability.

Following its review and audit, Micon is satisfied that the geology/exploration teams at Guanaceví have acquired a good understanding of the geology and mineralization controls which have an important bearing on resource estimates and future exploration efforts. Thus, the resource estimation process (in particular for new reserve/resource blocks like Porvenir Cuatro) is well supported by a good geological/mineralization model. The acquisition of the Ballmark Core Orientation System has enhanced the abilities of Endeavour Silver's exploration division in determining the geometry of the manto type deposits at Buena Fe and other structurally complex targets. Based on its data verification process, Micon is satisfied that the database used in the resource and reserve estimates is credible.

Micon has conducted an audit of the Endeavour Silver resource and reserve estimate for the period ending December 31, 2009, and considers these estimates to have been reasonably prepared and to conform to the current CIM standards and definitions for estimating resources and reserves as required under NI 43-101 regulations. Accordingly, Micon accepts Endeavour Silver's resource and reserve estimate as its basis for the ongoing mining operations at the Guanaceví Mines project.

In Micon's opinion there are no significant technical, legal, environmental or political considerations which would affect the extraction and processing of the resources and reserves at the Guanaceví Mines project.

Micon believes that the land controlled by Endeavour Silver continues to be highly prospective both along strike and down dip of the existing mineralization and that further resources could be converted into reserves with additional exploration and development.

Endeavour Silver is in the position of being able to apply modern exploration concepts and technology to one of the major historical mining districts in Mexico which previously had experienced limited exploration. Therefore, Micon believes that the property continues to holds the potential for the discovery of mineralized deposits of similar character and grade as those currently being exploited or mined in the past, either along the trend of the vein or at depth below the presently exploited areas.

Development and Operations

For the year ending December 31, 2009, silver production was 1,873,833 oz compared to 1,852,969 oz in 2008, an increment of 1%, with gold production of 5,243 oz compared to 3,845 oz in 2008, an increment of 36%. Plant throughput for 2009 was 230,632 tonnes at an average grade of 322 g/t silver and 0.80 g/t gold as compared to 255,656 tonnes at an average grade of 318 g/t silver and 0.58 g/t gold during 2008. In 2009, recoveries averaged 78.4% and 88.8% for silver and gold, respectively. Production from 2005 to 2009 is summarized in Table 1.4.

Table 1.4
Summary of Production for the Guanaceví Property (2005 through 2009)

Year	Tonnes	Silver (g/t)	Gold (g/t)	Oz Silver Recovered	Oz Gold Recovered	Recovery Silver (%)	Recovery Gold (%)
2005	102,617	385	0.88	948,323	2,332	74.7	80.5
2006	117,255	449	0.90	1,352,661	2,493	80.0	73.0
2007	226,295	375	0.70	1,907,795	3,957	69.4	75.7
2008	255,656	318	0.58	1,852,969	3,845	70.9	80.7
2009	230,632	322	0.80	1,873,833	5,243	78.4	88.8
Total	**829,838**			**6,987,258**	**15,538**		

Endeavour Silver is continuing to seek additional improvements and to expand the mineral resources at it operations at the Guanaceví Mines project.

The Guanaceví Mines project produces dor silver bars. However, potentially economic base metals in new deposits currently under development (Alex Breccia and Santa Cruz) may be recovered from Endeavour Silver's re-commissioned flotation circuit.

Conclusions and Recommendations

The Guanaceví Mines project, located in one of the major Mexican silver districts, has been a good acquisition for Endeavour Silver. Micon has reviewed Endeavour Silver's proposal for further exploration and has conducted its third audit of the resource and reserve estimate for the project and has accepted the estimate as correct.

Micon makes the following additional recommendations to assist Endeavour Silver in its exploration and resource and reserve estimation processes:

1) Micon recommends that future budgets should include modern-day technology sampling tools to improve the quality of the underground samples used for evaluation.

2) Micon recommends that Endeavour Silver continues to develop an effective reconciliation plan for the Guanaceví Mines project. The ability to be able to reconcile the ore mined and milled on a stope-by-stope basis to the original estimates for the stope will be a critical factor in future resource and reserve estimations. The reconciliations will form the basis of reviewing dilution estimates, mining loss and gain estimates, and will assist in reviewing the classification categories of the resources.

3) Micon recommends that, as further data are generated from mining, more detailed examination of the modeling parameters should be undertaken to develop better estimation protocols.

4) Micon recommends that Endeavour Silver introduces standard procedures for its operating mines and exploration division(s) in so far as resource and reserve parameters are concerned to maintain consistency.

Guanajuato Mines Project, Guanajuato State, Mexico

The following summary of the Guanajuato Mines Project is extracted from the technical report titled "NI 43-101 Technical Report Audit of the Resource and Reserve Estimates For the Guanajuato Mines Project Guanajuato State Mexico" prepared by William J. Lewis, BSc., P.Geo., Charley Murahwi, M.Sc., P.Geo, MAusIMM, Robert J. Leader, P. Eng. and Ing. Alan J. San Martin, MAusIMM of Micon International Limited, and dated March 15, 2010. The complete report can be viewed on SEDAR at www.sedar.com. The detailed disclosure contained in this technical report is incorporated by reference into this AIF.

Endeavour Silver Corp. (Endeavour Silver) has retained Micon International Limited (Micon) to conduct an audit of the updated resource and reserve estimate for its Guanajuato Mines project, located near the city of Guanajuato in the State of Guanajuato in Mexico. This Technical Report constitutes an audit of the December 31, 2009 mineral resource and reserve estimate conducted on the property by Endeavour Silver. The audit was performed to ensure that the resources and reserves comply with the Canadian Institute of Mining, Metallurgy and Petroleum (CIM) standards and definitions referred to in Canadian National Instrument 43-101 (NI 43-101).

The previous December 31, 2008 resource and reserve estimate was the subject of a March, 2009, NI 43-101 Technical Report prepared by Micon. The Micon audit incorporates the exploration data gathered since the publication of the March, 2009, report. The March, 2009, Technical Report was electronically posted on the System for Electronic Document Analysis and Retrieval (SEDAR). SEDAR is the filing system developed for the Canadian Securities Administrators (CSA).

Property Description

The Guanajuato Mines project consists of three operating mines in two areas. Mina Cebada is located about 5 km north of the city of Guanajuato. The Bolañitos mine and the processing plant are situated approximately 5 km west of Cebada, and both properties are readily accessed by paved and gravel roads. The Golondrinas mine is 3.5 km to the southwest of Cebada. Endeavour Silver did not operate the Golondrinas mine during 2009. The Bolañitos and Golondrinas mines are located near the town of La Luz, about 12 km to the northeast of Guanajuato.

The State of Guanajuato is situated within the Central Plateau of Mexico in the Sierra de Guanajuato at elevations ranging from 2,000 to 2,600 m. From Guanajuato, the properties are accessible via a gravel road with about a 15 minute drive to Mina Cebada and a 35 minute drive to the Bolañitos or Golondrinas mines. The gravel road is heavily eroded by the intense thunderstorms which occur in the area and it receives sporadic maintenance by a grader. Therefore, the road is highly washboarded which keeps driving speeds to generally less than 50 km/h.

Most of the supplies and labour required for the exploration programs and mining operations are purchased in either the city of Guanajuato or Leon. The area has a rich tradition of mining and there is an ample supply of skilled personnel sufficient for both the underground mining operations and the surface facilities. Power supply to the Guanajuato Mines project is provided by the national grid (Comisión Federal de Electricidad).

Ownership

Endeavour Silver advises that it holds the Guanajuato Mines project through its 100% owned Mexican subsidiary Mina Bolañitos S.A. de C.V.

In 2007, Endeavour Silver acquired the Guanajuato Mines project from Industrias Peñoles S.A. de C.V. (Peñoles), the owner at the time, and Minas de la Luz, S.A. de C.V. (Minas de la Luz), the operator at the time. The acquisition included the Mina Cebada, Mina Bolañitos, Mina Golondrinas and Mina Asuncion (as well as a few other currently closed mines). Minas de la Luz continued as the operator of the mines until June, 2007, when Endeavour Silver assumed control. The Mina Asuncion is very close to the Mina Bolañitos and has recently been connected underground.

The Guanajuato Mines project consists of 13 properties which are not all contiguous and vary in size for a total of 2,071 hectares (ha). The project included three operating silver (gold) mines (Bolañitos, Golondrinas and Cebada), several past-producing silver (gold) mines, and the 500 t/d Bolañitos processing plant.

The exploitation lease was held by Minas de la Luz and purchased by Endeavour Silver in conjunction with the asset purchase from Peñoles. Endeavour Silver previously reported that some licensing issues were inherited with the properties. However, these have now been resolved although the transfer of the water license and the explosive permit to Endeavour Silver's Mina Bolanitos S.A. de C.V. is still in process.

The annual 2010 concession tax payment for the Guanajuato Mines property is approximately 483,628 Mexican pesos (pesos), which is equal to about US $37,666 at an exchange rate of 12.84 pesos to US $1.00 dollar. All concessions are subject to a bi-annual fee (i.e., twice per year) and the filing of reports in May of each year covering the work accomplished on the property between January and December of the preceding year. It should be noted that as of December 21, 2005 (by means of an amendment made on April 28, 2005 to the Mexican mining law), there is only one type of mineral concession in Mexico.

In addition to the mineral rights, Endeavour Silver has agreements with various private ranch owners and a local ejido (Mesa Cuata) that provide surface access for exploration and exploitation purposes.

History

The Guanajuato mining district is located at the southern end of what used to be the Chichimeca Empire which was colonized by Nuño de Guzmán in 1540.

It is not known if the indigenous peoples or the Spanish colonists first began mining in the Guanajuato district but mining extends back to at least 1548 when the silver veins began to be exploited by the Spanish. Guanajuato was one of the premier mining districts of Nueva España (New Spain).

Although the Spanish began mining as early as 1548 and worked the mines until 1700, it was not until after the latter date that they commenced to work them strongly, continuing to do so until 1810 with the start of the War of Independence.

During the war many of the mines were abandoned and either filled with water or caved in, and so they remained until 1824. In 1824 a number of English capitalists took the rehabilitation of the principal mines in hand and worked them for approximately 10 years. However, during this period they sustained great losses that were principally due to the lack of railroads which necessitated the transportation of all heavy machinery to the mines on the backs of mules. In some cases it took a couple of years to transport the equipment from England to the mines in Mexico.

Mining in Mexico became more prevalent again from the 1880s until the early 1900s when many of the mining districts were in decline due to low prices. The Civil War in 1910 for the most part paralyzed mining in Mexico and in many districts it did not recover until late in the 20th century.

It is impossible to state with even approximate accuracy what the production of precious metals was in the early days. When the Spanish arrived in Mexico there were no Aztec records and although accurate records were kept up until 1810, smuggling prevailed to such an extent, owing to the heavy tax on silver, as to render it impossible to arrive at exact figures. However, mining of the silver-gold veins has occurred for more than 450 years and is estimated to have produced more than 130 tonnes of gold and 30,000 tonnes of silver.

In 1906 Percy Martin noted in his book on the mines of Guanajuato that the principal or “mother vein has yielded the sum of one billion dollars as proven by the mint and government records. The Valenciana mine proved to be the greatest silver producer with workings down to 2,400 feet on the incline and producing over $300 million dollars of silver or approximately 60 million British pounds”.

Geology and mineralization

The mining district of Guanajuato is located on the south and eastern flanks of the Sierra Madre Occidental geological province, a north-northwesterly trending linear volcanic belt of Tertiary age. It is approximately 1,200 km long and 200 to 300 km in width. The project area is located in the southern portion of the Sierra de Guanajuato, an anticlinal structure about 100 km long and 20 km wide. The Guanajuato district is located on the northeast side of this structure where the typical primary bedding textures dip 10° to 20° to the north-northeast.

The stratigraphy of the Guanajuato mining district can be divided into a Mesozoic basement and overlying Cenozoic units. The lower Mesozoic lithological units are the Esperanza and La Luz Formations which are composed of rocks of marine origin, weakly to moderately metamorphosed and intensely deformed by shortening. These rocks are unconformably overlain by the Tertiary Conglomerado Rojo de Guanajuato, and the Loseros, Bufa, Calderones, Cedros and Chichíndaro Formations. The Tertiary rocks consist of continental sediments and sedimentary rocks, which generally occupy lower topographical zones, and subaerial volcanic rocks, which are principally exposed in the ranges and higher plateaus. The rocks of the Cenozoic cover have experienced only extensional deformation and in some places are gently tilted. Tertiary-aged rocks correspond to a period of tectonism accompanied by volcanism and intrusive magmatic activity.

Randall et al (1994) originally proposed a caldera structure for the Guanajuato mining district, siting the presence of a megabreccia in the Calderones Formation and the distribution of the Oligocene volcanic formations described above. The hypothesis states that the caldera collapse occurred in at least two stages and the collapse was a trap-door type. The presence of a peripheral three-quarter ring of rhyolite domes intruding along bounding faults, the location of the Oligocene volcanic formations ponded within this ring, megabreccia and topographic rim, all contribute evidence to support this hypothesis.

Subsequent normal faulting combined with hydrothermal activity around 27 Ma resulted in many of the silver-gold deposits found in the district. There are four principal orientations of normal faults: northwest, north-south, east-west and northeast but the economic mineralization is generally related to the north and northwesterly trending structures. Within the Guanajuato mining district there are three major mineralized fault systems, the La Luz, Sierra and the Veta Madre systems. Veta Madre is a north-northwest trending fault system and the largest at 25 km long.

Most of the production has been extracted from three principal vein systems on normal faults, the La Luz, Veta Madre and La Sierra. Economic concentrations of precious metals are present in isolated packets (known as bonanzas, or “spikes”) distributed vertically and laterally between non-mineralized segments of the veins. There is a vertical mineralogical zonation within these veins. The upper-levels are acanthite + adularia + pyrite + electrum + calcite + quartz and the lower-levels are chalcopyrite + galena + sphalerite + adularia + quartz + acanthite. The Veta Madre has been the most productive vein and it is by far the most continuous, having been traced on the surface for approximately 20 km. The vein dips from 35° to 55º to the southwest and it has measured displacements of around 1,200 m near the Las Torres mine and 1,700 m near La Valenciana mine. Most of the other productive veins in the district strike parallel to the Veta Madre.

In addition to the epithermal veins near Guanajuato, small deposits of stratabound massive sulphides have been reported in the Mesozoic volcano-sedimentary association (Los Mexicanos). Similarly, there is gold mineralization in the Comanja granite, and in its contact aureole small tungsten deposits have been found. In the Tertiary volcanic rocks, principally in the topaz rhyolites, there are small tin prospects.

Exploration

In 2009, Endeavour Silver conducted a surface and underground diamond drilling program focused on following up several of the new discoveries made near its operations at the Guanajuato Mines project and testing new prospective targets within the district. The primary goal of this program was to expand reserves and resources. Exploration drilling was focused in two main areas: exploring the Lucero-Karina-La Joya vein system to the south of the Bolañitos mine area in the La Luz district in order to potentially add new mineralized material to the mine plan for development and production; and exploring the extension of the Veta Madre structure, northwest of Endeavour Silver’s Cebada mine, for the potential to develop future resources and production. Underground diamond drilling was mainly targeted at finding extensions of known mineralized zones on the Lucero and Bolañitos veins in the Bolañitos mine and the Veta Madre in the Cebada mine.

During 2009, Endeavour Silver completed 4,390 m of drilling in sixteen surface diamond drill holes at the Guanajuato Mines project. A total of 1,281 samples were collected and submitted for assay.

In 2009, Endeavour Silver also conducted a major step-out program at the heart of the Cebada mine. The drilling was conducted between the 315 and 515 levels as well as below the 515 level, approximately 300 m down dip from stope 2172 which is a the source of high grade silver and gold mineralization.

The underground drilling program at the Cebada mine consisted of 16 drill holes totalling 4,305.6 m while the drilling on the Bolañitos and Lucero veins consisted of 9 drill holes totalling 3,094.2 m.

The 2010 exploration program is planned to include 16,000 m of core in more than 50 surface diamond drill holes to target vein discoveries and new prospective areas in the Cebada and Bolañitos areas of the Guanajuato district. Endeavour Silver is budgeting to spend US $3,021,700, mainly on surface diamond drilling, in an effort to continue to expand the resource base through both exploration and development on its properties during 2010. The estimated cost of diamond drilling is US $150/m. In 2010, Endeavour Silver will also conduct an underground exploration program consisting of 21 diamond drill holes totalling approximately 10,500 m. The underground program will focus on expanding the resources and reserves at the Guanajuato Mines project as well as continuing to explore for new sources of mineralization within property.

Resource and reserve estimation

Prior to this report, two previous resource and reserve estimates for the Guanajuato Mines project were reported by Endeavour Silver. Both these previous mineral resource and reserve estimates were contained in Technical Reports filed on the System for Electronic Document Analysis and Retrieval (SEDAR). SEDAR is the filing system developed for the Canadian Securities Administrators (CSA).

The first Technical Report was issued by SRK Consulting (SRK). This Technical Report was entitled “NI 43-101 Technical Report for the Guanajuato Mines Project, Guanajuato State, Mexico” and dated March, 2008.

The second Technical Report was issued by Micon. The report was entitled “NI 43-101 Technical Report, Audit of the Resource and Reserve Estimate for the Guanajuato Mines Project, Guanajuato State, Mexico” dated March 18, 2009.

The December 31, 2009 mineral resource estimates discussed in this present report used the following parameters:

- Cut-off grade for indicated and inferred resources is 150 g/t silver equivalent.
- Silver equivalents in the resource tables were estimated using a 65:1 ratio based on prices of US $17/oz silver and US $1,100/oz gold with no base metal credits.

The December 31, 2009 mineral reserve estimates used the following parameters:

- Cut-off grade for proven and probable reserves is 202 g/t silver equivalent.
- Silver equivalents in the reserve tables were also estimated using a 65:1 ratio. No base metal credits were used.

The mineral resources are exclusive of the mineral reserves. The summary of the resource and reserve estimates as contained in Tables 1.1, 1.2 and 1.3, is effective December 31, 2009.

Table 1.1
December 31, 2009, Measured and Indicated Mineral Resource Estimate, Guanajuato Mines Project

Resource Category	Tonnes	Silver (g/t)	Gold (g/t)	Silver Equivalent (g/t)	Silver oz	Gold oz	Silver Equivalent oz
Measured	---	---	---	---	---	---	---
Indicated	624,000	215	1.90	339	4,319,500	38,200	6,804,000
Total Measured and Indicated	**624,000**	**215**	**1.90**	**339**	**4,319,500**	**38,200**	**6,804,000**

Table 1.2
December 31, 2009, Inferred Mineral Resource Estimate, Guanajuato Mines Project

Resource Category	Tonnes	Silver (g/t)	Gold (g/t)	Silver Equivalent (g/t)	Silver oz	Gold oz	Silver Equivalent oz
Inferred	1,131,000	212	1.93	338	7,714,000	69,900	12,262,600
Total Inferred	**1,131,000**	**212**	**1.93**	**338**	**7,714,000**	**69,900**	**12,262,600**

Table 1.3
December 31, 2009, Probable Mineral Reserve Estimate, Guanajuato Mines Project

Reserve Category	Tonnes	Silver (g/t)	Gold (g/t)	Silver Equivalent (g/t)	Silver oz	Gold oz	Silver Equivalent oz
Proven	111,000	184	2.58	352	656,800	9,200	1,257,000
Probable	159,000	175	2.41	332	897,000	12,300	1,696,300
Total Proven & Probable	**270,000**	**179**	**2.48**	**340**	**1,553,800**	**21,500**	**2,953,300**

The process of mineral resource and reserve estimation includes technical information which requires subsequent calculations or estimates to derive sub-totals, totals and weighted averages. Such calculations or estimations inherently involve a degree of rounding and consequently introduce a margin of error. Where these occur, Micon does not consider them to be material. The final resource and reserve figures in Tables 1.1 through 1.3 have been rounded, in part, to provide a mineral resource and reserve statement which implies an appropriate level of accuracy in order to reflect that the numbers are estimates.

Micon has conducted an audit of the Endeavour Silver resource and reserve estimate for the period ending December 31, 2009 and considers these estimates to have been reasonably prepared and to conform to the current CIM standards and definitions for estimating resources and reserves as required under NI 43-101 regulations. Accordingly, Micon accepts Endeavour Silver's resource and reserve estimate as its basis for the ongoing mining operations at the Guanajuato Mines project. In Micon's opinion there are no significant technical, legal, environmental or political considerations which would affect the extraction and processing of the resources and reserves at the Guanajuato Mines project.

Micon believes that the land controlled by Endeavour Silver is highly prospective both along strike and down dip of the known mineralization and that further resources could be converted into reserves with additional exploration and development. According to historical production, the Guanajuato mining district has the potential to be a significant silver producing district in Mexico once again.

Development and Operations

In 2006, before Endeavour Silver took control, the previous operator Minas de la Luz produced 255,766 oz silver and 3,349 oz gold from 76,532 tonnes of ore grading 128 g/t silver and 1.62 g/t gold from the Bolañitos, Cebada and Golondrinas mines. The Bolañitos plant operated at about 43% of its capacity. Endeavour Silver has made a number of improvements and efficiencies which have increased the throughput of the plant.

In 2009, the Bolañitos plant produced 784,974 oz silver and 8,775.1 oz gold from 154,196 t ore grading 194 g/t silver and 2.14 g/t gold. Silver and gold recoveries averaged 88.06% and 88.52%, respectively. Recent production statistics (2006 to 2009) are summarized in Table 6.1.

Table 1.4
Production Statistics for the Guanajuato Mines Project

Operator	Year	Tonnes	Grade (g/t)		Production (ounces)	
			Gold	Silver	Gold	Silver
Minas de la Luz	2006	76,532	1.62	128	3,349	255,766
	2007	------	----	----	-----	------
Endeavour Silver	2007	58,077	1.50	136	2,152	195,696
	2008	100,312	1.35	170	3,660	465,867
	2009	154,196	2.13	188	8,775	784,974
Total		**389,117**	**1.43**	**136**	**17,936**	**1,702,303**

Table provided by Endeavour Silver Corp.

Endeavour Silver is continuing to seek additional improvements and expand the mineral resources at its operations at the Guanajuato Mines project.

The Guanajuato Mines project produces a concentrate which it ships to Endeavour Silver's Guanaceví Mines project in Durango for refining into dor silver-gold bars.

Conclusions and Recommendations

Micon has reviewed Endeavour Silver's proposal for further exploration on its Guanajuato Mines property and recommends that Endeavour Silver conducts the exploration program as proposed subject to funding and any other matters which may cause the proposed exploration program to be altered in the normal course of its business activities or alterations which may affect the program as a result of exploration activities themselves.

Through its acquisition of the Guanajuato Mines project, Endeavour Silver has acquired an operating project in one of the major silver producing districts in Mexico. Micon has reviewed Micon Endeavour Silver's proposal for further exploration and has conducted its third audit of the resource and reserve estimate for the project, and has accepted the estimate as correct. Micon makes the following additional recommendations to assist Endeavour Silver in its exploration and resource and reserve estimation processes:

1) Micon recommends that Endeavour Silver continues to develop a reconciliation plan for the Guanajuato Mines project. The ability to be able to reconcile the ore mined and milled on a stope-by-stope basis to the original estimates for the stope will be a critical factor in future resource and reserve estimations. The reconciliations will form the basis for reviewing dilution estimates, mining loss and gain estimates, and will assist in reviewing the classification categories of the resources.

2) Micon recommends that Endeavour Silver continues to pursue the necessary paperwork for its on-site laboratory to join a proficiency program of round-robin testing such as the one run by CanMet. This would assist the on-site laboratory in assessing its performance for one or more analytical methods independently of internal quality control. Coupled with this program, a total of between 5% and 10% of the samples submitted to the on-site assay laboratory should be sent out to a secondary accredited laboratory.

3) Micon recommends that the computerization programs planned for Guanajuato should be speeded up to achieve better efficiency and enable Endeavour Silver to standardize practices at all its operations.

4) Micon recommends that Endeavour Silver continues sending out representative samples of the various mineralized zones encountered in the drilling for bulk density determinations and that this information is used in conducting future resource and reserve estimates on the Guanajuato Mines project. At the same time representative samples of the mineralized material from the various zones could be sent out for metallurgical and mineralogical testwork.

5) Micon recommends that Endeavour Silver completes its conversion of the existing paper database. As further data are generated from the mining, more detailed examination of the block modelling parameters should be done to develop better estimation protocols. This would not only help in future exploration but would also help in infill drilling.

6) Micon recommends that future budgets should include modern-day technology sampling tools to improve the quality of the samples used for evaluation and thereby achieve a more accurate base for reconciliation with the mill output.

Given the amount of historical mining conducted on the Guanajuato Mines project, the extent of the remaining mineralization within the known mining areas, and the lack of a modern comprehensive exploration program covering the entire property in the past, the property has the potential to host further zones of silver and gold mineralization, similar in character and grade to those exploited in the past, outside the present resource and reserve base.

Parral Project (El Cometa Property), Chihuahua State, Mexico

The following summary of the Parral Project is extracted from the technical report titled "NI 43-101 Technical Report Audit of the Mineral Resource Estimate for the Parral Project (El Cometa Property), Chihuahua State, Mexico" prepared by William J. Lewis, BSc., P.Geo., and Thomas C. Stubens, M.A.Sc., P.Eng, of Micon International Limited, and dated March 15, 2010. The complete report can be viewed on SEDAR at www.sedar.com. The detailed disclosure contained in this technical report is incorporated by reference into this AIF.

Micon International Limited (Micon) has been retained to provide an independent audit and review of the 2008 mineral resource estimate for the El Cometa property located on the Parral project in the State of Chihuahua, Mexico and owned by Endeavour Silver Corp. (Endeavour Silver). This Micon NI 43-101 Technical Report is an update of the SRK Consulting (SRK) Technical Report dated March, 2008 and posted on the System for Electronic Document Analysis and Retrieval (SEDAR). SEDAR is the filing system developed for the Canadian Securities Administrators (CSA).

This report constitutes an audit of the December 31, 2008, mineral resource estimate conducted on the El Cometa property by Endeavour Silver. Endeavour Silver's mineral resource estimate was an in-house estimate based on further exploration conducted in 2008 after publication of the March, 2008, SRK Technical Report. Micon's audit was conducted to ensure that the resource estimate complied with the Canadian Institute of Mining, Metallurgy and Petroleum (CIM) standards and definitions required by Canadian National Instrument 43-101 (NI 43-101).

The term "El Cometa property" refers to the El Cometa concession where Endeavour Silver conducted its exploration program and resource estimate. The term "Parral project" refers to the entire land package acquired or held by Endeavour Silver in the Parral area.

Property Description

The El Cometa property consists of one roughly 19.6 hectare (ha) mineral concession. The mineral concession is bisected by a southwest trending highway that serves as access for the small mining city of Santa Barbara, about 20 km distant. The southern and eastern portions of the El Cometa property are beneath a residential district and surface access is restricted in those areas. The northern half of the concession and the area to the west underneath which the vein dips is open ground.

The El Cometa mining concession is registered in the municipality of Hidalgo del Parral (Parral), a city of approximately 100,000 inhabitants in the southern portion of the State of Chihuahua, Mexico. The El Cometa concession is approximately 4 km from the centre of Parral. The site is within the mining district of Parral, a roughly 10 km by 10 km area north and west of Parral.

The mining district is further subdivided into sub-districts; El Cometa is part of the Nueva Minas sub-district, named for a small town built in 1645 around a thriving silver mining industry exploiting the Veta Colorada.

Ownership

Endeavour Silver acquired the El Cometa deposit and property in 2006 and it is part of Endeavour Silver's Parral exploration project. Endeavour Silver carried out three phases of surface exploration drilling from 2006 through 2008 on the Cometa property.

The El Cometa concession was held under a mining option agreement (Contrato de Explotacion y Opcion Minera) by Minera Plata Adelante, S.A. de C.V. (Minera Plata), a wholly-owned subsidiary of Endeavour Silver. The option agreement was signed on August 7, 2006. In August, 2009, Minera Plata exercised its purchase option by making the final option payment. Minera Plata currently holds a 100% undivided interest in the El Cometa concession.

On August 14, 2009, Endeavour Silver announced that it had acquired an option to purchase the San Juanico property, located adjacent to the El Cometa concession.

The San Juanico mine property includes the Ampliacion de San Juanico, Dolores and El Jazmin concessions and covers an area of 17.1157 ha. These concessions also straddle approximately 800 m of the mineralized San Juanico-Cometa vein structure to the north of and adjoining the El Cometa property.

Endeavour Silver can acquire a 100% interest in the San Juanico property by making US $130,000 in four cash payments over 18 months and a final payment 24 months after signing the option agreement. The final payment amount ranges from a minimum of US $300,000 to a maximum of US $1.9 million and is dependent upon the Silver Equivalent metal content of a NI 43-101 compliant mineral reserve and mineral resource estimate (excluding Inferred resources). Only gold and silver grades will be used to calculate the silver equivalent based on the ratio of silver and gold prices.

Endeavour Silver has also entered into a joint venture agreement with the current owner of San Juanico to share in the development of and production from the properties during the 24 month option period. Endeavour Silver’s subsidiary Minera Plata has advanced the owner US $150,000 as a loan to rent or purchase mining equipment and supplies sufficient to redevelop the San Juanico mine back into small scale production. The loan is secured by a first mortgage on the San Juanico property. The parties shall participate in the profits and losses resulting from the operations that constitute the joint venture agreement on a 50:50 basis.

At present, the Parral project consists of 4 mineral concessions. The mineral concessions vary in size and are nearly contiguous, with a total property area of 36.6693 ha. The annual 2010 concession tax for the Parral project properties is estimated to be approximately 4,634 Mexican pesos (pesos), which is equal to about US $361 at an exchange rate of 12.84 pesos to US $1.00 dollar.

History

The city of Parral was established in 1600 with the first records in the archives dating to 1612. The first official register of mines, in the year 1632, is a volume of 485 pages.

In 1820, a commission was appointed to report on the condition of the mining region of Parral. The object of the inquiry was to provide information to support a project to reopen some of the mines which, two centuries previously, had produced a large amount of silver. However, while the plan failed, a large amount of historical information was obtained.

Also, in 1820, the principal mines in the Villa del Parral were those in the hills nearest the villa. It was noted that, although the mines were rich, they were abandoned when the water table was reached due to the lack of proper equipment to pump the water and sink the shafts to the required depths.

Transportation was another problem for the Parral mining district and, prior to the advent of the railroad, ores were hauled by wagon to Jimenez and shipped from there to Socorro, N.M., El Paso, Texas or Mapimi, for treatment. In 1880, the Mexican Central line reached the state and in 1898 the Parral branch of the Mexican Central was completed with branch lines built to service other mining camps and timber belts. However, with the exception of a few rich mining camps, the more mountainous districts of Chihuahua were not revived until the building of the Chihuahua and Pacific Railway, which was completed to Miñaca in 1900.

In 1905 and afterwards a number of smelters were built in the State of Chihuahua which reduced the high freight rates and smelting charges, making the mines more economic.

Records of the pre-1929 production are sporadic, although it is estimated that a few hundred million ounces were produced during this period.

The district-wide production between 1929 and 1990 is reported to have been 24 Mt at an average grade of 200 g/t silver. If correct, this period of production would have produced approximately 150 million ounces (Moz) of silver.

Two large polymetallic mines continue to operate at the south end of the district, the Santa Barbara mine (6,000 t/d) owned by the Grupo Mexico and the San Francisco mine (3,000 t/d) owned by the Grupo Frisco. A number of smaller mines are being exploited in the area surrounding the El Cometa property.

Geology and Mineralization

The Parral mining district is in the heart of the Mexican silver belt. The geology of this belt is characterized by two volcanic sequences of Tertiary age, discordantly overlying deeply eroded Mesozoic sediments and older metamorphic rocks. The physiography of the belt resembles the basin and range area in the western United States, with wide, flat valleys and narrow, relatively low mountain ranges and hills.

The precious metal-bearing fissure vein type of mineral deposit is the most widespread and economically important type of deposit found in the belt. The belt has been recognized as a significant metallogenic province which has reportedly produced more silver than any other equivalent area in the world.

The Parral mining district is underlain by three packages of rock, ranging from Cretaceous to Tertiary. The oldest is the Parral formation, a deformed series of low-metamorphic grade marine sediments, intruded by hypabyssal andesites which are overlain by a Tertiary volcanic sequence named the Escobedo Volcanic group. It is likely that the hypabyssal intrusions are co-genetic with Escobedo Volcanics. Elsewhere in the Parral district, a quartz monzonite pluton intrudes the Parral formation, but this has not been observed on the El Cometa concession.

Exploration

Drilling commenced at the El Cometa property in December, 2006, after Endeavour Silver completed a survey of the old mine infrastructure, buildings and roads on the mineral concession. By the end of 2007, a total of 27 diamond drill holes had been completed for a total of 9,335.83 m. Endeavour Silver spent US $1,178,494 on exploration activities during the 2006 and 2007 work seasons.

The mineralization intersected by Endeavour Silver's 2006 to 2007 drilling program on the El Cometa property is between 120 m and 430 m below surface over a 400 m strike length.

In 2008, Endeavour Silver conducted a limited surface diamond drilling program on the El Cometa property. The purpose of this program was to tighten up the drill spacing to approximately 40 m centres in a portion of the El Cometa deposit, to permit preliminary mine planning and economic analysis. All of these in-fill holes intersected poly-metallic mineralization and helped to further define the El Cometa vein system. Six (6) holes totaling 1,800.20 m were completed in 2008 bringing the total to 33 holes, totaling 11,136.03 m, drilled by Endeavour Silver on the El Cometa property

No exploration drilling was conducted on the property in 2009.

In 2010, Endeavour Silver will commence surface exploration drilling on the San Juanico property. The objective will be to extend the resources on the El Cometa property onto the San Juanico property. Endeavour Silver believes that if the current resources can be doubled, these properties could have sufficient critical mass to conduct a preliminary economic assessment. The El Cometa and San Juanico properties have excellent access and infrastructure, being located on the outskirts of the city of Parral, and less than 2 km from the government processing plant.

Endeavour Silver plans to commence a Phase 1 exploration drilling program at San Juanico in the first quarter of 2010. A total of 9,000 m of drilling is planned at an estimated cost of US $1,543,500.

Resource Estimation for the El Cometa deposit

SRK conducted a mineral resource estimate based on Endeavour Silver's 2006 to 2007 drilling results with the details of the estimate published in a March, 2008, Technical Report.

It is not known if there were any historical resource and reserve estimates completed on the El Cometa property prior to the March, 2008, SRK Technical Report. However, since there was only limited historical production and no previous drilling it is reasonable to assume that no historical resource or reserve estimates were completed on the property.

Subsequent to the mineral resource estimate in the SRK report, Endeavour Silver drilled 7 additional holes totaling 1,989.53 m (one started in 2007 and 6 completed in 2008). Drilling highlights included intercepts of up to 564 g/t silver, 3.2 g/t gold, 0.4% lead and 0.4% zinc over 1.4 m true width in hole CM15-5; and 69 g/t silver, 3.2 g/t gold, 1.2% lead and 2.8% zinc over 1.7 m true width in hole CM12-2.

Using the new drilling data, Endeavour Silver exploration staff has re-estimated the resources on the El Cometa property as of December 31, 2008. This resource estimate used lower metal prices and a higher cut-off grade than those used for the SRK estimate. The cut-off grade for Indicated and Inferred resources for the El Cometa property was a US $40 NSR based on metal prices of US $12/oz silver, US $900/oz gold, US $0.50/lb lead, US $0.50/lb zinc. Metallurgical recoveries used were 71% for silver, 75% for gold, 80% for lead and 74% for zinc.

The SRK mineral resource estimate has now been superseded by Micon's audit of Endeavour Silver's 2008 mineral resource estimate. The audited mineral resource estimate is summarized in Table 1.1

Table 0.5
Summary of the El Cometa Property Mineral Resource Estimate as of December 31, 2008

Classification	Tonnes	Silver (g/t)	Gold (g/t)	Silver ounces	Gold ounces	Zinc (%)	Lead (%)
Indicated	934,000	49	1.46	1,471,400	43,800	3.20	3.18
Inferred	528,000	61	1.45	1,035,500	24,600	2.74	3.00

Micon has audited Endeavour Silver's El Cometa December 31, 2008 mineral resource estimate and believes that it conforms to the current CIM standards and definitions for estimating resources and reserves as required under the Canadian National Instrument 43-101, Standards of Disclosure for Mineral Projects. However, it should be noted that mineral resources that are not mineral reserves do not have demonstrated economic viability and that there are currently no mineral reserves on the El Cometa property.

Micon is not aware of any significant technical, legal, environmental or political considerations which would affect the eventual extraction and processing of the resources at the El Cometa property, but further work is required to increase the resource, improve confidence in detailed geometry and increase confidence in local grade estimation before mine planning and subsequent technical or economic studies are undertaken in any detail.

Development and Operations

The El Cometa property has been partially exploited from small-scale underground workings historically, but, no surface or underground sampling information is available and there appears to have been no drilling conducted on the property prior to Endeavour Silver's 2006 to 2007 program.

Two small mine shafts, San Juanico and Dolores, had a history of small-scale production down to a depth of 100 m and 150 m, respectively, with the upper mine levels until recently producing approximately 25 tonnes per day (t/d) of silver-rich lead-zinc-gold ore for processing at the nearby 500 t/d flotation plant owned by the Mexican government.

Endeavour Silver believes that the resource potential of the San Juanico property is substantial because the historic and recently producing mineralized veins on the San Juanico property appear to be simple extensions of the mineralized veins drilled on the adjacent El Cometa property. As was the case with El Cometa prior to its acquisition by Endeavour Silver, the mineralized veins at San Juanico have never been explored by drilling. The best model for the San Juanico-El Cometa mineralized vein system may be the La Esmeralda mine located only 2 km south of El Cometa along the same Esmeralda vein system.

Conclusions and Recommendations

Micon has audited Endeavour Silver's December 31, 2008, mineral resource estimate and has reviewed its proposal for further exploration on the El Cometa and San Juanico properties. Micon recommends that Endeavour Silver conducts the exploration program as proposed subject to funding and any other matters which may cause the proposed exploration program to be altered in the normal course of its business activities or alterations which may affect the program as a result of exploration activities themselves.

Through its acquisition of the El Cometa property and option on the San Juanico property, Endeavour Silver has acquired or optioned properties for its Parral project with the potential to yield significant silver in addition to other mineralization. Micon agrees with the general direction of Endeavour Silver's initial and proposed exploration programs for the properties. After auditing the geological models and mineral resource estimates generated by Endeavour Silver, Micon finds the methodology to acceptable for use on an early to mid-stage project like Parral and makes the following recommendations for improvements to be applied to future estimates:

1) Micon recommends that Endeavour Silver ensure that its standard QA/QC procedures are followed and that the QA/QC results are reviewed after the receipt of each lot of sample results. This will allow Endeavour Silver to identify any issues with assay data and address them in a timely manner.

2) Micon recommends that Endeavour Silver ensure that down-hole survey data are collected in each new drill hole and, if possible, in holes from the 2008 program for which none are available. This will have even greater importance during in-fill drilling campaigns when the drill hole spacing decreases and specific locations are targeted.

3) Micon recommends that Endeavour Silver build geological models which are based on the geological features and attributes which control the location and style(s) of mineralization, rather than on mining parameters (grade and minimum mining width).

4) Micon recommends that Endeavour Silver build geological models which include the entire mineralized zone(s) as opposed to the portion that appears to have the highest grade.

5) Micon recommends that Endeavour Silver analyze the statistics of each mineralized structure independently to determine the individual data distributions and relative metal concentrations of each sample population. The analysis to determine thresholds for capping high grade, outlier data should also be applied to each deposit or mineralized zone individually.

6) Micon recommends that Endeavour Silver match the type of sample composite to the type of block model to be used as the basis for resource estimation. A block model containing blocks the heights of which vary in order to include the entire vein thickness should be matched with variable length composites that do the same. Similarly, a block model consisting of several standard size blocks across the mineralized zone should be matched with uniform length sample composites.

7) Micon recommends that Endeavour Silver review the necessity of a "hard boundary" along the fault which displaces the El Cometa and Consuelo Breccia between cross-sections 15 and 16.

8) Micon recommends that Endeavour Silver calculate semi-variograms of each metal in each mineralized zone or deposit to aid in the determination of their directions of continuity. These data can also provide support for the selection of search ellipsoid radii and resource classification criteria.

ITEM 5: DIVIDENDS

5.1 Dividends

The Company has not declared any dividends during the past three fiscal years ended December 31, 2009. The Company has no present intention of paying dividends on its common shares as it anticipates that all available funds will be invested to finance further acquisition, exploration and development of its mineral properties.

ITEM 6: DESCRIPTION OF CAPITAL STRUCTURE

6.1 General Description of Capital Structure

The Company's authorized share capital is comprised of an unlimited number of common shares without par value.

As at March 19, 2010, the Company has 61,502,610 common shares issued and outstanding.

The following table provides a summary concerning the Company's share capital as of December 31, 2009:

	December 31, 2009
Authorized share capital	Unlimited number of common shares without par value
Number of shares issued and outstanding	60,626,203 common shares without par value

All common shares of the Company rank equally as to dividends, voting rights and participation in assets and in all other respects. Each share carries one vote per share at meetings of the shareholders of the Company. There are no indentures or agreements limiting the payment of dividends and there are no conversion rights, special liquidation rights, pre-emptive rights or subscription rights attached to the common shares. The shares presently issued are not subject to any calls or assessments.

6.2 Constraints

To the best of its knowledge, the Company is not aware of any constraints imposed on the ownership of its securities to ensure that the Company has a required level of Canadian ownership.

6.3 Ratings

To the best of its knowledge, the Company is not aware of any ratings, including provisional ratings, from rating organizations for the Company's securities that are outstanding and continue in effect.

ITEM 7: MARKET FOR SECURITIES

7.1 Trading Price and Volume

The Company's common shares are listed for trading on the Toronto Stock Exchange (the " **TSX**") under the symbol "EDR" and on the NYSE Amex, formerly known as the American Stock Exchangeunder the symbol "EXK".

The price ranges in Canadian $ and volume traded on the TSX for the most recently completed fiscal year ended December 31, 2009 and the months of January and February 2010 are set out below:

Date	Open	High	Low	Close	Volume Traded
Feb-10	3.31	3.90	3.05	3.45	1,593,600
Jan-10	3.96	4.57	3.32	3.35	3,934,300
Dec-09	4.06	4.29	3.42	3.83	3,509,400
Nov-09	2.90	4.22	2.83	3.95	5,190,300
Oct-09	3.12	3.38	2.62	2.90	5,405,300
Sep-09	2.30	3.52	2.19	3.00	7,634,000
Aug-09	2.16	2.30	1.94	2.30	1,372,500
Jul-09	1.97	2.21	1.66	2.04	1,513,100
Jun-09	2.40	2.61	1.77	2.00	2,423,400
May-09	1.94	2.49	1.88	2.39	1,903,900
Apr-09	1.99	2.14	1.71	1.92	2,036,500
Mar-09	1.70	2.39	1.37	1.97	3,428,900
Feb-09	1.75	2.34	1.50	1.63	2,514,400
Jan-09	1.27	2.09	1.21	1.85	4,724,900

The price ranges in US$ and volume traded on the NYSE Amex for the most recently completed fiscal year ended December 31, 2009 and the months of January and February 2010 are set out below:

Date	Open	High	Low	Close	Volume Traded
Feb-10	3.23	3.70	2.86	3.28	11,272,695
Jan-10	3.89	4.48	3.11	3.15	13,139,071
Dec-09	3.90	4.16	3.21	3.64	14,100,852
Nov-09	2.70	4.00	2.65	3.74	16,904,990
Oct-09	2.77	3.29	2.42	2.67	15,260,391
Sep-09	2.14	3.29	1.97	2.80	17,657,698
Aug-09	2.00	2.14	1.75	2.09	5,232,680
Jul-09	1.79	2.00	1.43	1.93	4,484,640
Jun-09	2.30	2.43	1.50	1.72	7,762,189
May-09	1.56	2.27	1.56	2.22	5,296,032
Apr-09	1.58	1.70	1.35	1.60	4,247,632
Mar-09	1.36	1.94	1.05	1.55	6,316,407
Feb-09	1.31	1.87	1.20	1.37	5,883,086
Jan-09	1.08	1.73	0.98	1.51	6,405,374

The Company also has 3,076,250 common share purchase warrants that are listed for trading on the TSX under the symbol “EDR.WT”. These common share purchase warrants were issued under a prospectus offering completed on October 7, 2010 and have an exercise price of CDN$3.60 per share and expire on October 7, 2011. As of March 19, 2010 3,076,250 remain outstanding.

The price ranges in Canadian $ and volume traded on the TSX for the most recently completed fiscal year ended December 31, 2009 and the months of January and February 2010 are set out below:

Date	Open	High	Low	Close	Volume Traded
Feb-10	1.27	1.44	1.09	1.25	79,000
Jan-10	1.40	1.75	1.15	1.33	237,600
Dec-09	1.40	1.54	1.17	1.28	157,480
Nov-09	0.99	1.60	0.90	1.31	569,850
Oct-09	0.50	1.16	0.46	0.95	1,435,850

ITEM 8: ESCROWED SECURITIES

8.1 Escrowed Securities

Escrowed Securities	
Designation of class	Common shares without par value
Number of securities held in escrow	93,750
Percentage of class	0.0015% (as of March 19, 2010)

The release of the 93,750 common shares held in escrow is subject to regulatory approval. The escrow agent is Computershare Investor Services Inc..

ITEM 9: DIRECTORS AND OFFICERS

9.1 Name, Occupation and Security Holding

The following is a list of the current directors and executive officers of the Company, their province/state and country of residence, their current positions with the Company and their principal occupations during the past five years:

Name and Province/State and Country of Residence	**Principal Occupation for the Last Five Years**	**Current Position with the Company and Period of Service**	**Approximate number and percentage of voting securities owned, directly or indirectly or over which direction or control is exercised** (2) (3)
Bradford J. Cooke British Columbia, Canada	Chairman, CEO and Director of Endeavour Silver Corp.	Director, Chairman and Chief Executive Officer (From July 25, 2002)	1,329,050 2.16%
Godfrey J. Walton British Columbia, Canada	President, G.J. Walton & Associates Ltd. and Director, President and COO of Endeavour Silver Corp.	Director, President and Chief Operating Officer (From July 25, 2002)	178,300 0.29%
Leonard Harris (2) Colorado, USA	Retired, and., Corriente Resources Inc., Solitario Resources Corp., Cardero Resources Corp., Alamos Minerals Ltd, Alamos Gold Inc., Canarc Resource Corp., Sulliden Exploration Inc., IMA Exploration Inc., Morgain Minerals Inc., Indico Resources Ltd, Aztec Metals Corp., Golden Arrow Resources Corp	Director (From July 24, 2003)	20,000 0.03%

Mario D. Szotlender (1),(2) Caracas, Venezuela	President, Mena Resources Inc.	Director (From July 25, 2002)	139,200 0.23%
Geoff Handley (1),(2) Sydney, Australia	Past Executive VP Strategic Development, Placer Dome Inc., Currently Director of Eldorado Gold Ltd, Pan Australian Resources Limited, Boart Longyear Limited, Oryx Mining and Exploration Ltd.	Lead Director (From June 14, 2006)	Nil
Rex McLennan (2)	Chief Financial Officer of Viterra Inc., Past Chief Financial Officer and Executive Vice President of 2010 Vancouver Olympics Organizing Committee, Past Chief Financial Officer & Executive Vice President of Placer Dome Inc.	Director (From June 14, 2007)	Nil
Bernard Poznanski British Columbia, Canada	Lawyer, Koffman Kalef Business Lawyers	Corporate Secretary (From March 9, 2009)	Nil
Daniel Dickson British Columbia, Canada	CFO of Endeavour since April 2008, Controller for Endeavour Silver Corp from March, 2007 to March, 2008; Manager KPMG from Sept 2002 to February 2007	Chief Financial Officer (From April 1, 2008)	5,000 0.01%

Barry Devlin Blaine, Washington	VP of Exploration of Endeavour since May 2007, Prior Manager of Generative Exploration and Chief Geologist for Hecla Mining	Vice President, Exploration (From May 2, 2007)	5,000 0.01%
David Howe Durango, Mexico	VP of Operations of Endeavour since November 2007, Prior General Manager of St. Ann Jamaica Bauxite Ltd. & Vice President operations / GM of Hecla Venezuela	Vice President Operations, Mexico (From November 1, 2007)	20,000 0.03%
Hugh Clarke British Columbia, Canada	VP of Corporate Communications of Endeavour, Prior manager of Investor Relations for Endeavour Silver Corp. Investor Relations for Hunter Dickenson	Vice President, Corporate Communications (From April 1, 2008)	Nil

(1) Member of Compensation Committee and Member of Corporate Governance and Nominating Committee

(2) Member of Audit Committee

(3) Refer to www.sedi.ca for continuous disclosure of Directors & Officers holdings.

Directors' Terms of Office

Each director is elected to serve until the next annual general meeting of shareholders or until his successor is elected or appointed, or unless his office is earlier vacated under any of the relevant provisions of the articles of the Company or the Business Corporations Act (British Columbia).

Control of Securities

As at March 12, 2010 the directors and officers of the Company beneficially as a group owned, directly or indirectly, or exercised control or direction over an aggregate of 1,696,550 common shares of the Company, representing approximately 3% of the issued and outstanding common shares of the Company.

9.2 Cease Trade Orders, Bankruptcies, Penalties or Sanctions

Other than as disclosed herein, no director or executive officer of the Company is, as at the date of this AIF, or has been, within the ten years preceding the date of this AIF, a director, chief executive officer or chief financial officer of any company (including the Company) that

(a) was subject to a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, when such order was issued while the person was acting in the capacity of a director, chief executive officer or chief financial officer of the relevant company, or

(b) was subject to a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued after such person ceased to be a director, chief executive officer or chief financial officer of the relevant company, and which resulted from an event that occurred while the person was acting in the capacity of a director, chief executive officer or chief financial officer of the relevant company.

Bernard Poznanski, the Corporate Secretary of the Company, was a director and Corporate Secretary of Energem Resources Inc. ("Energem") when certain management cease trade orders were issued against the insiders of Energem. Mr. Poznanski ceased to be a director and Corporate Secretary of Energem on May 1, 2006. Particulars of the orders are as follows:

(a) On March 7, 2006, the Executive Director of the British Columbia Securities Commission (the "BCSC") issued a management cease trade order in connection with the late filing of Energem's 2005 comparative annual financial statements, 2005 annual MD&A and a 2005 Annual Information Form. The management cease trade order was revoked on May 31, 2006 after the relevant documents were filed;

(b) On April 20, 2005, the Executive Director of the BCSC issued a management cease trade order in connection with the late filing of Energem's 2004 comparative annual financial statements, 2005 first interim period financial statements and MD&A for the 2005 first interim period. The management cease trade order was revoked on June 2, 2005 after the relevant documents were filed; and

(c) On February 25, 2002, the OSC issued the a temporary management cease trade order (which was extended on May 9, 2002) in connection with the late filing of Energem's 2001 annual financial statements. The management cease trade order expired on June 10, 2002 after the relevant documents were filed.

No director or executive officer of the Company or any shareholder holding a sufficient number of common shares of the Company to affect materially the control of the Company:

(a) is, as at the date of this AIF, or has been, within the ten years preceding the date of this AIF, a director or executive officer of any company (including the Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets,

(b) has, within the ten years preceding the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of that person,

(c) has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or

(d) has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision regarding the Company.

9.3 Conflicts of Interest

The Company's directors and officers may serve as directors or officers of other companies or have significant shareholdings in other resource companies and, to the extent that such other companies may participate in ventures in which the Company may participate, the directors of the Company may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. In the event that such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. From time to time several companies may participate in the acquisition, exploration and development of natural resource properties thereby allowing for their participation in larger programs, permitting involvement in a greater number of programs and reducing financial exposure in respect of any one program. It may also occur that a particular company will assign all or a portion of its interest in a particular program to another of these companies due to the financial position of the company making the assignment. In accordance with the laws of British Columbia, the directors of the Company are required to act honestly, in good faith and in the best interests of the Company. In determining whether or not the company will participate in a particular program and the interest therein to be acquired by it, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at the time.

The directors and officers of the Company are aware of the existence of laws governing the accountability of directors and officers for corporate opportunity and requiring disclosure by the directors of conflicts of interest and the Company will rely upon such laws in respect of any directors' and officers' conflicts of interest in or in respect of any breaches of duty by any of its directors and officers. All such conflicts will be disclosed by such directors or officers in accordance with the Business Corporations Act (British Columbia) and they will govern themselves in respect thereof to the best of their ability in accordance with the obligations imposed upon them by law.

To the best of its knowledge, the Company is not aware of any such conflicts of interest.

ITEM 10: PROMOTERS

Since January 1, 20008 no person or company has acted as a promoter of the Company.

ITEM 11: LEGAL PROCEEDINGS

11.1 Legal Proceedings

There are no known legal proceedings to which the Company is a party or to which any of its property is the subject or any such proceedings known to the Company to be contemplated.

11.2 Regulatory Actions

During the year ended December 31, 2009, there were no penalties or sanctions imposed against the Company by a court relating to securities legislation or by a securities regulatory authority. There are no other penalties or sanctions imposed by a court or regulatory body against the Company that would likely be considered important to a reasonable investor in making an investment decision. During the year ended December 31, 2009, there were no settlement agreements that the Company entered into before a court relating to securities legislation or with a securities regulatory authority.

ITEM 12: INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

12.1 Interest of Management and Others in Material Transactions

None of the following persons or companies has had any material interest, direct or indirect in any transaction since January 1, 2007 that has materially affected or is reasonably expected to materially affect the Company:

(a) a director or executive officer of the Company;

(b) a person or company that beneficially owns, or controls or directs, directly or indirectly more than 10% of any class or series of the outstanding voting securities of the Company; and

(c) an associate or affiliate of any of the persons or companies referred to in the above paragraphs (a) or (b).

The Company's directors and officers may serve as directors or officers of other public resource companies or have significant shareholdings in other public resource companies and, to the extent that such other companies may participate in ventures in which the Company may participate, the directors of the Company may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. The interests of these companies may differ from time to time. Items 4.2 and 9.3 provide further details.

ITEM 13: TRANSFER AGENT AND REGISTRAR

13.1 Transfer Agent and Registrar

The Company's transfer agent and registrar is:

Computershare Investor Services Inc.
3rd Floor, 510 Burrard Street
Vancouver, BC
Canada, V6C 3B9

ITEM 14: MATERIAL CONTRACTS

14.1 Material Contracts

On February 26, 2009 the Company entered into a Trust Indenture with Computershare Trust Company of Canada providing for the issue of debentures. The Company issued 13,993 10% subordinated unsecured convertible redeemable debentures, each debenture of $1,000 principal amount. The interest is 10% annually paid in arrears. At any time after February 26, 2009, each debenture may be converted by the holder into one unit of the Company consisting of one of the Company's common shares and one half of a common share purchase warrant at a conversion price of CDN $1.90 per debenture. Each full share purchase warrant will entitle the holder to purchase one common share at an exercise price of CAN $2.05 for up to 5 years from conversion.

On September 28, 2009 the Company entered into an Agency Agreement with Salman Partners Inc., CIBC World Markets Inc., and Haywood Securities Corp (collectively the "Agents") to act as the Company's exclusive agents, on a commercially reasonable efforts basis, for a short form prospectus offering of 5,350,000 units of the Company (the "Units") at a purchase price of CDN$3.00 per Unit (the "Purchase Price"). Each Unit was comprised of one underlying common share and one-half share purchase warrant. Each whole share purchase warrant entitles the holder to purchase one common share of the Company at a price of CDN$3.60 until October 7, 2011. The Company also granted the Agents an overallotment option, exercisable in whole or in part, entitling the Agents, at the Agent's discretion, to sell an additional 802,500 units at the Purchase Price per Unit for a period of up to 30 days following the closing date. The Company also agreed to pay the Agents a 6% commission on the gross proceeds of the offering and to issue broker warrants.equal to 6% of the total number of Units issued pursuant to the Offering. Each broker warrant is exercisable for one common share of the Company at the purchase price.. The Offering was completed on October 7, 2009, with the full exercise of the overallotment option.

On October 7, 2009, the Company entered into a Warrant Indenture with Computershare Trust Company of Canada ("Computershare"), providing for the issue of 3,076,250 share purchase warrants pursuant to the short form prospectus offering completed October 7, 2010. Each share purchase warrant is exercisable at a price of CDN$3.60 until October 7, 2011.

There are no other contracts, other than those entered into in the ordinary course of the Company's business, that are material to the Company and which were entered into in the most recently completed fiscal year ended December 31, 2009 or before the most recently completed financial year that is still in effect as of the date of this AIF.

ITEM 15: INTERESTS OF EXPERTS

15.1 Names of Experts

KPMG LLP is the external auditor of the Company and reported on the fiscal 2009 audited financial statements of the Company filed on SEDAR.

The Qualified Persons who completed the audit of the reserves and resources for the Guanacevi Project are Robert J. Leader, P.Eng., William J. Lewis, BSc., P.Geo., Charley Z. Murahwi, M.Sc., P.Geo., MAusIMM and Dibya Kanti Mukhopadhyay, MAusIMM, of Micon International ("Micon"). The report *"NI 43-101 Technical Report Audit of the Resource and Reserve Estimates for the Guanacevi Project, Durango State, Mexico* " dated March 15, 2010 was filed on Sedar on March 23, 2010.

The Qualified Persons who completed the audit of the reserves and resources for the Guanajuato Mines Project are Rober J. Leader, P.Eng., William J. Lewis, BSc., P.Geo., Charley Z. Murahwi P.Geo, MAusIMM, and Ing. Alan J. San Martin, MAusIMM of Micon International ("Micon"). The report *"NI 43-101 Technical Report Audit of the Resource and Reserve Estimates for the Guanajuato Mines Project, Guanajuato State, Mexico*" dated March 15, 2009 was filed on Sedar on March 23, 2010.

The Qualified Persons who completed the audit of mineral resource estimate for the Parral Project (El Cometa Property) are William J. Lewis, BSc., P.Geo., and Thomas C. Stubens, M.A.Sc., P.Eng. of Micon International ("Micon"). The report *"43-101 Technical Report Audit of the Mineral Resource Estimate for the Parral Project (El Cometa Property),Chihuahua State, Mexico*" dated March 15, 2010 was filed on Sedar on March 23, 2010.

15.2 Interests of Experts

KPMG LLP have confirmed that they are independent with respect to the Company within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of British Columbia.

To the best of the Company's knowledge, the other experts named in Item 15.1 did not have any registered or beneficial interest, direct or indirect, in any securities or other property of the Company when the experts prepared their respective reports.

ITEM 16: ADDITIONAL INFORMATION

16.1 Additional Information

Additional information relating to the Company are as follows:

(a) may be found on SEDAR at www.sedar.com and www.sedi.ca

(b) additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans, if applicable, is contained in the Company's Information Circular pertaining to its most recent Annual General Meeting of security holders that involves the election of directors; and

(c) is also provided in the Company's financial statements and management's discussion and analysis for its most recently completed financial year ended December 31, 2009.

16.2 Audit Committee

1. The Audit Committee's Charter

National Instrument 52-110 Audit Committees ("NI 52-110) requires every issuer to disclose certain information concerning the constitution of its audit committee and its relationship with its independent auditor, as set forth below.

2. Composition of the Audit Committee

The Company's audit committee is comprised of three directors, as set forth below:

Geoff Handley	Mario D. Szotlender	Rex McLennan

As defined in NI 52-110, Geoff Handley, Mario Szotlender and Rex McLennan are "independent". The Company therefore meets the requirement of NI 52-110 that all audit committee members be independent.

All of the members of the audit committee are financially literate.

3. Relevant Education and Experience

Geoff Handley – Mr. Handley is a geologist with a Science Degree and over 30 years experience in the exploration and mining industry which included analyzing the financial statements of mining companies as an investment analyst and, later, as the manager/executive responsible for corporate mergers and acquisition activities at Placer Dome Inc.

Mario Szotlender - Mr. Szotlender is a financier and businessman with a Bachelors degree in International Relations from Universidad Central de Venezuela, Caracas, Venezuela and 16 years experience financing and managing resource projects in Central and South America.

Rex McLennan - Mr. McLennan holds a Master of Business Administration degree from McGill University and a Bachelor of Science degree from the University of British Columbia. He has held increasingly responsible positions in the mining and oil and gas sectors. From 1997 to 2005, he was the Executive Vice President and Chief Financial Officer for Placer Dome Inc., and prior to this held the position of Vice President and Treasurer with the same company. For more than ten years, he held positions of increasing responsibility in business planning, finance and treasury and was a Senior Advisor in the Treasurer's Department for Imperial Oil, a publicly traded Canadian subsidiary of Exxon Corporation.

4. Reliance on Certain Exemptions

At no time since the commencement of the Company's most recently completed financial year has the Company relied on the following exemptions:

(a) the exemption in section 2.4. *De Minimis Non-audit Services;,*
(b) the exemption in section 3.2 *Initial Public Offerings;*
(c) the exemption in section 3.4 *Events Outside Control of Member;*
(d) the exemption in section 3.5 *Death, Disability or Resignation of Audit Committee Member;* or
(e) an exemption from National Instrument 52-110, *Audit Committees,* in whole or part granted under Section 8, *Exemptions*

5. Reliance on the Exemption in Subsection 3.3(2) or Section 3.6

At no time since the commencement of the Company's most recently completed financial year, has the Company relied on the exemption in subsection 3.3(2), *Controlled Companies,* or section 3.6, *Temporary Exemption for Limited and Exceptional Circumstances.*

6. Reliance on Section 3.8

At no time since the commencement of the Company's most recently completed financial year, has the Company relied on the exemption in section 3.8, *Acquisition of Financial Literacy.*

7. Audit Committee Oversight

At no time since the commencement of the Company's most recently completed financial year, has a recommendation of the Committee to nominate or compensate an external auditor not been adopted by the Board or Directors.

8. Pre-Approval Policies and Procedures

The audit committee has not adopted specific policies and procedures for the engagement of non-audit services. Subject to the requirements of NI 52-110, the engagement of non-audit services is considered by the Company's Board of Directors and, where applicable, by the audit committee, on a case-by-case basis.

9. External Auditor Service Fees (By Category)

Set forth below are details of certain service fees paid to the Company's external auditor in each of the last two fiscal years for audit services:

Financial Year End	**Assurance Fees**(1)	**Tax Fees**(2)	**All Other Fees**(3)
December 31/2008	$440,150	$30,448	Nil
December 31/2009	$422,650	Nil	$72,000

*All amounts are Canadian dollars

(1) The aggregate fees billed in each of the last two fiscal years for assurance and related services by the Company's external auditor that are reasonably related to the performance of the audit or review of the Company's financial statements.
(2) The aggregate fees billed in each of the last two fiscal years for professional services rendered by the company's external auditor for tax compliance and tax advice.
(3) The aggregate fees billed in each of the last two fiscal years for products and services provided by the Company's external auditor, other than the services reported under clauses (1) and (2) above.

SCHEDULE "A"

ENDEAVOUR SILVER CORP. (the "Company")

Audit Committee Charter
(effective October 31, 2006)

The following Board Charter has been approved by the Board of Directors (the " **Board**") of Endeavour Silver Corp. (the "**Corporation**") as of the date set out above.

1 Purpose Of Audit Committee

The purpose of the Audit Committee (the "Committee") is to act as the representative of the Board of Directors in carrying out its oversight responsibilities relating to:

- The audit process;
- The financial accounting and reporting process to shareholders and regulatory bodies; and
- The system of internal financial controls.

All reasonably necessary costs to allow the Committee to carry out its duties shall be paid for by the Company. Also, in carrying out the foregoing duties, the Committee shall have the right and the ability to retain any outside legal, accounting or other expert advice or assistance to assist them in the proper completion of their duties, for and on behalf of the Company and at its cost, without any requirement for further Board or management approval of such expenditure.

2 Composition

The Committee shall consist of three Directors, all of whom are "independent" within the meaning of Multilateral Instrument 52-110, *Audit Committees,* and as required by all applicable U.S. securities laws and regulations, and the policies of the American Stock Exchange. The Committee shall be appointed annually by the Board of Directors immediately following the Annual General Meeting of the Company. Each member of the Committee shall be financially literate, meaning that he must be able to read and understand financial statements. One member of the Committee must have accounting and financial expertise, meaning that he possesses financial or accounting credentials or has experience in finance or accounting.

3 Duties

The Committee's duty is to monitor and oversee the operations of Management and the external auditor. Management is responsible for establishing and following the internal controls, financial reporting processes and for compliance with applicable laws and policies. The external auditor is responsible for performing an independent audit of the Company's financial statements in accordance with generally accepted auditing standards, and for issuing its report on the statements. The Committee should review and evaluate this Charter on an annual basis.

The specific duties of the Committee are as follows:

- Management Oversight:
    - Review and evaluate the Company's processes for identifying, analyzing and managing financial risks that may prevent the Company from achieving its objectives;
    - Review and evaluate the Company's internal controls, as established by Management;
    - Review and evaluate the status and adequacy of internal information systems and security;
    - Meet with the external auditor at least one a year in the absence of Management;
    - Request the external auditor's assessment of the Company's financial and accounting personnel;
    - Review and evaluate the adequacy of the Company's procedures and practices relating to currency exchange rates; and
    - Review and evaluate the Company's banking arrangements.
- External Auditor Oversight
    - Review and evaluate the external auditor's process for identifying and responding to key audit and internal control risks;
    - Review the scope and approach of the annual audit;
    - Inform the external auditor of the Committee's expectations;
    - Recommend the appointment of the external auditor to the Board;
    - Meet with Management at least once a year in the absence of the external auditor;
    - Review the independence of the external auditor on an annual basis;
    - Review with the external auditor both the acceptability and the quality of the Company's accounting principles; and
    - Confirm with the external auditor that the external auditor is ultimately accountable to the Board of Directors and the Committee, as representatives of the shareholders.
- Financial Statement Oversight
    - Review the quarterly reports with both Management and the external auditor;
    - Discuss with the external auditor the quality and the acceptability of the generally accepted accounting principles applied by Management;
    - Review and discuss with Management the annual audited financial statements; and
    - Recommend to the Board whether the annual audited financial statements should be accepted, filed with the securities regulatory bodies and publicly disclosed.
- "Whistleblower" Procedures
    - Provide for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters; and
    - Provide for the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matter.



Consolidated Financial Statements

Years Ended December 31, 2009, 2008 and 2007

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Endeavour Silver Corp. ("the Company") have been prepared by management in accordance with Canadian generally accepted accounting principles (GAAP), and within the framework of the significant accounting policies disclosed in the notes to these consolidated financial statements.

Management, under the supervision and participation of the Chief Executive Officer and the Chief Financial Officer, have a process in place to evaluate disclosure controls and procedures and internal control over financial reporting as required by Canadian and United States securities regulations. We, as CEO and CFO, will certify our annual filings with CSA and SEC as required in Canada by Multilateral Instrument 52-109 and in the United States as required by the Securities Exchange Act of 1934.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements. The Board carries out its responsibility principally through its Audit Committee which is independent from management.

The Audit Committee of the Board of Directors meets with management to review results of the consolidated financial statements and related financial reporting matters prior to submitting the consolidated financial statements to the Board of Directors for approval. The Audit Committee reviews the consolidated financial statements and MD&A; considers the report of the external auditors; assesses the adequacy of internal controls, including management's assessment described below; examines the fees and expenses for audit services; and recommends to the Board the independent auditors for appointment by the shareholders. The independent auditors have full and free access to the Audit Committee and meet with it to discuss the audit work, financial reporting matters and our internal control over financial reporting. The Audit Committee is appointed by the Board of Directors and all of its members are independent directors.

March 19, 2010

/s/ Bradford Cooke
Chief Executive Officer

/s/ Dan Dickson
Chief Financial Officer

KPMG LLP
Chartered Accountants
PO Box 10426 777 Dunsmuir Street
Vancouver BC V7Y 1K3
Canada

Telephone (604) 691-3000
Fax (604) 691-3031
Internet www.kpmg.ca

AUDITORS' REPORT

To the Shareholders of Endeavour Silver Corp.

We have audited the consolidated balance sheets of Endeavour Silver Corp. ("the Company") as at December 31, 2009 and 2008 and the consolidated statements of operations and comprehensive income, shareholders' equity and cash flows for each of the years in the three-year period ended December 31, 2009. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards and with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2009 and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2009 in accordance with Canadian generally accepted accounting principles.

Canadian generally accepted accounting principles vary in certain significant respects from US generally accepted accounting principles. Information relating to the nature and effect of such differences is presented in Note 20 to the consolidated financial statements.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2009, based on the criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 19, 2010 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

//**s**// **KPMG LLP**

Chartered Accountants Vancouver, Canada
March 19, 2010

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.
KPMG Canada provides services to KPMG LLP.

KPMG LLP
Chartered Accountants
PO Box 10426 777 Dunsmuir Street
Vancouver BC V7Y 1K3
Canada

Telephone (604) 691-3000
Fax (604) 691-3031
Internet www.kpmg.ca

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of Endeavour Silver Corp.

We have audited Endeavour Silver Corp. ("the Company")'s internal control over financial reporting as of December 31, 2009, based on the criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Controls over Financial Reporting**.** Our responsibility is to express an opinion the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.
KPMG Canada provides services to KPMG LLP.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2009, based on the criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We have also conducted our audits on the consolidated financial statements in accordance with Canadian generally accepted auditing standards and with the standards of the Public Company Accounting Oversight Board (United States). Our report dated March 19, 2010 expressed an unqualified opinion on those consolidated financial statements.

//**s**// **KPMG LLP**

Chartered Accountants

Vancouver, Canada
March 19, 2010

ENDEAVOUR SILVER CORP.
CONSOLIDATED BALANCE SHEETS
(expressed in thousands of US dollars)

	Notes	December 31, 2009	December 31, 2008
ASSETS			
Current assets			
Cash and cash equivalents		**$ 26,702**	$ 3,582
Marketable securities	5	**2,045**	35
Notes receivable	6	**2,476**	-
Accounts receivable and prepaids	7	**7,467**	6,203
Inventories	8	**6,100**	3,159
Due from related parties	9	**243**	119
Total current assets		**45,033**	13,098
Long term deposits		**1,153**	914
Long term investments	6	**-**	2,155
Redemption call option on covertible debentures	13	**2,693**	-
Mineral property, plant and equipment	10	**57,002**	51,125
Total assets		**$ 105,881**	$ 67,292
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		**$ 5,230**	$ 5,339
Current portion of promissory note	11	**231**	-
Accrued interest on convertible debentures	13	**254**	-
Income taxes payable		**545**	-
Total current liabilities		**6,260**	5,339
Promissory note	11	**248**	-
Asset retirement obligations	12	**1,740**	1,445
Future income tax liability	17	**8,103**	4,036
Liability portion of convertible debentures	13	**8,149**	-
Total liabilities		**24,500**	10,820
Shareholders' equity			
Common shares, unlimited shares authorized, no par value, issued and outstanding 60,626,203 shares (2008 - 49,080,478 shares)	Page 8	**112,173**	87,584
Special Warrants (2008 - 2,311,540 units)	14 (c)	**-**	2,118
Equity portion of convertible debentures	13	**2,164**	-
Contributed surplus	Page 8	**12,948**	11,285
Accumulated comprehensive income	Page 8	**749**	212
Deficit		**(46,653)**	(44,727)
Total shareholders' equity		**81,381**	56,472
		$ 105,881	$ 67,292

Basis of presentation (note 1)
Subsequent event (note 10 (e))
Commitments (note 10 (e), note 19)

Approved on behalf of the Board

/s/ Bradford Cooke
Director

/s/ Godfrey Walton
Director

ENDEAVOUR SILVER CORP.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
(expressed in thousands of US dollars, except for shares and per share amounts)

	Notes	**Year Ended December 31 2009**	Year Ended December 31 2008	Year Ended December 31 2007
Sales		**$ 50,769**	$ 39,302	$ 32,319
Cost of sales		**29,478**	27,802	24,335
Depreciation and depletion		**11,264**	8,383	4,682
Exploration		**2,394**	8,570	5,967
General and administrative		**4,356**	5,078	4,836
Accretion of convertible debentures	13	**1,466**	-	-
Stock-based compensation	14 (d)	**1,801**	2,349	4,681
Earnings (loss)		**10**	(12,880)	(12,182)
Foreign exchange gain (loss)		**(1,057)**	(1,452)	2,427
Realized gain (loss) on marketable securities		**15**	(637)	665
Mark to market gain (loss) on redemption call option	13	**2,693**	-	-
Impairment on asset backed commercial paper	6	**-**	(1,394)	(1,327)
Allowance for value added tax		**-**	(800)	-
Write off of value added tax		**-**	(145)	-
Investment and other income		**506**	305	867
Earnings (loss) before taxes and other items		**2,167**	(17,003)	(9,550)
Non-controlling interest		**-**	-	(1,483)
Income tax provision	17	**4,093**	1,001	1,169
Net loss for the period		**(1,926)**	**(18,004)**	**(12,202)**
Other comprehensive income, net of tax				
Unrealized gain (loss) on marketable securities	5	**150**	(1,145)	206
Unrealized foreign exchange gain/ (loss) on investments		**423**	-	-
Unrealized gain/(loss) on other investments		**(21)**	-	-
Reclassification adjustment for loss (gain) included in net income		**(15)**	637	(210)
		537	(508)	(4)
Comprehensive income (loss) for the period		**(1,389)**	(18,512)	(12,206)
Basic and diluted loss per share based on net loss		**$ (0.04)**	$ (0.37)	$ (0.27)
Weighted average number of shares outstanding		**53,212,960**	49,032,192	45,441,128

See the accompanying notes to the consolidated financial statements.

ENDEAVOUR SILVER CORP.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(expressed in thousands of U.S. dollars, except share amounts)

	Notes	December 31 2009	December 31 2008	December 31, 2007
Number of common shares, opening		**49,080,478**	48,982,146	42,373,988
Exercise of special warrants	14 (c)	**2,311,540**	-	-
Issued on short form prospectus	14 (c)	**6,152,500**	-	-
Issued on private placement	14 (c)	**1,299,843**	-	-
Exercise of options	14 (d)	**585,800**	88,000	727,000
Exercise of warrants	14 (g)	**273,675**	-	3,038,222
Exercise of convertible debentures	13	**706,313**	-	-
Issued through stock bonus plan	14 (f)	**80,000**	-	-
Issued on acquisition of mineral properties	4 & 10	**136,054**	-	2,700,416
Share appreciation rights	14 (e)	**-**	10,332	142,520
Number of common shares, closing		**60,626,203**	49,080,478	48,982,146
Common shares, opening		**$ 87,584**	$ 87,458	$ 63,353
Exercise of special warrants	14 (c)	**2,118**	-	-
Issued on short form prospectus, net of issuance costs	14 (c)	**15,346**	-	-
Issued on private placement, net of issuance costs	14 (c)	**3,484**	-	-
Exercise of options	14 (d)	**1,361**	105	2,704
Exercise of warrants	14 (g)	**759**	-	8,233
Exercise of convertible debentures	13	**1,058**	-	-
Issued through stock bonus plan	14 (f)	**263**	-	-
Issued on acquisition of mineral properties	4 & 10	**200**	-	12,885
Share appreciation rights	14 (e)	**-**	21	283
Common shares, closing		**$ 112,173**	$ 87,584	$ 87,458
Special warrants, opening		**$ 2,118**	$ -	$ -
Issued on private placement, net of issuance costs	14 (c)	**-**	2,118	-
Exercise of special warrants	14 (c)	**(2,118)**	-	-
Special warrants, closing		**$ -**	$ 2,118	$ -
Equity portion of convertible debentures		**-**	-	-
Issued on convertible debentures, net of issuance costs	14 (c)	**$ 2,393**	$ -	$ -
Exercise of convertible debentures	13	**(229)**	-	-
Equity portion of convertible debentures, closing		**$ 2,164**	$ -	$ -
Contributed surplus, opening		**$ 11,285**	$ 8,921	$ 5,064
Stock based compensation	14 (d)	**1,431**	2,349	4,681
Fair value of agent warrants issued on private placement	13, 14 (c)	**1,001**	82	-
Fair value of warrants issued for mineral properties	10	**-**	-	508
Exercise of share purchase options	14 (d)	**(533)**	(46)	(1,049)
Fair value of exercised warrants	14 (g)	**(236)**	-	-
Share appreciation rights	14 (e)	**-**	(21)	(283)
Contributed surplus, closing		**$ 12,948**	$ 11,285	$ 8,921
Accumulated other comprehensive income, opening		**$ 212**	$ 720	$ 212
Cumulative impact of adoption of financial instruments standard		**-**	-	512
Unrealized foreign exchange gain/ (loss) on investments		**423**		
Unrealized gain (loss) on marketable securities	5	**150**	(1,145)	206
Unrealized gain (loss) on other investments		**(21)**		
Realized (gain) loss on marketable securities included in net income		**(15)**	637	(210)
Accumulated other comprehensive income, closing		**$ 749**	$ 212	$ 720
Deficit, opening		**$ (44,727)**	$ (26,723)	$ (14,521)
Loss for the period		**(1,926)**	(18,004)	(12,202)
Deficit, closing		**$ (46,653)**	$ (44,727)	$ (26,723)
Shareholders' equity		**$ 81,381**	$ 56,472	$ 70,376

ENDEAVOUR SILVER CORP.
CONSOLIDATED STATEMENTS OF CASH FLOW
(expressed in thousands of U.S. dollars)
See the accompanying notes to the consolidated financial statements.

	Notes	**Year Ended December 31, 2009**	Year Ended December 31, 2008	Year Ended December 31, 2007
Operating activities				
Net loss for the period		**$ (1,926)**	$ (18,004)	$ (12,202)
Items not affecting cash:				
Stock-based compensation	14	**1,801**	2,349	4,681
Depreciation and depletion		**11,264**	8,383	4,682
Non-controlling interest		**-**	-	1,483
Future income tax loss (recovery)	17	**4,068**	21	300
Unrealized foreign exchange loss (gain)		**1,384**	(58)	(386)
Impairment of asset backed commercial paper	6	**-**	1,394	1,327
Allowance for doubtful IVA		**-**	945	-
(Gain) loss on marketable securities		**(15)**	637	(665)
Accretion of convertible debentures	13	**1,466**	-	-
Mark to market gain on redemption call option	13	**(2,693)**	-	-
Net changes in non-cash working capital	15	**(3,103)**	(291)	(1,577)
Cash from (used for) operations		**12,246**	(4,624)	(2,357)
Investing activites				
Property, plant and equipment expenditures		**(17,065)**	(12,625)	(17,649)
Investment in asset backed commercial paper	6	**-**	-	(5,203)
Long term deposits		**(239)**	(37)	(877)
Investment in marketable securities		**(2,361)**	(3,963)	(1,555)
Proceeds from sale of marketable securities		**581**	5,995	2,504
Cash used in investing activities		**(19,084)**	(10,630)	(22,780)
Financing activities				
Equity instruments issued	14 (d)	**1,351**	2,541	9,891
Equity issued on short form prospectus	14 (c)	**17,337**	-	-
Equity issued on private placement	14 (c)	**3,703**	-	-
Issuance of convertible debentures	13	**11,225**	-	-
Share issuance costs	14 (c)	**(1,673)**	(282)	(47)
Debenture issuance costs	13	**(1,191)**	-	-
Interest paid	13	**(794)**	-	-
Cash from financing activites		**29,958**	2,259	9,844
Increase (decrease) in cash and cash equivalents		**23,120**	(12,995)	(15,293)
Cash and cash equivalents, beginning of period		**3,582**	16,577	31,870
Cash and cash equivalents, end of period		**$ 26,702**	$ 3,582	$ 16,577

See note 15 for supplementary cash flow information.

1. NATURE OF OPERATIONS

Endeavour Silver Corp. and its subsidiary companies (collectively the "Company" or "Endeavour Silver") are engaged in silver mining in Mexico and related activities including acquisition, exploration, development, extraction, processing, refining and reclamation.

These financial statements have been prepared on a going concern basis, which assumes the realization of assets and liquidation of liabilities in the normal course of business. The Company has incurred significant operating losses to date and its ability to continue as a going concern is dependent on its ability to attain profitable operations or continue to raise financing. The Company has $38.8 million in working capital as of December 31, 2009, which management deems is sufficient to meet the Company's current business objectives for the foreseeable future.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). Significant measurement differences from United States GAAP are described in Note 20 to these financial statements. These consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany transactions and balances have been eliminated.

(b) Use of estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the determination of mineralized reserves, estimating the fair values of financial instruments, estimating the fair value convertible debentures components, impairment of long-lived assets, measurement of asset retirement obligations, valuation allowances for future income tax assets, and assumptions used in determining the fair value of non-cash stock-based compensation. Actual results could differ from those estimates.

(c) Financial instruments

Financial assets and financial liabilities, including derivatives, are measured at fair value on initial recognition and recorded on the balance sheet. Measurement in subsequent periods depends on whether the financial instrument has been classified as held-for-trading, available-for-sale, held-to-maturity, loans and receivables or other financial liabilities.

Financial assets and liabilities held-for-trading are measured at fair value with changes in those fair values recognized in net income. Financial assets and financial liabilities considered held-to-maturity, loans and receivables, and other financial liabilities are measured at amortized cost using the effective interest method of amortization. Available-for- sale financial assets are measured at fair value with unrealized gains and losses recognized in other comprehensive income. Investments in equity instruments classified as available-for-sale that do not have a quoted market price in an active market are measured at cost. Derivative instruments, including embedded derivatives, are recorded on the balance sheet at fair value. Changes in the fair values of derivative instruments are recognized in net income with the exception of derivatives designated as effective cash flow hedges. The Company has no such designated hedges.

For information on the Company's financial instruments is further described in Note 18.

The transition adjustment attributable to the re-measurement of available-for-sale to fair value was recognized in accumulated other comprehensive income as at January 1, 2007.

(d) Fair value of financial instruments

The fair values of the Company's cash and cash equivalents, receivables, and accounts payable and accrued liabilities approximate their carrying values due to their short terms to maturity. Marketable securities are recorded at fair value. Notes received from the restructuring of asset backed commercial paper are recorded at management's estimated fair value.

(e)

Comprehensive income/loss

Other comprehensive income represents changes in shareholders' equity during a period arising from transactions and other events and circumstances from non-owner sources and includes unrealized gains and losses on financial assets classified as available-for-sale. The components of accumulated comprehensive income are disclosed in the consolidated statement of shareholders' equity.

SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) **Foreign currency translation**

The Company uses the U.S. dollar as its functional and reporting currency. Therefore accounts denominated in currencies other than the U.S. dollar have been translated as follows:

- Revenue and expense items at the rate of exchange in effect on the transaction date;
- Non-monetary assets and liabilities at historical exchange rates, unless such items are carried at market, in which case they are translated at the exchange rate in effect on the balance sheet date;
- Monetary assets and liabilities at the exchange rate at the balance sheet date; and
- Exchange gains and losses are recorded in the statement of operations in the period in which they occur.

(g) **Cash and cash equivalents**

Cash and cash equivalents consist of deposits in banks and highly liquid investments with an original maturity at the date of the purchase of ninety days or are readily convertible into cash.

(h) **Marketable securities**

Marketable securities include investments in shares of companies and other investments capable of reasonably prompt liquidation. Share investments are classified as available-for-sale and carried at fair value with unrealized gains and losses at the reporting date recognized in comprehensive income.

(i) **Inventories**

Product inventories are valued at the lower of average production cost and net realizable value. Work-in-process inventories, including ore stockpiles are valued at the lower of average production cost and net realizable value, after an allowance for further processing costs. Finished goods inventory characterized as dore bars or concentrate is valued at the lower of average production costs and net realizable value. Materials and supplies are valued at the lower of cost and replacement cost. Similar inventories within the consolidated group are measured using the same method, and the reversal of previous write-downs to net realizable value is required when there is a subsequent increase in the value of inventories.

(j) **Mineral properties, plant and equipment**

Mineral properties include direct costs of acquiring properties (including option payments) and costs incurred directly in the development process of feasible properties. Expenses relating to exploration properties are expensed as incurred. Prior to 2007, the Company capitalized exploration expenditures directly related to specific mineral properties. Exploration expenditures on non-producing properties are expensed, while acquisition costs are capitalized.

Management periodically reviews the carrying value of its mineral properties with internal and external mining related professionals. A decision to abandon, reduce or expand a specific project is based upon many factors including general and specific assessments of reserves, anticipated future prices, anticipated future costs of exploring, developing and operating a producing mine, expiration term and ongoing expense of maintaining leased mineral properties and the general likelihood that the Company will continue exploration. The Company does not set a pre-determined holding period for properties with unproven reserves. However, properties which have not demonstrated suitable mineral concentrations at the conclusion of each phase of an exploration program are re-evaluated to determine if future exploration is warranted and their carrying values are appropriate.

If any area of interest is abandoned or it is determined that its carrying value cannot be supported by future production or sale, the related costs are charged against operations in the period of abandonment or determination that the carrying value exceeds its fair value. The amounts recorded as mineral properties represent costs incurred to date and do not necessarily reflect present or future values.

The accumulated costs of mineral properties that are developed to the stage of commercial production are amortized using the units of production basis using proven and probable reserves (as defined by National Instrument 43-101).

Plant and equipment are recorded at cost and amortized using the straight-line method at rates varying from 10% to 30% annually.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Asset retirement obligations

These obligations are measured initially at fair value and the resulting costs capitalized to the carrying value of the related asset. In subsequent periods, the liability is adjusted for any changes in the amount or timing of the estimated future cash costs and for the accretion of discounted underlying future cash flows. The capitalized asset retirement cost is amortized to operations over the life of the asset.

(l) Revenue recognition

Mineral revenue, based upon prevailing metal prices, is recognized upon delivery when title and risk of ownership of metals or metal bearing concentrate passes to the buyer and when collection is reasonably assured. Revenue is subject to adjustment upon final settlement of metal prices, weights and assays. Historically any such adjustments have been insignificant.

(m) Stock-based compensation

The Company has a share option plan which is described in Note 14(d). The Company records all stock-based compensation for options using the fair value method. Under the fair value method, stock-based payments are measured at the fair value of the consideration received or the fair value of the equity instruments issued or liabilities incurred, whichever is more reliably measurable, and are charged to operations over the vesting period. The offset is credited to contributed surplus. Consideration received on the exercise of stock options is recorded as share capital and the related contributed surplus is transferred to share capital.

(n) Income taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and losses carried forward. Future tax assets and liabilities are measured using substantively enacted or enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the substantive enactment date. Future tax assets are recognized to the extent that they are considered more likely than not to be realized. The valuation of future income tax assets is adjusted, if necessary, by the use of a valuation allowance to reflect the estimated realizable amount.

(o) Loss per share

Basic loss per share is computed by dividing the loss available to common shareholders by the weighted average number of shares outstanding during the period. For all periods presented, loss available to common shareholders equals the reported loss. The Company uses the treasury stock method for calculating diluted earnings per share. Under the treasury stock method, the weighted average number of common shares outstanding used for the calculation of diluted earnings per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the year. In the Company's case, diluted loss per share presented is the same as basic loss per share as the effect of outstanding options and warrants in the loss per share calculation would be anti-dilutive.

(p) Comparative figures

Certain of the prior periods' comparative figures have been reclassified to conform to the presentation adopted in the current year.

3. ADOPTION OF NEW ACCOUNTING STANDARDS

(a)

Recently released Canadian accounting standards

The Company has assessed new and revised accounting pronouncements that have been issued that are not yet effective and determined that the following may have a significant impact on the Company:

i)

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The adoption date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010.

The detailed assessment is ongoing and to date the Company has identified presentation and disclosure, mineral property, plant and equipment, future income taxes, assets retirement obligation and financial instruments as areas where the adoption of IFRS may have a material effect on the Company's financial reporting, processes and controls. The Company is also assessing the available elections under IFRS to determine the effect of each election to the Company. This detailed assessment is expected to be completed in the second quarter of 2010.

4. BUSINESS ACQUISITION AND SIGNIFICANT ASSET ACQUISITIONS

a)

Acquisition of the Guanacevi property

In May 2004, the Company entered into an option agreement to acquire 100% interest in the outstanding shares of Minera Santa Cruz y Garibaldi SA de CV ("Minera Santa Cruz"), which owns 100% of the producing Santa Cruz silver-gold mine located in Durango, Mexico for $2.5 million, with final payment occurring January 28, 2008.

In 2007, the Company issued 1,526,201 shares of the Company with a fair market value of $4.88 per share to acquire the remaining 49% of outstanding shares in Minera Santa Cruz.

b)

Acquisition of the Guanajuato mines project

On April 30, 2007 the Company acquired the exploitation contracts to the Unidad Bolanitos silver-gold mines and plant located in the northern parts of the Guanajuato and La Luz silver districts in the state Guanajuato, Mexico. The Company paid $2.4 million in cash and 224,215 shares of the Company with a fair market value of $4.46 per share.

On May 30, 2007 the Company acquired 100% of the Guanajuato mine assets from two subsidiary companies of Industrias Penoles SA de CV ("Penoles"). The assets consist of 2,071 hectares of land, three mines and a 500 ton per day processing plant. The purchase price was 800,000 shares of the Company with a fair market value of $4.84 per share and 250,000 2 year warrants with an exercise price of CAN $5.50. The fair value of the warrants was determined to be $460; the fair value was based on an expected stock price volatility of 68.7%, expected life of 2 years and an estimated risk-free rate of 3.98%. The 2 year warrants expired May 30, 2009.

The Company accounted for these acquisitions as asset acquisitions as the contracts and the plant are considered to be separate asset purchases that do not represent a business as defined under Canadian GAAP.

The Company allocated $7.3 million to mineral properties, $396 to the plant and recognized an asset retirement obligation of $664 related to the future reclamation of the Guanajuato properties (Note 12).

5. MARKETABLE SECURITIES

	December 31 2009	December 31 2008
Investment in marketable securities, at cost	**$ 1,828**	$ 35
Unrealized gain on marketable securities	**150**	-
Unrealized foreign exchange gain (loss)	**67**	-
	$ 2,045	$ 35

6. INVESTMENTS IN NOTES RECEIVABLE (PREVIOUSLY "ASSET BACKED COMMERCIAL PAPER")

At December 31, 2009 the Company held restructured Asset Backed Commercial Paper Notes (the "Notes") that were obtained in February 2009 from the restructuring of Canadian Asset Backed Commercial Paper ("ABCP"). The ABCP was purchased in a Canaccord Capital account in 2007 with a par value CAN $5.2 million. At the dates at which the Company acquired the investments, the non-bank sponsored ABCP was rated RI (High) by Dominion Bond Rating Services ("DBRS"), the highest credit rating issued for commercial paper. In August 2007, the ABCP market experienced liquidity problems and was subsequently frozen.

The Company assessed the estimated fair value of its investment and based on the available information regarding current market conditions, the underlying assets and the indicative values contained in the report issued by JP Morgan, we recorded a total impairment charge of $2.7 million in prior years. There was a significant amount of uncertainty in estimating the amount and timing of cash flows associated with the ABCP. The Company estimated the value using a basic discounted cash flow model assuming principal is repaid between 2013 and 2016, interest earned at banker acceptance less 50 bps, using a 12% discount rate. This resulted in an estimated fair value of CAN$2.6 million.

In September 2007, a Pan-Canadian Committee (the "Committee") consisting of a panel of major ABCP investors was formed to restructure the affected ABCP trusts. In January 2009, the Committee successfully completed the restructuring based on a report issued by J.P. Morgan. The restructuring plan was executed as follows:

- The creation of three master asset vehicles ("MAV"), within each MAV, the issuance of 5 different series of notes:
  - Class A-1 Notes are the senior notes, with the other series of Notes subordinated to them. Class A-1 Notes are expected to have maturities from 6 to 8 years and a coupon rate of Bankers Acceptance ("BA") Rate less 0.5%.
  - Class A-2 Notes are senior to the Class B Notes, C Notes and IA Tracking Notes. Class A-2 Notes are expected have maturity of 8 years and a coupon rate of BA Rate less 0.5%
  - Class B Notes are senior to the Class C Notes and IA Tracking Notes. Class B Notes are expected to have a maturity of 8 years and a coupon rate BA Rate of less 0.5%
  - Class C Notes are senior to the IA Tracking Notes. Class C Notes are expected to have a maturity of 8 years and a coupon rate of 20%. It was stated by JP Morgan that for the Class C Notes "investors" should expect return closer to BA Rate less 0.5%.
  - IA Tracking Notes are expected to have a maturity of 8 years and a coupon rate equivalent to the net rate of return generated by the specific underlying assets.

Based on the Restructuring Plan:

- CAN $3,229 of our investments were replaced with Class A-1 Notes
- CAN $1,093 of our investments were replaced with Class A-2 Notes
- CAN $ 198 of our investments were replaced with Class B Notes º CAN $ 140 of our investments were replaced with Class C Notes
- CAN $ 464 of our investments will be were replaced with IA Tracking Notes (Class 15)

The Company updated the valuation model to reflect the Notes that were distributed as a result of the restructuring. The Notes were recorded at their estimated fair value of CAN $2.6 million, resulting in no gain or loss on implementation of the restructuring. The Company received $255 of interest in the period in accordance with the terms of the Notes. Due to the improved liquidity in the markets in the fourth quarter of 2009, the Notes have been recognized as a current asset as at December 31, 2009.

The Company has classified the Notes as available for sale. Management has recorded the Notes at their estimated fair market value with the impact of market fluctuations recognized through other comprehensive income, unless there are declines in value that are concluded to be other than temporary, in which case the declines will be charged to operations.

7. ACCOUNTS RECEIVABLE AND PREPAIDS

	December 31 2009	December 31 2008
Trade receivables	**$ -**	$ 1,661
IVA receivables	**4,497**	2,886
Other receivables (1)	**1,942**	843
Prepaids and advances	**1,028**	813
	$ 7,467	$ 6,203

(1) Includes receivable from monthly income tax installments of $1,869 (2008 - $720)

In 2008, the Company recorded an $800 allowance related to value added tax outstanding from periods prior to 2007, and wrote off $145 of value added tax related to 2007 and 2008, which is deemed uncollectible.

8. INVENTORIES

	December 31 2009	December 31 2008
Warehouse inventory	**$ 2,446**	$ 1,642
Stockpile inventory	**1,412**	151
Finished Goods inventory	**1,834**	941
Work in process inventory	**408**	425
	$ 6,100	$ 3,159

9. RELATED PARTY TRANSACTIONS

The Company shares common administrative services and office space with related party companies 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 $133 receivable related to administration costs outstanding as of December 31, 2009 (2008 – $ 21, 2007 - $ nil).

During the course of the period the company paid $ nil (2008 - $155, 2007 - $177) in consulting fees to a company with common directors and management.

The Company has paid $228 for legal services to a legal firm with a common member of management. The Company has a $5 payable related to legal costs outstanding as of December 31, 2009. In 2008 and 2007 the Company paid $120 and $130, respectively for legal services to a separate legal firm with a former member of management.

On December 31, 2007 the Company signed option agreements with Aztec Metals Corp. (“Aztec”) a non-public company with common directors, whereby Aztec had the right to acquire unexplored properties (Rio Chico and Matehuala) for a cash payment of $63 and issuance of 533,333 common shares in Aztec.

Aztec paid Endeavour $43 and delivered a signed silver participation contract June 30, 2008 to exercise the option on the Matehuala property and cancelled the option to acquire the Rio Chico property during the year. The common shares acquired by the Company have an estimated value of $35 as of December 31, 2009, compared to $160 original cost. The Company has $110 receivable related to 2008 property tax payments and the initial Rico Chico option payment outstanding as of December 31, 2009.

10. MINERAL PROPERTY, PLANT AND EQUIPMENT

Mineral property, plant and equipment comprise:

	December 31, 2009			December 31, 2008		
	Cost	**Accumulated amortization**	**Net book value**	Cost	Accumulated amortization	Net book value
Properties	**$ 49,423**	**$ 17,684**	**$ 31,739**	$ 37,066	$ 9,041	$ 28,025
Mill	**18,738**	**5,348**	**13,390**	17,380	3,366	14,014
Machinery and equipment	**11,498**	**2,132**	**9,366**	7,575	1,190	6,385
Transportation and vehicles	**1,056**	**528**	**528**	1,003	370	633
Buildings	**1,861**	**359**	**1,502**	1,770	185	1,585
Office equipment	**870**	**393**	**477**	689	206	483
	$ 83,446	**$ 26,444**	**$ 57,002**	$ 65,483	$ 14,358	$ 51,125

(a)

Guanacevi properties (Durango, Mexico)

See Note 4, Business acquisitions and significant asset acquisitions to these financial statements for a discussion of the acquisitions of Minera Santa Cruz.

In June 2005, the Company acquired nine silver mining properties in the Guanacevi district, Durango, Mexico, from Industrias Peñoles S.A. de C.V. ("Peñoles"). The Company is required to send all mineral production from these properties to the Peñoles smelter in Torreon, Mexico, for smelting and refining. Peñoles retains a 3% net proceeds royalty on future production after deduction of all shipping and smelting costs, including taxes and penalties if any.

On November 22, 2007, the Company paid $50 and issued 30,000 common shares to enter into an option agreement to acquire 100% interest in the El Maliche property in the Guanacevi district with a further payment of $50 due within 18 months. During 2009 the Company acquired 100% interest through the final $50 payment.

On November 29, 2007, the Company signed an option to acquire 100% interest in 15 properties within the San Pedro district in the state of Durango. The Company issued 120,000 common shares and 60,000 1-year warrants with an exercise price of US $4.65. The fair value of the warrants was determined to be $48; the fair value was based on an expected stock price volatility of 55.5%, expected life of 1 year and an estimated risk-free rate of 3.98%. The warrants expired unexercised. To acquire the properties, the Company was required to issue 570,776 shares as final payment in November 2009. In November 2009, the Company signed an agreement to defer the share payment until the second quarter of 2010.

In February 2009, the Company signed an option agreement to acquire Porvenir Cuatro concessions located in the Guanacevi district for payments totalling $700 over two years. The Company paid $100 on ratification of the option and issued 136,426 shares equivalent to $200. To acquire the property the Company is required to issue an additional $240 worth of shares within 1 year of the agreement date and $160 in cash or shares within 2 years of the agreement date. Subsequent to year end, the Company issued 71,428 shares valued at $240 and paid $160 to acquire the property.

In prior years the Company acquired various property concessions in the Guanacevi District that it maintains with nominal property tax payments to the Mexican government.

In October 2005, the Company acquired a mining lease from Minera Tayahua, S.A. de C.V., on the El Porvenir property in Guanacevi. Under the lease agreement, the Company agreed to mine El Porvenir at a rate between 9,000 tonnes and 27,000 tonnes per quarter and to pay a 3% net smelter royalty from production. The Company held the exclusive right to mine the El Porvenir property for a 5-year period, however the agreement included a clause that either party can terminate the contract in advance, without indicating cause, communicating the termination date at least 2 years before the effective date of the termination. On August 16, 2006 the Company received a letter indicating contract termination as of August 31, 2008. The Company mined the El Porvenir property until August 30, 2008.

MINERAL PROPERTY, PLANT AND EQUIPMENT (continued)

(b) Parral properties

In August 2006, The Company acquired the option to purchase the concession rights in the El Cometa properties. During the year ended December 31, 2009 the Company made the final payments on the properties totaling $100 to acquire the concession rights for total compensation of $350.

In August 2009, The Company acquired the option to acquire a 100% interest in the San Juanico properties by making $130 payments over 18 months and a final payment in 24 months of a minimum $300 up to a maximum of $1.9 million based on the NI 43-101 compliant silver-equivalent resources at the exercise date (using only gold as an equivalent based on price ratio of silver and gold). The Company paid $40 on ratification of the option.

The Company also entered into an agreement with the current owner of San Juanico to share in the production from the properties during the 24 month option period. The Company has agreed to advance the owner up to $150 at an annual interest rate of 9% to redevelop the San Juanico mine back into small scale production. The loan is secured by a first mortgage on the San Juanico properties. As of December 31, 2009, the Company advanced $130 held in prepaids and advances. Subsequent to year end, the Company advanced the additional $20 available under the terms of the agreement.

(c) Arroyo Seco properties

In October 2006, the Company acquired an option to purchase a 100% interest in the Arroyo Seco property, in Michoacan, Mexico for $229,000 over 4 years. During 2009 the Company acquired 100% interest with the final $45 payment.

(d) Mineral property contingencies

Management believes the Company has diligently investigated rights of ownership of all of the mineral properties to a level which is acceptable by prevailing industry standards with respect to the current stage of development of each property in which it has an interest and, to the best of its knowledge, all agreements relating to such ownership rights are in good standing. However, all properties may be subject to prior claims, agreements or transfers, and rights of ownership may be affected by undetected defects.

(e) Subsequent Events

In February 2010, the Company acquired the option to acquire a 100% interest in the San Sebastian properties, located in Jalisco, Mexico by paying a total of $2.75 million over three years, of which the Company has paid $50,000 on ratification of the options. The Company is also required to spend $2.0 million on exploration over three years.

11. PROMISSORY NOTE

In April 2009, the Company purchased $918 of mining equipment from Sandvik Mining and Construction de Mexico SA de CV ("Sandvik"). The Company financed $596 of the purchase by a promissory note, which is paid with equal installments over a 36 month period incurring simple annual interest of 10% on the outstanding balance. As of December 31, 2009, a balance of $479 remains. The promissory note has been designated as other liabilities and is recognized at amortized cost.

12. ASSET RETIREMENT OBLIGATIONS

Although the ultimate amount of the reclamation costs to be incurred cannot be predicted with certainty, the total undiscounted amount of estimated cash flows required to settle the Company's estimated obligations is $1,858 (2008 – $1,858), which has been discounted using a credit adjusted risk free rate of 8.25%. Significant reclamation and closure activities include land rehabilitation, decommissioning of buildings and mine facilities, ongoing care and maintenance and other costs. The timing of cash flows has been estimated based on the mine lives using current reserves, measured and indicated resources.

Changes to the reclamation and closure cost balance during the period are as follows:

Balance at December 31, 2008	$	1,445
Changes during the period:		
Incurrence		-
Change in estimate		135
Interest accretion		160
Balance at December 31, 2009	**$**	**1,740**

The present value of the reclamation liabilities may be subject to change based on management's changes to estimates, changes in remediation technology or changes to the applicable laws and regulations.

13. CONVERTIBLE DEBENTURES

In February 2009, the Company issued CAN $14 million in 10% subordinated unsecured convertible redeemable debentures (the "Debentures") maturing February 2014. The interest is 10% annually, paid quarterly in arrears. At any time, each Debenture may be converted by the holder into one unit consisting of one of the Company's common shares and one half of a common share purchase warrant at an initial conversion rate of 526.3 units for each CAN $1,000 Debenture, representing an initial conversion price of CAN $1.90 per unit. Additional units may become issuable following the occurrence of certain corporate acts or events. Each full share purchase warrant will entitle the holder to purchase one common share at an exercise price of CAN $2.05. A total of 7,364,737 common shares are issuable upon conversion. Subsequent to August 26, 2010, each Debenture can be redeemed by the Company for cash, plus a redemption fee of 7%, provided the closing share price is greater than CAN $2.85.

As the Debentures include both cash payment and equity conversion features, the gross proceeds have been allocated between liability and equity elements, as described further below. The liability element has been designated as other liabilities and is recognized at amortized cost. The related transaction costs are allocated on a proportional basis. The transaction costs associated with the liability portion of the Debentures are deferred and amortized over their expected term.

The face value of the Debentures has been allocated as follows for accounting purposes:

	CAN $	US $
Allocation of gross proceeds		
Gross Proceeds	**$ 13,993**	**$ 11,225**
Fair value of liability portion	10,492	8,417
Fair value of equity portion	3,501	2,808
Liability portion of convertible debentures		
Opening balance	-	-
Initial fair value of debt component	10,492	8,417
Issuance costs	(1,547)	(1,241)
Accretion expense	1,643	1,466
Interest accrued	(267)	(254)
Interest paid	(883)	(794)
Conversion into common shares	(889)	(829)
Foreign exchange (gain)/loss on revaluation	-	1,384
Closing balance of liability portion	**$ 8,549**	**$ 8,149**
Equity portion of convertible debentures		
Opening balance	-	-
Initial fair value of equity portion	3,501	2,808
Issuance costs	(516)	(415)
Conversion into common shares	(286)	(229)
Closing balance of equity portion	**$ 2,699**	**$ 2,164**

The fair value of the liability portion of the Debentures at initial recognition was estimated using a discounted cash flow method, with the Company's incremental borrowing rate estimated to be 18%. The fair value of the equity component was estimated using the residual value method. The Company has determined that its redemption option had no material value at inception, but due to change of estimated inputs, the rise in the Company's share price and estimated borrowing rate, a gain of $2,693 was recorded in the fourth quarter. As at December 31, 2009 the redemption option was valued using a binomial lattices model using a volatility estimate of 65%, risk free rate of 2.3% and estimated borrowing rate of 12% over the life of the Debentures. The liability portion of the Debentures is accreted over an expected life of 5 years using the effective interest method. Total financing fees associated with the transaction were $1,656, which were allocated on a proportional basis between the liability component ($1,241) and equity component ($415). The Company paid $1,191 and issued 644,414 share purchase warrants exercisable at CAN$ 1.90 for five years with an estimated value of $465 as consideration for the financing fees. The agent warrants were valued using Black-Scholes valuation technique with an expected life of 5 years and a volatility of 73%.

During the year, CAN $1.34 million of convertible debentures were converted into 706,313 common shares and 353,155 warrants.

14. SHARE CAPITAL

(a)

The Company considers the items included in the consolidated statement of shareholders' equity as capital. The Company's objective when managing capital is to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders**.** The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares through private placements, convertible debentures, asset acquisitions or return capital to shareholders. The Company is not subject to externally imposed capital requirements.

(b)

As at December 31, 2009 and December 31, 2008 a total of 93,750 common shares are held in escrow, the release of which is subject to regulatory approval.

(c)

Private Placements/Public Offerings

(i)

In October 2009, the Company completed a prospectus offering and exercise of the over allotment for 6,152,500 units at CAN $3.00 per unit for gross proceeds of CAN $18.5 million. Each unit is comprised of one common share and one-half of a common share purchase warrant. Each whole share purchase warrant is exercisable to purchase one common share at an exercise price of CAN $3.60 until October 7, 2011. The agents received a cash commission of 6% totaling $1.1 million and 369,150 agents' warrants at an exercise price of CAN $3.00 until October 7, 2011. The warrants issued to the agents have an estimated fair value of $0.5 million and have been recorded in share capital on a net basis. Share issuance costs including the finders'fee totaled $1,992.

(ii)

In October 2009, the Company completed a non-brokered private placement for 1,299,843 units at CAN$3.00 per unit for gross proceeds of CAN$ 3.9 million. Each unit consisted of one common share and one-half of a common share purchase warrant. Each whole share purchase warrant is exercisable to purchase one common share at an exercise price of CAN$3.60 until October 26, 2011 (Note 14(g)). A finders' fee of 6% was paid on a portion of the private placement totaling $154. Share issuance costs including the finders'fee totaled $219.

(iii)

In December 2008, the Company completed a brokered and non brokered private placement of special warrants for 2,311,540 units at CAN $1.30 per unit for gross proceeds of CAN $3.0 million. Each special warrant was exercisable into a unit comprised of one common share and one-half of a common share purchase warrant. Each whole share purchase warrant is exercisable to purchase one common share at an exercise price of CAN $1.90 until February 25, 2014. The agents received a cash commission of 6% totaling $140 and 131,792 agents' warrants at an exercise price of CAN $1.51 until February 25, 2014. The warrants issued to the agents have an estimated fair value of $0.1 million and have been recorded in share capital on a net basis. All of the special warrants were converted into units February 25, 2009 and the value assigned to the special warrants was reclassified into share capital in the period ended March 31, 2009.

SHARE CAPITAL (continued)

(d) Purchase options

Options to purchase common shares have been granted to directors, officers, employees and consultants pursuant to the current Company's stock option plan approved by the Company's shareholders in fiscal 2009 at exercise prices determined by reference to the market value on the date of the 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 10% 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 periods presented:

Prices expressed in CAN $

	December 31, 2009		December 31, 2008		December 31, 2007	
	Number of Shares	**Weighted average exercise price**	Number of Shares	Weighted average exercise price	Number of Shares	Weighted average exercise price
Outstanding, beginning of period	**4,733,400**	**$3.28**	4,089,400	$3.25	3,626,400	$2.43
Granted	**2,325,000**	**$2.71**	2,133,000	$3.20	1,685,000	$4.13
Exercised	**(585,800)**	**$1.61**	(88,000)	$0.83	(727,000)	$2.70
Cancelled [1]	**(1,284,900)**	**$4.71**	(1,401,000)	$3.31	(495,000)	$3.07
Outstanding, end of period	**5,187,700**	**$2.63**	4,733,400	$3.28	4,089,400	$3.25
Options exercisable at period-end	**2,669,700**	**$2.57**	4,263,400	$3.33	4,089,400	$3.25

[1] 20,000 options priced were cancelled in exchange for 10,332 share appreciation rights in 2008, while 245,000 options were cancelled in exchange for 142,520 share appreciation rights in 2007. There were no cancellations of options for share appreciation rights in 2009. See note 14 (e)

The following tables summarize information about stock options outstanding at December 31, 2009:

	Options Outstanding			Options Exercisable	
CAN $ Price Intervals	Number Outstanding as at Dec 31, 2009	Weighted Average Remaining Contractual Life (Number of Years)	Weighted Average Exercise Prices	Number Exercisable as at Dec 31, 2009	Weighted Average Exercise Prices
$1.00 - $1.99	936,000	4.4	$1.84	545,000	$1.84
$2.00 - $2.99	2,572,000	1.9	$2.47	1,852,000	$2.64
$3.00 - $3.99	1,624,700	4.6	$3.26	217,700	$3.11
$4.00 - $4.99	40,000	7.5	$4.89	40,000	$4.89
$5.00 - $5.99	15,000	2.2	$5.36	15,000	$5.36
	5,187,700	3.3	$2.63	2,669,700	$2.57

During the year ended December 31, 2009, the Company recognized stock-based compensation expense of $1.4 million (2008 - $2.3 million, 2007 – $4.7 million) based on the fair value of options granted.

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options.

SHARE CAPITAL (continued)

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:

	Period Ended December 31, 2009	Period Ended December 31, 2008	Period Ended December 31, 2007
Weighted average fair value of options granted during the period	$1.44	$1.71	$2.76
Risk-free interest rate	2.24%	3.23%	3.98%
Expected dividend yield	0%	0%	0%
Expected stock price volatility	76%	67%	67%
Expected option life in years	4.03	4.00	5.52

In 2008, the Company granted stock options to new employees to acquire up to 498,000 common shares at a weighted average exercise price of CAN $3.91 per share with expiry dates between January 1, 2013 and May 31, 2013 with no vesting periods. The Company granted stock options to directors, officers, employees and contractors to acquire up to 1,635,000 common shares at an exercise price of CAN $2.98 per share with expiry dates between June 1, 2013 and November 30, 2013. All options granted subsequent to June 1, 2008 are subject to a vesting period, where by 20% of the options vest immediately while the remaining vest 20% every six months over a two year period.

In 2009, the Company granted stock options to directors, officers, employees and contractors to acquire up to 2,325,000 common shares at a weighted average exercise price of CAN $2.71 per share with expiry dates between June 22, 2014 and November 12, 2014. All options granted are subject to vesting periods.

On July 29th, 2009, the Board of Directors approved a re-pricing of 670,000 employee options with weighted average remaining contractual life of 4.4 years and option price of CAN $3.79. The re-priced options weighted contractual life will remain 4.4 years, while the options will have an exercise price of CAN $2.01 and a one year vesting period. Using the Black Scholes model, the option re-pricing resulted in an additional estimate fair market value of $222 for the change in exercise prices as of July 29th, 2009. The additional fair value is recognized over the additional vesting period, resulting in $104 expense in 2009.

On July 29th, 2009, the Board of Directors approved the cancellation of 1,120,000 insider options with weighted average remaining contractual life of 6.8 years and option price of CAN $4.89. The insider options were fully vested, therefore the cancelation had no impact to stock based compensation.

(e)

Share appreciation rights plan

The company allowed that in the event that the Company graduated to a TSE listing, a participant may, as allowed under the Exchange policies, if determined by the Board, have the right (the "Right"), when entitled to exercise an Option, to terminate such Option in whole or in part by notice in writing to the Company and in lieu of receiving Common Shares pursuant to the exercise of the Option, shall receive instead and at no cost to the participant that number of Common Shares, disregarding fractions, which, when multiplied by the market price on the day immediately prior to the exercise of the Right, have a total value equal to the product of that number of Common shares subject to the Option times the difference between the market price on the day immediately prior to the exercise of the Right and the Option exercise price. The shareholder rights plan agreement was approved and activated June 14, 2006. During fiscal 2009, no options (2008 – 20,000, 2007 – 245,000) were cancelled for the exchange of share appreciation rights (2008 – 10,332, 2007 – 142,520).

(f)

Stock Bonus Plan

As of June 2, 2009, shareholders approved a stock bonus plan whereby the Board of Directors have the authority to grant common shares without par value in the Company to the directors, executive officers and employees of the Company up to, in aggregate, a maximum of 250,000 common shares per calendar year. As of December 31, 2009, 80,000 common shares were granted to executive officers and an employee of the Company valued at $371 expensed as stock based compensation.

SHARE CAPITAL (continued)

(g) Warrants

At December 31, 2009, the Company had outstanding warrants to purchase an aggregate 6,030,989 common shares as follows:

Exercise Price	Expiry Dates	Oustanding at December 31, 2008	Issued	Exercised	Expired	Oustanding at December 31, 2009
CAN $						
$5.50	May 30, 2009	250,000	-	-	(250,000)	-
$4.65	January 8, 2009	60,000	-	-	(60,000)	-
$1.51	February 25, 2014	131,792	-	-	-	131,792
$1.90	February 25, 2014	-	1,155,770	(87,500)	-	1,068,270
$1.90	February 26, 2014	-	644,414	(122,207)	-	522,207
$2.05	February 26, 2014	-	353,155	(37,368)	-	315,787
$3.60	October 7, 2011	-	3,076,250	-	-	3,076,250
$3.00	October 7, 2011	-	369,150	(102,381)	-	266,769
$3.60	October 26, 2011	-	649,914	-	-	649,914
		441,792	6,248,653	(349,456)	(310,000)	6,030,989

122,207 warrants were elected to be exercised “cashless” in which event no payment of the exercise price is required, while the holder receives the number of shares based the intrinsic value of the warrants over the five day trading average prior to exercise. This resulted in 46,426 shares being issued.

At December 31, 2008, the Company had outstanding warrants to purchase an aggregate 441,792 common shares as follows:

Exercise Price	Expiry Dates	Oustanding at December 31, 2007	Issued	Exercised	Expired	Oustanding at December 31, 2008
CAN $						
$5.50	May 30, 2009	250,000	-	-	-	250,000
$4.65	January 8, 2009	60,000	-	-	-	60,000
$1.51	February 25, 2014	-	131,792	-	-	131,792
		310,000	131,792	-	-	441,792

At December 31, 2007, the Company had outstanding warrants to purchase an aggregate 310,000 common shares as follows:

Exercise Price	Expiry Dates	Oustanding at December 31, 2006	Issued	Exercised	Expired	Oustanding at December 31, 2007
CAN $						
$2.30	February 1, 2007	327,000	-	(320,000)	(7,000)	-
$2.90	October 5, 2007	2,601,634	-	(2,554,134)	(47,500)	-
$5.25	October 24, 2007	3,539,920	-	(10,135)	(3,529,785)	-
$3.70	August 23, 2007	167,888	-	(153,953)	(13,935)	-
$5.50	May 30, 2009	-	250,000	-	-	250,000
$4.65	January 8, 2009	-	60,000	-	-	60,000
		6,636,442	310,000	(3,038,222)	(3,598,220)	310,000

15. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	Period Ended December 31, 2009	Period Ended December 31, 2008	Period Ended December 31, 2007
Net changes in non-cash working capital			
Accounts receivable and prepaids	**$ (1,264)**	$ 52	$ (4,096)
Inventories	**(2,043)**	(662)	634
Due from related parties	**(124)**	109	(194)
Accounts payable and accrued liabilities	**(217)**	991	1,302
Income taxes payable	**545**	(781)	777
	$ (3,103)	$ (291)	$ (1,577)
Non-cash financing and investing activities:			
Reclamation included in mineral property, plant and equipment	**$ 135**	$ (264)	$ 525
Tax gross up related to acquistion of subsidiaries	**-**	-	1,853
Fair value of exercised options allocated to share capital	**533**	46	1,049
Fair value of shares issued under the share appreciation rights plan	**-**	21	283
Fair value of equity issued on buy out of Minera Santa Cruz	**-**	-	7,444
Fair value of agent warrants issued on financings	**1,001**	82	-
Fair value of equity issued on acquisition of Guanajuato mines project	**-**	-	5,332
Fair value of equity issued on acquisition of other mineral properties	**200**	-	661
Fair value of share bonus included in accounts payable	**108**	-	-
Fair value of exercised agent warrants allocated to share capital	**236**	-	-
Exercise of convertible debentures	**1,058**	-	-
Other cash disbursements:			
Interest paid on convertible debenture	**794**	-	-
Interest paid on promissory note	**40**	-	-
Monthly income tax instalments	**1,869**	740	1,243

16. SEGMENT DISCLOSURES

The Company has identified both Guanacevi and Guanajuato mines as segments.

	December 31, 2009			
	Corporate	**Guanacevi**	**Guanajuato**	**Total**
Cash and cash equivalents	$ 22,851	$ 3,825	$ 26	$ 26,702
Marketable securities	2,045	-	-	2,045
Notes receivable	2,476	-	-	2,476
Accounts receivables and prepaids	1,060	5,255	1,152	7,467
Inventories	-	4,722	1,378	6,100
Due to related parties	243	-	-	243
Mineral property,plant and equipment	77	45,282	11,643	57,002
Revenue	-	32,281	18,488	50,769
Cost of Sales	-	20,255	9,223	29,478
Depreciation	67	8,778	2,419	11,264
Earnings (loss) before taxes and other items	$ (7,927)	$ 3,247	$ 6,847	2,167

	December 31, 2008			
	Corporate	**Guanacevi**	**Guanjuato**	**Total**
Cash and cash equivalents	$ 3,246	$ 255	$ 81	$ 3,582
Marketable securities	35	-	-	35
Accounts receivables and prepaids	1,758	2,837	1,608	6,203
Inventories	-	2,175	984	3,159
Due to related parties	119	-	-	119
Mineral property,plant and equipment	100	41,547	9,478	51,125
Long term investments	2,155	-	-	2,155
Revenue	-	30,692	8,610	39,302
Cost of Sales	-	19,950	7,852	27,802
Depreciation	58	5,987	2,338	8,383
Earnings (loss) before taxes and other items	$ (20,180)	$ 4,757	$ (1,580)	(17,003)

17. INCOME TAXES

On October 1, 2007, the Government of Mexico enacted legislation which introduces certain tax reforms including a new minimum flat tax effective January 1, 2008. In 2008 and 2009, the interpretation of the legislation, planning and experience resulted in the Company assessing that the future income tax of the projects and entities will be subject to the income tax regime over the life of the projects as opposed to estimating the entities would be subject to the minimum flat tax regime in 2007.

When circumstances cause a change in management's judgment about the recoverability of future tax assets, the impact of the change on the valuation allowance will be reflected in current income.

The reconciliation of the income tax provision computed at statutory rates to the reported income tax provision is as follows:

	December 31, 2009	December 31, 2008	December 31, 2007
Canadian statutory tax rates	**30.00%**	31.00%	34.12%
Income tax benefit computed at Canadian statutory rates	**$ (192)**	$ (5,263)	$ (3,772)
Foreign tax rates different from statutory rate	**542**	838	(341)
Temporary differences not recognized in the period	**460**	325	2,855
Permanent differences	**1,610**	2,063	2,008
Change in Mexico tax regime estimate	**-**	1,332	(1,332)
Change in valuation allowance	**1,673**	1,706	1,751
Tax provision	**$ 4,093**	$ 1,001	$ 1,169

The tax effect of the temporary differences that gives rise to future tax as of December 31, 2009 and 2008 for Mexico subsidiaries is presented below:

Mexico operations	**December 31, 2009**	December 31, 2008
Future income tax assets:		
Tax loss carryforwards	**$ 1,365**	$ 2,281
Other	**1,437**	$ 810
Future income tax liabilities:		
Mineral properties, plant and equipment	**$ (8,781)**	$ (7,127)
Other	**$ (2,124)**	$ -
Future income tax liabilities, net	**$ (8,103)**	$ (4,036)

As at December 31, 2009, the Company had available for deduction against future taxable income in Mexico non-capital losses of approximately MXN $60.4 million (2008 – MXN $111.1 million). These losses, if unutilized, have expiration years ranging from 2011 to 2019.

17. INCOME TAXES (continued)

The tax effect of the temporary differences that gives rise to future tax assets as of December 31, 2009 and December 31, 2008 for Canadian operations is presented below:

Canada operations	**December 31, 2009**	December 31, 2008
Future income tax assets:		
Tax loss carryforwards	**$ 6,449**	$ 3,861
Mineral properties, plant and equipment	**588**	508
Other	**257**	437
Total future income tax assets	**7,294**	4,806
Valuation allowance	**(7,294)**	(4,806)
Future income tax assets, net	$ -	$ -

As at December 31, 2009, the Company had available for deduction against future taxable income in Canada non-capital losses of approximately CAN$22.2 million (2008 – CAN $16.0 million). These losses, if unutilized, have expiration years ranging from 2011 to 2029.

18. FINANCIAL INSTRUMENTS

(i) Financial Assets and Liabilities

The Company's financial instruments consist of cash and cash equivalents, receivables, marketable securities, accounts payable, accrued liabilities, asset backed commercial paper notes ("ABCP Notes"), promissory note and convertible debentures. Cash and cash equivalents are designated as held for trading and therefore carried at fair value, with the unrealized gain or loss recorded in income. Receivables are designated as loan receivables and accounts payables, accrued liabilities, promissory note and convertible debentures are designated as other financial liabilities and recorded at amortized cost. Marketable securities and ABCP Notes are designated as available for sale with the unrealized gain or loss recorded in other comprehensive income. Interest income and expense are both recorded in income.

The fair value hierarchy establishes three levels to classify inputs to the valuation techniques used to measure fair value. Level 1 inputs are quoted market prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are inputs other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable (supported by little or no market activity).

Cash and cash equivalents and promissory note are stated at fair value and are classified as Level 1 of the fair value hierarchy. The fair values of, accounts receivables, accounts payable, accrued liabilities are approximate carrying value because of the short term nature of these instruments.

The fair value of available for sale marketable securities is determined based on a market approach reflecting the closing price of each particular security at the closing balance sheet date. The closing price is a quoted market price obtained from the exchange that is the principal active market for the particular security, and therefore available for sale securities are classified within Level 1 of the fair value hierarchy.

The fair value of the ABCP Notes are determined by discounting the stream of future payments at the estimated prevailing market rates (Note 6) and are classified within Level 2 as of December 31, 2009. Prior to the successful restructuring of the asset backed commercial paper in January 2009, the ABCP inputs were unobservable and therefore classified as Level 3 of the fair value hierarchy.

The fair values of the convertible debentures are determined as described in Note 13 and are classified within Level 2.

(ii) Financial Instrument Risk Exposure and Risk Management

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management process. The types of risk exposure and the way in which such exposure is managed is provided as follows:

Credit Risk

The Company is exposed to credit risk on its bank accounts and IVA receivable balance. Credit risk exposure on bank accounts is limited through maintaining its cash and equivalents with high-credit quality financial institutions, maintaining investment policies, assessing institutional exposure and continual discussion with external advisors. IVA receivables are generated on the purchase of supplies and services to produce silver which are refundable from the Mexican government.

Liquidity Risk

The Company ensures that there is sufficient capital in order to meet short term business requirements, after taking into account the Company's holdings of cash equivalents, marketable securities and receivables. The Company's policy is to invest cash at floating rates of interest, while cash reserves are to be maintained in cash equivalents in order to maintain liquidity The Company believes that these sources, operating cash flow and its policies will be sufficient to cover the likely short term cash requirements and commitments.

FINANCIAL INSTRUMENTS (continued)

Market Risk

The significant market risk exposures to which the Company is exposed are foreign exchange risk, interest risk, and commodity price risk.

Foreign Currency Risk – The Company's operations in Mexico and Canada make it subject to foreign currency fluctuations. The Company's operating expenses are primarily incurred in Mexican pesos and Canadian dollars, and the fluctuation of the US dollar in relation to these currencies will consequently have an impact upon the profitability of the Company and may also affect the value of the Company's assets and the amount of shareholders' equity. The Company's convertible debentures were issued in Canadian dollars and related interest expense is incurred in Canadian dollars. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks.

The US dollar equivalent of financial assets and liabilities denominated in currencies other than the US dollar as at December 31 are as follows:

	December 31, 2009		December 31, 2008	
	Canadian Dollar	**Mexican Peso**	Canadian Dollar	Mexican Peso
Financial Assets	**$ 24,025**	**$ 7,582**	$ 5,068	$ 4,825
Financial Liabilities	**(9,228)**	**(2,946)**	(870)	(2,679)
Net Financial Liabilities	**$ 14,797**	**$ 4,636**	$ 4,198	$ 2,146

Of the financial assets listed above, $19,203 (2008 – $2,571) represents cash and cash equivalents held in Canadian dollars, and $2,426 (2008 - $851) represents cash held in Mexican Pesos. The remaining cash balance is held in US dollars.

As at December 31, 2009, with other variables unchanged, a 5% strengthening of the US dollar against the Canadian dollar would decrease net earnings by $0.7m due to these financial assets and liabilities.

As at December 31, 2009, with other variables unchanged, a 5% strengthening of the US dollar against the Mexican peso would decrease net earnings by $0.2m due to these financial assets and liabilities.

Interest Rate Risk – In respect of financial assets, the Company's policy is to invest cash at floating rates of interest and cash reserves are to be maintained in cash equivalents in order to maintain liquidity. Fluctuations in interest rates impact the value of cash equivalents.

With respect to financial liabilities, the convertible debentures and promissory note are not subject to interest rate risk given the fixed rate of 10% per annum for both liabilities.

19. COMMITMENTS

The Company has operating lease commitments for office space for $253 annually until 2011, totalling $0.5 million. Commitments relating to the Company's mineral properties are disclosed in note 10.

20. RECONCILIATION WITH UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

Accounting practices under Canadian and United States generally accepted accounting principles ("GAAP"), as they affect the Company, are substantially the same, except for the following measurement differences.

(a)

Stock based compensation

Under U.S. GAAP, all share based payments to employees, including grants of employee stock options, are recognized in the income statement based on their fair values. The Company currently uses the fair value method to account for all stock option grants. For the years presented, there are no differences in stock-based compensation, with the exceptions noted below.

Stock options issued to employees of foreign operations, with an exercise price denominated in a currency other than the US dollar, the Company's functional currency, or the local currency of the foreign operation, are to be classified as liabilities and fair valued each period.

For the year ended December 31, 2009, the net effect of accounting for these stock options as a derivative liability reduces net earnings by $2,119, decreases equity by $610 and increases derivative liability to $2,729. In the prior year the impact was immaterial to the financial statements.

Under U.S. GAAP, stock based compensation of $1,238, $425 and $138 would be presented within general and administrative costs, cost of sales and exploration expense, respectively in 2009, whereas the stock-based compensation expense is reported separately for Canadian GAAP (2008 - $1,696, $586 and $67, 2007 -$4,681, nil and nil).

The total intrinsic value of options exercised during the year ended December 31, 2009 was $425 (2008 – $185, 2007- $2,256). The total intrinsic value and weighted average contractual term of vested options at December 31, 2009 is $3,206 and 2 years, respectively.

(b)

Convertible Debentures

Under Canadian GAAP, the liability and equity components of the convertible debentures are determined and separately classified on the consolidated balance sheets. The liability component represents the present value of the holders' conversion feature at inception, while financing charges attributable to the liability component of the convertible debentures are included in their carrying value.

Under US GAAP, a value is assigned to the conversion feature on the convertible debentures only if the effective conversion rate is less than the market price of the common stock at the date of issuance. Accordingly, for US GAAP purposes, the entire convertible debentures are presented on the consolidated balance sheet as a liability, an increase of $2,164, while accretion expense would decrease by $360 and foreign exchange loss would increase by $327.

In accordance with FASB 133 and EITF 07-5 the convertible debentures underlying unit is denominated in a currency other than the Company's functional currency and are not considered to be indexed to the Company's own stock. Therefore the conversion feature must be separated from the host contract and accounted for as a derivative instrument. As a result, for US GAAP purposes as at February 26, 2009 (after the adjustments above), the debenture liability decreased by $6,614, and a derivative liability of the corresponding amount is recorded. For the year ended December 31, 2009, the derivative liability was $21,926 and equity increased $959 after the mark to market loss of $16,271.

RECONCILIATION WITH UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (continued)

(c) Warrants

Under Canadian GAAP, outstanding share purchase warrants are classified and accounted for as share capital. Effective January 1, 2009, for U.S. GAAP purposes, the Company adopted a new accounting interpretation which addresses the determination of whether an equity linked financial instrument or embedded feature that has all of the characteristics of a derivative under other authoritative U.S. GAAP accounting literature is indexed to an entity's own stock and would therefore not be accounted for as derivative instrument.

The Company's share purchase warrants have an exercise price denominated in a currency other than the Company's functional currency and are not considered to be indexed to the Company's own stock. Accordingly, for US GAAP purposes, the warrants are classified and accounted for as a financial liability at their fair value with changes in fair value being included in net earnings.

The new accounting guidance has been applied to warrants outstanding as of January 1, 2009 with the cumulative effect of adoption recognized as an adjustment to opening retained earnings for US GAAP purposes. As a result, for US GAAP purposes as at December 31, 2009, a derivative liability of $10,255 was recorded, while an original warrant value included in equity of $4,213 for Canadian GAAP purposes was reversed resulting in a mark to market loss of $6,042. $585 derivative liability was created on conversion of convertible debentures. There is no impact to prior year's consolidated financial statements.

The publicly traded warrants were value based on the quoted market value of these warrants as of December 31, 2009 and are classified in Level 1 of the fair value hierarchy. The non-publicly traded warrants have been valued using Black-Scholes valuation model and are classified in Level 2 of the fair value hierarchy.

(d) Mineral property exploration

US GAAP requires that long lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In performing the review of recoverability, the Company is to estimate the future cash flows expected to result from the use of the asset and its eventual disposition. If the sum of the expected future cash flows (undiscounted and without interest charges) is less than the carrying amount of the asset, an impairment loss is recognized. The Securities and Exchange Commission ("SEC") staff has indicated that their interpretation of U.S. GAAP requires mineral property exploration costs to be expensed as incurred until commercially mineable deposits are determined to exist within a particular property, as cash flows cannot be reasonably estimated prior to such determination. Accordingly, for all periods presented, the Company would expense all mineral property exploration costs for U.S. GAAP purposes, which is consistent with the Canadian GAAP treatment.

RECONCILIATION WITH UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (continued)

(e) The effect of the above on the financial statements for the year ended December 31 is as follows:

Statement of Operations	**December 31, 2009**	December 31, 2008	December 31, 2007
Net loss per Canadian GAAP	**(3,788)**	(18,004)	(12,202)
Mark-to-market loss on foreign issued options	**$ (2,119)**	$ -	$ -
Mark-to-market gain (loss) on convertible debentures	**(16,271)**	-	-
Mark-to-market gain (loss) on warrants with a foreign currency	**(6,042)**	-	-
Accretion of bifurcated convertible debentures	**360**	-	-
Foreign exchange loss on convertible debentures	**(327)**	-	-
Redemption option gain	**(2,693)**		-
Net loss and comprehensive income loss per US GAAP	**$ (30,880)**	$ (18,004)	$ (12,202)
Basic and diluted loss per share per US GAAP	**$ 0.58**	$ 0.37	$ 0.27

Balance Sheets		**December 31, 2009**	December 31, 2008
Assets per Canadian GAAP		**$ 105,881**	$ 67,292
Adjustments related to:			
Convertible debentures redemption call option	20 (b)	**(2,693)**	-
Assets per US GAAP		**$ 103,188**	$ 67,292
Liabilities per Canadian GAAP		**$ 24,500**	$ 10,820
Adjustments related to:			
Foreign issued options derivative liability	20 (a)	**2,729**	-
Convertible debentures	20 (b)	**327**	-
Accretion of bifurcated convertible debentures	20 (b)	**(360)**	-
Equity portion of convertible debentures	20 (b)	**2,164**	-
Convertible debentures embedded derivative liability	20 (b)	**15,312**	-
Warrants foreign currency derivative liability	20 (c)	**10,255**	-
Liabilities per US GAAP		**$ 54,927**	$ 10,820
Shareholders' equity per Canadian GAAP		**$ 81,381**	$ 56,472
Adjustments related to			
Foreign issued options derivative liability on exercise	20 (a)	**(610)**	-
Equity portion of convertible debentures	20 (b)	**(2,164)**	-
Mark to market conversion of convertible debentures	20 (b)	**959**	-
Warrants foreign currency derivative liability	20 (c)	**(4,213)**	-
Deficit		**(27,092)**	-
Shareholders' equity per US GAAP		**$ 48,261**	$ 56,472

RECONCILIATION WITH UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (continued)

(f) Accounting for uncertainty in income taxes

In June 2006, The FASB has issued FASB Interpretation No. 48, " *Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109"* ("FIN 48"). FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The Interpretation also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006. The provisions of FIN 48 are to be applied to all tax positions upon initial adoption, with the cumulative effect adjustment reported as an adjustment to the opening balance of retained earnings. The Company did not have any unrecognized tax benefits at January 1, 2007. In addition, no adjustments were recognized for uncertain tax benefits during the year. Accordingly, there is no impact on the Company's December 31, 2009 consolidated financial statements.

The Company files income tax returns in Canada and Mexico. Years ranging from 2003 through 2009, as applicable, are subject to examination by the taxing authorities in the respective jurisdictions where returns are filed.

(g) Impact of recent United States accounting pronouncements:

(i) On July1, 2009, the FASB launched it Accounting Standards Codification (ASC). Pursuant to FASB Statement No. 168, the FASB Accounting Standards Codification and Hierarchy of Generally Accepted Accounting Principles, the ASC is the sole source of authoritative US GAAP for interim and annual periods ending September 15, 2009, except for rules and interpretive releases of the Securities and Exchange Commission which are also sources of authoritative GAAP for the Company.

(ii) The FASB has a new accounting standard related to business combinations which provides revised guidance for recognizing and measuring identifiable assets and goodwill acquired, liabilities assumed and any non- controlling interest in the acquire. It also provides disclosure requirements to enable users of the financial statements to evaluate the nature and financial effects of the business combination. The new standard is effective for the Company on January 1, 2009. The adoption of this statement had no effect on the consolidated financial statements.

(iii) The FASB has issued a new accounting standard related to non-controlling interests in consolidated financial statements which establishes accounting and reporting standards pertaining to (i) ownership interests in subsidiaries held by parties other than the parent, (ii) the amount of net income attributable to the parent and to the non-controlling interest, (iii) changes in a parent's ownership interest, and (iv) the valuation of any retained non-controlling equity investment when a subsidiary is deconsolidated. For presentation purposes, the new standard requires non-controlling interests to be classified as a separate component of shareholders' equity. The new standard is effective for the Company on January 1, 2009. The adoption of this standard had no effect on the consolidated financial statements.

(iv) The FASB has issued new accounting standards related to disclosures about derivative instruments and hedging activities which revises disclosure requirements for derivative instruments and hedging activities. The new standard is effective for the Company on January 1, 2009. The adoption of this standard had no effect on the consolidated financial statements

(v) The FASB has issued a new accounting standard related to recognition and presentation of other-than- temporary investments which amends previous impairment guidance for debt securities to make guidance more operational and to improve the presentation and disclosure of other than temporary impairments on debt and equity securities. The new standard is effective for interim periods ending after June 15, 2009. The adoption of this standard had no effect on the consolidated financial statements.

(vi) The FASB has issued a new accounting standard related to determining fair value when the volume and level of activity for the asset or liability have significantly decreased and identifying transactions that are not ordinary which provides additional guidance for estimating fair value when the level of activity for the asset or liability has decreased. The adoption of this standard had no effect on the consolidated financial statements.

(vii) The FASB has issued new accounting and disclosure standards related to subsequent events that occur after the balance sheet. The new standard is effective for interim periods ending after June 15, 2009. The adoption of this standard had no effect on the consolidated financial statements.

HEAD OFFICE

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

DIRECTORS

Bradford Cooke
Godfrey Walton
Leonard Harris
Mario Szotlender
Geoff Handley
Rex McLennan

OFFICERS

Bradford Cooke ~ Chairman and Chief Executive Officer
Godfrey Walton ~ President and Chief Operating Officer
Dan Dickson ~ Chief Financial Officer
Dave Howe ~ Vice-President, Mexico Operations
Barry Devlin ~ Vice-President, Exploration
Hugh Clarke ~ Vice-President, Corporate Communications

REGISTRAR AND TRANSFER AGENT

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

AUDITORS

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

SOLICITORS

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

SHARES LISTED

Toronto Stock Exchange
Trading Symbol - EDR

American Stock Exchange
Trading Symbol – EXK

Frankfurt Stock Exchange
Trading Symbol - EJD

PRELIMINARY INFORMATION

The following Management's Discussion and Analysis ("MD&A") of Endeavour Silver Corp. (the "Company" or "Endeavour") should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2009 and the related notes contained therein. In addition, the following should be read in conjunction with the Company's most recent Annual Information Form, which has been filed with the Canadian Provincial Securities Regulatory Authorities (*) and the most recent Annual Report on Form 40-F which has been filed with the US Securities and Exchange Commission (the "SEC").

All financial information in this MD&A is prepared in accordance with Canadian generally accepted accounting principles ("CAD GAAP"), and all dollar amounts are expressed in US dollars unless otherwise indicated.

Cautionary Note concerning Forward-Looking Statements: This MD&A contains "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995 and "forward-looking information" within the meaning of applicable Canadian securities legislation. Such forward-looking statements and information herein include, but are not limited to, statements regarding Endeavour's anticipated performance in 2010, including silver and gold production, timing and expenditures to develop new silver mines and mineralized zones, silver and gold grades and recoveries, cash costs per ounce, capital expenditures and sustaining capital. The Company does not intend to, and does not assume any obligation to update such forward-looking statements or information, other than as required by applicable law. Forward-looking statements or information involve known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company and its operations to be materially different from those expressed or implied by such statements. Such factors include, among others: fluctuations in the prices of silver and gold, fluctuations in the currency markets (particularly the Mexican peso, Canadian dollar and U.S. dollar); changes in national and local governments, legislation, taxation, controls, regulations and political or economic developments in Canada and Mexico; operating or technical difficulties in mineral exploration, development and mining activities; risks and hazards of mineral exploration, development and mining (including, but not limited to environmental hazards, industrial accidents, unusual or unexpected geological conditions, pressures, cave-ins and flooding); inadequate insurance, or inability to obtain insurance; availability of and costs associated with mining inputs and labour; the speculative nature of mineral exploration and development, diminishing quantities or grades of mineral reserves as properties are mined; the ability to successfully integrate acquisitions; risks in obtaining necessary licenses and permits, and challenges to the company's title to properties; as well as those factors described in the section "risk factors" contained in the Company's Annual Information Form filed with the Canadian securities regulatory authorities as filed with the SEC in our Annual Report on Form 40F. Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements or information, there may be other factors that cause results to be materially different from those anticipated, described, estimated, assessed or intended. There can be no assurance that any forward-looking statements or information will prove to be accurate as actual results and future events could differ materially from those anticipated in such statements or information. Accordingly, readers should not place undue reliance on forward-looking statements or information.

Cautionary Note to U.S. Investor's concerning Estimates of Reserves and Measured, Indicated and Inferred Resources: This MD&A has been prepared in accordance with the requirements of the securities laws in effect in Canada, which differ from the requirements of United States securities laws. The terms "mineral reserve", "proven mineral reserve" and "probable mineral reserve" are Canadian mining terms as defined in accordance with Canadian National Instrument 43-101 – Standards of Disclosure for Mineral Projects ("NI 43-101") and the Canadian Institute of Mining, Metallurgy and Petroleum (the "CIM") - *CIM Definition Standards on Mineral Resources and Mineral Reserves* , adopted by the CIM Council, as amended. These definitions differ from the definitions in SEC Industry Guide 7 under the United States Securities Act of 1993, as amended (the "Securities Act"). Under SEC Industry Guide 7 standards, a "final" or "bankable" feasibility study is required to report reserves, the three-year historical average price is used in any reserve or cash flow analysis to designate reserves and the primary environmental analysis or report must be filed with the appropriate governmental authority.

In addition, the terms "mineral resource", "measured mineral resource", "indicated mineral resource" and "inferred mineral resource" are defined in and required to be disclosed by NI 43-101; however, these terms are not defined terms under SEC Industry Guide 7 and are normally not permitted to be used in reports and registration statements filed with the SEC. Investors are cautioned not to assume that any part or all of mineral deposits in these categories will ever be converted into reserves. "Inferred mineral resources" have a great amount of uncertainty as to their existence, and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of an inferred mineral resource will ever be upgraded to a higher category. Under Canadian rules, estimates of inferred mineral resources may not form the basis of feasibility or pre-feasibility studies, except in rare cases. Investors are cautioned not to assume that all or any part of an inferred mineral resource exists or is economically or legally mineable. Disclosure of "contained ounces" in a resource is permitted disclosure under Canadian regulations; however, the SEC normally only permits issuers to report mineralization that does not constitute "reserves" by SEC Industry Guide 7 standards as in place tonnage and grade without reference to unit measures.

Accordingly, information contained in this MD&A contain descriptions of our mineral deposits that may not be comparable to similar information made public by U.S. companies subject to the reporting and disclosure requirements under the United States federal securities laws and the rules and regulations thereunder.

(*) available at the SEDAR website at www.sedar.com

TABLE OF CONTENTS

1	History and Strategy	Page 3
2	Operating Performance	Page 4
3	Reserves and Resources	Page 14
4	Consolidated Financial Results	Page 16
5	Liquidity and Capital Resources	Page 23
6	Subsequent Events	Page 30
7	Annual Outlook	Page 30
8	Changes in Accounting Policies & Critical Accounting Estimates	Page 31
9	Risks and Uncertainties	Page 33
10	Controls and Procedures	Page 40
11	International Financial Reporting Standards	Page 42

HISTORY AND STRATEGY

The Company is engaged in the evaluation, acquisition, exploration, development and exploitation of silver mining properties in Mexico.

Historically, the business philosophy was to acquire and explore early-stage mineral prospects in Canada and the United States. In 2002 the Company was re-organized, a new management team was appointed, and the business strategy was revised to focus on acquiring advanced-stage silver mining properties in Mexico. Mexico, despite its long and prolific history of metal production, appeared to be relatively un-explored using modern exploration techniques and offered promising geological potential for precious metals exploration and production.

After evaluating several mineral properties in Mexico in 2003, the Company negotiated an option to purchase the Guanacevi silver mines and process plant located in Durango, Mexico in May 2004. Management recognized that even though the mines had run out of ore, little modern exploration had been carried out to discover new silver ore-bodies. Exploration drilling commenced in June 2004 and quickly met with encouraging results. By September 2004, sufficient high grade silver mineralization had been outlined to justify the development of a ramp into the newly discovered ore-body called North Porvenir. In December 2004, the Company commenced the mining and processing of ore from the new North Porvenir mine to produce silver dore bars.

In 2007, the Company replicated the success of Guanacevi with the acquisition of the Guanajuato Mines project in Guanajuato State. Guanajuato was very similar in that there was a fully built and permitted processing plant, and the mines were running out of ore, so the operation was for sale. The acquisition was finalized in May 2007 and as a result of the successful mine rehabilitation and exploration work conducted in 2008 and 2009, both silver production and resources are growing rapidly and Guanajuato is now an integral part of the Company's asset base.

Both Guanacevi and Guanajuato are good examples of Endeavour's business model of acquiring fully built and permitted silver mines that were about to close for lack of ore. By bringing the money and expertise needed to find new silver ore bodies, Endeavour has successfully re-opened and is now expanding these mines to unfold their full potential. The benefit of acquiring fully built and permitted mining and milling infrastructure is that if new exploration efforts are successful, the mine development cycle from discovery to production only takes a matter of months instead of the several years normally required in the traditional mining business model.

The Company historically funded its exploration and development activities through equity financings and convertible debentures. Equity financings also facilitated the acquisition and development of the Guanacevi and Guanajuato Mines projects. However, since 2004, while the Company still engages in equity financings and convertible debt financings, the Company has been able to finance an increased portion of its acquisition, exploration, development and operating activities from production cash flows.

OPERATING PERFORMANCE

2009 Financial Highlights

- Sales Revenues climbed 29% to $50.8 million
- Mine Operating Cash-flow jumped 85% to $21.3 million
- EBITDA turned positive from $8.6 million loss to earnings of $12.1 million
- Net Loss reduced from $18.0 million to $1.9 million
- Silver Sales averaged 5% higher ($15.49 per oz) than average silver price ($14.67 per oz)
- Cash costs fell 33% to $6.04 per oz of silver produced ($4.96 per oz in Q4, 2009)

2009 Production Highlights

- Silver production increased 11% to 2.6 million oz (779,344 oz in Q4, 2009)
- Gold production rose 66% to 13,298 oz (4,591 oz in Q4, 2009)
- Silver Equivalent production escalated 20% to 3.4 million oz (1.1 million oz in Q4, 2009)
- Commenced production from new Lucero mine at Guanajuato in Q1, 2009
- Commenced production from new Porvenir Dos mine at Guanacevi in Q4, 2009
- Completed major capital projects at Guanacevi
    - Drove 4.0 kilometers of new underground mine access
    - North Porvenir Pump station
    - North Porvenir Ventilation raise
    - North Porvenir Electrical substations
    - Tailings Pond expansion

- Completed major capital projects at Guanajuato
    - Drove 2.7 kilometers of new underground mine access
    - Plant expansion to 600 tonnes per day capacity

2009 Exploration Highlights

- Silver Proven and Probable reserves up 113% to 16.6 million oz (gold proven and probable reserves up 87% to 44,000 oz)
- Silver Indicated resources up 21% to 23.6 million oz (gold indicated resources up 35% to 119,000 oz)
- Silver Inferred resource down 6% to 18.4 million oz (gold inferred resources up 17% to 111,000 oz)
- Discovered new high grade silver-gold mineralized zone at Porvenir Cuatro in Guanacevi
- Extended new high grade silver-gold ore-bodies at Lucero and Bolanitos in Guanajuato
- Carried out successful exploration projects at Guanacevi
    - Defined Porvenir Cuatro ore-body with 31 drill holes
    - Expanded Nocha Buena and Buena Fe mineralized zones
    - Expanded resources and reserves at North Porvenir
- Carried out successful exploration projects at Guanajuato
    - Discovered extension of Lucero mineralized zone to south
    - Discovered Karina vein parallel to Lucero

Endeavour recorded its fourth consecutive year of growing sales revenue and mine operating cash-flow in 2009 (during fiscal 2005 no revenue was reported as the Company only held an option to purchase on the Guanacevi project at that time). The Company's successful bullion sales strategy outperformed the market by 5% in 2009 thereby generating an additional $2.6 million in sales revenues. Cash costs declined and operating profit margins rose for the second straight year resulting in the Company's best financial performance yet, with EBITDA turning positive for the first time in Endeavour's five year operating history.

Endeavour reported its fifth consecutive year of growing silver and gold production for 2009. The Company successfully opened two new mines during the year, one in each operating district, thereby facilitating the next phase of growth at both operations. Capital projects were completed on time and budget, and record silver recoveries and gold grades each helped Endeavour's operating performance in 2009.

Endeavour achieved its fifth consecutive year of combined reserve and resource growth in 2009. New high grade silver-gold discoveries were made in both Guanacevi and Guanajuato, thereby confirming once again the prolific exploration potential of these two historic mining districts. New property acquisitions helped Endeavour's exploration performance in 2009 and are expected to do so again in 2010.

In 2009, the Company emphasized its primary focus on safety, as demonstrated by over 13,000 hours of safety training. Mine rescue groups at both operations went to their first mine rescue completion and Endeavour placed 3rd in the first aid division. Safety and mine rescue training programs are held regularly at both operations and the direct results are safer working environments.

Endeavour also continued its focus on maintaining high environmental standards at both operations. New toxic waste storage facilities were constructed in 2008, tailings water is routinely recycled and we have a policy of zero emissions from our tailings facilities.

The Company remained very pro-active in its employee and community relations in 2009, we instituted an enhanced employee bonus program in order to retain and attract the best mine workers in Mexico. Endeavour also maintained good relations with each of the local communities in which it operates, with community outreach programs, providing access to medical doctors and introducing new employment opportunities and skills training programs.

Consolidated Production Results

2009 compared to 2008

In 2009, Endeavour achieved two important milestones in its silver mining operations: the Company recorded its fifth consecutive year of growing silver production, up 11% to 2,598,518 ounces (oz) silver; and cash costs declined for the second consecutive year, down 33% to $6.04.

The higher silver production was due primarily to a 50% increase at the Guanajuato mines while silver production at the Guanacevi mines remained consistent with the prior year. Gold production increased by 66% to 13,298 oz due to the increase in gold grades at both Guanacevi and Guanajuato and the increase in plant throughput at Guanajuato.

Plant throughput for 2009 was 384,827 tonnes at average grades of 268 grams per tonne (gpt) silver and 1.33 gpt gold as compared to 352,196 tonnes at average grades of 279 gpt silver and 0.85 gpt gold for 2008. The higher throughput was due to a 60% increase at Guanajuato where the mines were able to operate for a full 12 months as opposed to 2008 where mine production was limited for 6 months because of the focus on shaft safety upgrades and mine access development. The throughput at Guanacevi decreased by 10% because mine personnel and equipment were more focused on new mine development and dewatering the ramp at North Porvenir.

Silver grades were 4% lower and gold grades were 56% higher in 2009, due to the higher throughput of lower grade silver/ higher grade gold ores at Guanajuato.

Guanacevi Production Results

2009 compared to 2008

Silver production for 2009 was 1,870,337 oz, an increase of 1% compared to 1,858,397 oz in 2008. Plant throughput was 230,632 tonnes at average grades of 322 gpt silver and 0.80 gpt gold as compared to 255,656 tonnes at average grades of 318 gpt silver and 0.58 gpt gold during 2008. The increase in production was due to the increase in grade and recovery.

The decrease in throughput was due to more personnel and equipment being allocated to mine development during the early part of the year, higher than expected water inflows in North Porvenir as the access ramp drove below the water table and several unexpected outages on the local power grid which compounded the dewatering process. During the 4th quarter, throughput improved significantly to a record 70,832 tonnes because the new pump station at North Porvenir was successfully completed and backup generators were brought in to deal with the power issues.

Guanajuato Production Results

2009 compared to 2008

Silver production for 2009 increased 50% to 728,181 ounces from 484,518 ounces in 2008. Plant throughput was 154,195 tonnes at average grades of 187 gpt silver and 2.13 gpt gold as compared to 96,540 tonnes at average grades of 175 gpt silver and 1.59 gpt gold in 2008. The 60% increase in plant throughput and the improved silver grades and gold grades were due to the discovery and development of higher grade ores in the new Lucero vein area of the Bolanitos mine and at depth in the Veta-Madre at the Cebada mine. In addition, the mines were able to produce for the full 12 months as opposed to limited production for 6 months in 2008.

The Company revised its method for reporting production from Guanajuato in 2009. Prior to December, 2008, the Company recovered gold and silver into bulk sulfide concentrates and shipped the concentrates to the Met-Mex ("Penoles") refinery in Torreon, Mexico for treatment. Penoles paid 95% of the gold and silver in concentrate but significantly increased their smelting charges, deductions and penalties in mid-2008. Therefore, the Company reevaluated its processing alternatives for the Guanajuato concentrates and determined that it could materially reduce its processing costs by shipping the concentrates to the Guanacevi process plant for treatment to produce dore silver-gold bars. The smelter pays 99% for the silver and gold in dore and re-processing at Guanacevi only recovers 88% of the silver and 94% of the gold in concentrate, so the result is slightly lower production, but significantly lower costs, overall improving the Company's gross profit margin.

Comparative Table of Consolidated Mine Operations

	Plant T'put	Ore Grades		Recovered Ounces		Recoveries		Cash Cost
Period	**Tonnes**	**Ag(gpt)**	**Au(gpt)**	**Ag(oz)**	**Au(oz)**	**Ag(%)**	**Au(%)**	**$ per oz**
Production 2007 Year:								
Q1, 2007	47,781	427	0.88	490,986	1,020	74.8	75.1	5.45
Q2, 2007	58,060	290	0.99	430,248	1,481	74.8	76.4	9.67
Q3, 2007	94,469	281	0.80	577,384	1,804	67.8	74.4	10.64
Q4, 2007	91,251	319	0.85	636,866	2,122	68.0	80.4	11.09
Total	291,561	319	0.87	2,135,484	6,427	70.4	76.8	9.38
Production 2008 Year:								
Q1, 2008	78,157	304	0.71	504,669	1,433	66.2	79.8	10.01
Q2, 2008	86,391	257	0.77	517,077	1,705	72.8	83.0	9.62
Q3, 2008	96,721	270	0.93	625,094	2,465	75.4	84.9	9.55
Q4, 2008	90,927	288	0.98	696,075	2,416	82.2	88.4	7.43
Total	352,196	279	0.85	2,342,915	8,019	74.5	84.2	9.03
Production 2009 Year:								
Q1, 2009	85,731	271	1.02	572,785	2,335	78.8	86.7	7.56
Q2, 2009	90,338	259	1.16	584,486	2,768	77.2	85.0	6.95
Q3, 2009	93,276	271	1.42	661,903	3,604	79.6	84.6	5.19
Q4, 2009	115,482	270	1.62	779,344	4,591	77.8	76.2	4.96
YTD 2009	384,827	268	1.33	2,598,518	13,298	78.3	82.6	6.04
Q4, 2009 : Q4, 2008	27%	-6%	66%	12%	90%	-5%	-14%	-33%
Q4, 2009 : Q3, 2009	24%	-1%	15%	18%	27%	-2%	-10%	-4%
YTD 2009 : YTD 2008	9%	-4%	56%	11%	66%	5%	-2%	-34%

Comparative Table of Guanacevi Mine Operations

	Plant T'put	Ore Grades		Recovered Ounces		Recoveries		Cash Cost
Period	**Tonnes**	**Ag(gpt)**	**Au(gpt)**	**Ag(oz)**	**Au(oz)**	**Ag(%)**	**Au(%)**	**$per oz**
Production 2007 Year:								
Q1, 2007	47,781	427	0.88	490,986	1,020	74.8	75.1	5.45
Q2, 2007	40,749	377	0.72	382,377	824	75.9	76.4	9.86
Q3, 2007	68,084	342	0.61	491,643	987	65.8	74.5	10.31
Q4, 2007	69,681	370	0.65	542,789	1,126	65.4	76.9	7.45
Total	226,295	375	0.70	1,907,795	3,957	69.4	75.7	8.16
Production 2008 Year:								
Q1, 2008	68,651	322	0.60	458,624	1,012	64.5	75.9	8.61
Q2, 2008	65,276	287	0.55	419,245	883	69.2	78.7	8.92
Q3, 2008	63,979	321	0.58	465,661	976	70.7	81.3	9.66
Q4, 2008	57,750	346	0.58	514,867	917	79.4	87.7	7.37
Total	255,656	318	0.58	1,858,397	3,788	70.6	80.6	8.60
Production 2009 Year:								
Q1, 2009	51,073	326	0.56	409,476	795	79.3	88.1	7.81
Q2, 2009	53,936	311	0.64	415,775	952	77.1	86.2	9.21
Q3, 2009	54,791	317	0.69	457,609	1,109	79.3	89.8	8.32
Q4, 2009	70,832	332	1.17	587,477	2,021	77.7	75.9	7.00
YTD 2009	230,632	322	0.80	1,870,337	4,877	78.3	84.3	7.99
Q4, 2009 : Q4, 2008	23%	-4%	102%	14%	120%	-2%	-14%	-5%
Q4, 2009 : Q3, 2009	29%	5%	70%	28%	82%	-2%	-16%	-16%
YTD 2009 : YTD 2008	-10%	1%	38%	1%	29%	11%	5%	-8%

Comparative Table of Guanajuato Mine Operations

	Plant T'put	Ore Grades		Recovered Ounces		Recoveries		Cash
Period	**Tonnes**	**Ag(gpt)**	**Au(gpt)**	**Ag(oz)**	**Au(oz)**	**Ag(%)**	**Au(%)**	**$ per oz**
Production 2007 Year:	**Purchased May 2, 2007**							
Q1, 2007	0	0	0	0	0	0	0	-
Q2, 2007	17,311	120	1.70	47,870	657	71.7	69.4	8.07
Q3, 2007	26,385	124	1.29	85,742	817	81.5	74.7	12.58
Q4, 2007	21,570	155	1.50	94,077	886	87.7	85.0	32.97
Total	65,266	133	1.47	227,689	2,360	81.5	76.6	20.06
Production 2008 Year:								
Q1, 2008	9,506	171	1.54	46,045	421	88.1	87.7	24.58
Q2, 2008	21,115	164	1.44	97,832	822	88.1	87.7	12.75
Q3, 2008	32,742	170	1.62	159,433	1,489	88.3	87.2	9.22
Q4, 2008	33,177	188	1.67	181,208	1,499	90.6	88.9	7.90
Total	96,540	175	1.59	484,518	4,231	89.0	87.9	10.79
Production 2009 Year:								
Q1, 2009	34,658	189	1.70	163,309	1,540	77.4	83.3	6.90
Q2, 2009	36,402	183	1.93	168,711	1,816	77.5	84.3	1.38
Q3, 2009	38,485	206	2.45	204,294	2,495	80.2	82.3	(1.82)
Q4, 2009	44,650	171	2.34	191,867	2,570	78.2	76.5	(1.31)
YTD 2009	154,195	187	2.13	728,181	8,421	78.3	81.3	1.01
Q4, 2009 : Q4, 2008	35%	-9%	40%	6%	71%	-14%	-14%	-117%
Q4, 2009 : Q3, 2009	16%	-17%	-4%	-6%	3%	-2%	-7%	-28%
YTD 2009 : YTD 2008	60%	7%	34%	50%	99%	-12%	-8%	-91%

Cash Costs (Non-GAAP Measure)

Cash operating cost per oz is a non-GAAP measure commonly reported in the silver and gold mining industry as a benchmark of performance, but it does not have a standardized meaning prescribed by GAAP and therefore may not be comparable to similar measures presented by other issuers. The cash operating cost is provided to investors and used by management as a measure of the Company's operating performance. The Company reports its cash operating cost per oz of silver produced as cost of sales, net of gold credits and royalties.

Reconciliation of cash operating cost per oz to cost of sales (2009):

Consolidated (in US $000s except ozs produced/payable and cash cost/oz)					
	For the year ended	**For the three months ended**			
	31-Dec-09	**31-Dec-09**	**30-Sep-09**	**30-Jun-09**	**31-Mar-09**
Cost of Sales	$ 29,478	$ 11,439	$ 6,516	$ 5,640	$ 5,883
Add/(Subtract):					
Royalties	$ (820)	$ 27	$ (296)	$ (334)	$ (217)
Change in Inventories	$ 594	$ (2,308)	$ 844	$ 1,538	$ 520
Change in By-Product Inventories	$ (1,648)	$ 807	$ (1,398)	$ (1,003)	$ (54)
By-Product gold sales	$ (12,071)	$ (6,141)	$ (2,263)	$ (1,820)	$ (1,847)
Cash Operating Costs	$ 15,533	$ 3,824	$ 3,403	$ 4,021	$ 4,285
Ozs Produced	2,598,518	779,344	661,903	584,486	572,785
Ozs Payable	2,572,533	771,552	655,284	578,641	567,056
Cash O perating Cost Per Oz US$ *	**$ 6.04**	**$ 4.96**	**$ 5.19**	**$ 6.95**	**$ 7.56**

Guanacevi Mines (in US $000s except ozs produced/payable and cash cost/oz)					
	For the year ended	**For the three months ended**			
	31-Dec-09	**31-Dec-09**	**30-Sep-09**	**30-Jun-09**	**31-Mar-09**
Cost of Sales	$ 20,255	$ 8,142	$ 4,908	$ 3,782	$ 3,423
Add/(Subtract):					
Royalties	$ (820)	$ 27	$ (296)	$ (334)	$ (217)
Change in Inventories	$ 455	$ (1,790)	$ 68	$ 1,442	$ 735
Change in By-Product Inventories	$ (661)	$ 188	$ (24)	$ (676)	$ (149)
By-Product gold sales	$ (4,427)	$ (2,495)	$ (885)	$ (423)	$ (624)
Cash Operating Costs	$ 14,802	$ 4,072	$ 3,771	$ 3,791	$ 3,168
Ozs Produced	1,870,337	587,477	457,609	415,775	409,476
Ozs Payable	1,851,634	581,603	453,033	411,617	405,381
Cash O perating Cost Per Oz US$ *	**$ 7.99**	**$ 7.00**	**$ 8.32**	**$ 9.21**	**$ 7.81**

Guanajuato Mines Project (in US $000s except ozs produced/payable and cash cost/oz)					
	For the year ended	**For the three months ended**			
	31-Dec-09	**31-Dec-09**	**30-Sep-09**	**30-Jun-09**	**31-Mar-09**
Cost of Sales	$ 9,223	$ 3,297	$ 1,608	$ 1,858	$ 2,460
Add/(Subtract):					
Royalties	$ -	$ -	$ -	$ -	$ -
Change in Inventories	$ 138	$ (518)	$ 776	$ 96	$ (216)
Change in By-Product Inventories	$ (987)	$ 619	$ (1,374)	$ (327)	$ 95
By-Product gold sales	$ (7,644)	$ (3,646)	$ (1,378)	$ (1,397)	$ (1,223)
Cash Operating Costs	$ 730	$ (248)	$ (368)	$ 230	$ 1,116
Ozs Produced	728,181	191,867	204,294	168,711	163,309
Ozs Payable	720,899	189,949	202,251	167,024	161,675
Cash O perating Cost Per Oz US$ *	**$ 1.01**	**($1.31)**	**($1.82)**	**$ 1.38**	**$ 6.90**

* Based on payable silver production attributable to cost of sales

Reconciliation of cash operating cost per oz to cost of sales (2008):

Consolidated (in US $000s except ozs produced/payable and cash cost/oz)					
	For the year ended	**For the three months ended**			
	31-Dec-08	**31-Dec-08**	**30-Sep-08**	**30-Jun-08**	**31-Mar-08**
Cost of Sales	$ 27,802	$ 7,226	$ 7,648	$ 6,361	$ 6,567
Add/(Subtract):					
Royalties	$ (807)	$ (264)	$ (77)	$ (198)	$ (268)
Change in Inventories	$ 520	$ 162	$ 100	$ 201	$ 57
Change in By-Product Inventories	$ (347)	$ (315)	$ -	$ (5)	$ (27)
By-Product gold sales	$ (6,383)	$ (1,742)	$ (1,821)	$ (1,473)	$ (1,347)
Cash Operating Costs	$ 20,785	$ 5,067	$ 5,850	$ 4,886	$ 4,982
Ozs Produced	2,343,455	696,615	625,094	517,077	504,669
Ozs Payable	2,300,640	682,401	612,465	507,993	497,781
Cash Operating Cost Per Oz US$ *	**$ 9.03**	**$ 7.43**	**$ 9.55**	**$ 9.62**	**$ 10.01**

Guanacevi Mines (in US $000s except ozs produced/payable and cash cost/oz)					
	For the year ended	**For the three months ended**			
	31-Dec-08	**31-Dec-08**	**30-Sep-08**	**30-Jun-08**	**31-Mar-08**
Cost of Sales	$ 19,950	$ 4,983	$ 5,376	$ 4,467	$ 5,124
Add/(Subtract):					
Royalties	$ (807)	$ (264)	$ (77)	$ (198)	$ (268)
Change in Inventories	$ 104	$ (132)	$ (22)	$ 201	$ 57
Change in By-Product Inventories	$ (91)	$ (59)	$ -	$ (5)	$ (27)
By-Product gold sales	$ (3,336)	$ (769)	$ (824)	$ (764)	$ (979)
Cash Operating Costs	$ 15,820	$ 3,759	$ 4,453	$ 3,701	$ 3,907
Ozs Produced	1,858,927	515,407	465,661	419,245	458,624
Ozs Payable	1,840,348	510,253	461,004	415,053	454,038
Cash Operating Cost Per Oz US$ *	**$ 8.60**	**$ 7.37**	**$ 9.66**	**$ 8.92**	**$ 8.61**

Guanajuato Mines Project (in US $000s except ozs produced/payable and cash cost/oz)					
	For the year ended	**For the three months ended**			
	31-Dec-08	**31-Dec-08**	**30-Sep-08**	**30-Jun-08**	**31-Mar-08**
Cost of Sales	$ 7,852	$ 2,243	$ 2,272	$ 1,894	$ 1,443
Add/(Subtract):					
Royalties	$ -	$ -	$ -	$ -	$ -
Change in Inventories	$ 416	$ 294	$ 122	$ -	$ -
Change in By-Product Inventories	$ (256)	$ (256)	$ -	$ -	$ -
By-Product gold sales	$ (3,047)	$ (973)	$ (997)	$ (709)	$ (368)
Cash Operating Costs	$ 4,965	$ 1,308	$ 1,397	$ 1,185	$ 1,075
Ozs Produced	484,518	181,208	159,433	97,832	46,045
Ozs Payable	460,292	172,148	151,461	92,940	43,743
Cash Operating Cost Per Oz US$ *	**$ 10.79**	**$ 7.60**	**$ 9.22**	**$ 12.75**	**$ 24.58**

* Based on payable silver production attributable to cost of sales

Exploration Results

In 2009, Endeavour drilled approximately 18,000 meters (59,000 feet) in 61 drill holes testing 6 exploration targets in order to replace mine reserves and expand silver resources. The Company's exploration drilling programs in Mexico met with continued success, highlighted by the discovery of several new, high grade silver-gold mineralized zones near Endeavour's two mining operations, Guanacevi in Durango State, and Guanajuato in Guanajuato State.

Guanacevi

The Company currently holds 100% interests in 1,054 hectares (2,604 acres) within the historic silver district of Guanacevi, Mexico. Since acquiring Guanacevi in 2004, the Company has found five high-grade silver-gold ore-bodies along a five kilometer (3 mile) length of the prolific Santa Cruz silver vein.

In 2009, exploration drilling at Guanacevi focused in three areas: expanding the resources at the operating Porvenir mine; exploring the new Porvenir Cuatro property located 3 kilometers along strike to the northwest of the Porvenir mine; and extending the high-grade silver mineralized zones discovered in the San Pedro area north of the Porvenir mine in 2008. During the year the Company drilled 45 holes totaling approximately 13,560 meters. The drilling at Porvenir Cuatro found a new ore-body that is now being fast tracked to production.

Guanajuato

The Company currently holds 100% interests in 2,071 hectares (5,118 acres) within the historic silver district of Guanajuato, Mexico. Since acquiring Guanajuato in 2007, the Company has discovered three high-grade silver-gold ore-bodies, one along the Veta Madre ore-bearing structure northwest of the Cebada mine and two along the Vetas La Luz mineralized veins southeast of the Lucero/Bolanitos mine.

In 2009, exploration drilling at Guanajuato focused in two areas: expanding the resources at the operating Lucero/Bolanitos mine; and exploring along strike 500 meters to the southeast of the high grade silver gold Lucero/Bolanitos mine. During the year the Company drilled 16 holes totaling approximately 4,400 meters. The Lucero vein has now been extended a further kilometer to the south and a new parallel vein called Karina was discovered.

Parral, Arroyo Seco, and El Toro Properties

In 2009, the Company exercised its option to acquire a 100% interest in the El Cometa Property (20 hectares or 48 acres) in the historic silver district of Parral, Chihuahua. Within six months of acquiring the El Cometa option in 2006, the Company discovered the new Cometa, Consuela and Estrella poly-metallic mineralized vein zones. As of March 2009, Endeavour reported an NI 43-101 indicated resource at Cometa of 1.5 million oz silver and inferred resources totaling 1.0 million oz silver plus significant gold, lead and zinc resources.

During 2009, the Company also acquired a 100% option to purchase the neighbouring San Juanico properties (17.1 hectares or 42.4 acres). San Juanico lies immediately adjacent to Cometa to the north along the same Estrella vein system and management believes the mineralized zones at Cometa trend across the San Juanico properties. A Phase 1 drill program is planned to commence at San Juanico for Q2, 2010.

A detailed mapping and sampling program was conducted at the 3,216 hectare (7,947 acre) El Toro project in Durango in 2009 but no exploration work was carried out at the Company's 1,215 hectare (3,002 acre) Arroyo Seco project in Michoacan. In 2010, a Phase 1 drill program is planned at El Toro and additional exploration work will be conducted at Arroyo Seco.

RESERVES AND RESOURCES

The updated NI 43-101 reserve and resource estimates to December 31, 2009 include the Company's three active silver mining and exploration projects in Mexico, the Guanacevi Mines project in Durango State, the Guanajuato Mines project in Guanajuato State and the Parral Exploration project in Chihuahua State.

The Company retained Micon International Ltd ("Micon"), to audit the updated reserves and resources to December 31, 2009 for the Guanacevi project. The Qualified Person for reporting the reserves is Robert J. Leader, P.Eng. an employee of Micon. The Qualified Persons for reporting the Guanacevi resources, are William J. Lewis, B.Sc., P.Geo, Charley Z. Murahwi, M.Sc., P.Geo, MAusIMM and Dibya Kanti Mukhopadhyay, MAusIMM also Micon employees.

The Company retained Micon International Ltd ("Micon"), to audit the updated reserves and resources to December 31, 2009 for the Guanajuato project. The Qualified Person for reporting the reserves is Robert J. Leader, P.Eng. an employee of Micon. The Qualified Persons for reporting the Guanajuato resources are William J. Lewis, B.Sc., P.Geo, Charley Z. Murahwi, M.Sc., P.Geo, MAusIMM and Ing. Alan J. San Martin, MAusIMM also Micon employees.

The Company retained Micon International Ltd ("Micon"), to audit the updated resources to December 31, 2008, based on the then current metal prices for the Parral Project (El Cometa Property) . The Qualified Persons for reporting the Parral resources, are William J. Lewis, B.Sc., P.Geo, and Thomas C. Stubens, M.A.Sc., P.Eng., who are Micon employees.

The reserve and resource statements for the Guanacevi, Guanajuato and Parral Projects were classified using the definitions and guidelines of the Canadian Institute of Mining, Metallurgy and Petroleum CIM standards on Mineral Resources and Reserves (CIM Standards) and the guidelines of NI 43-101. The information should be read in conjunction with corresponding technical reports filed on Sedar March 23, 2010.

Reserves Proven & Probable							
Description	Tonnes	Ag g/t	Au g/t	Ag-Eq g/t	Ag ounces	Au ounces	Ag-Eq
Proven							
Guanacevi	229,000	368	0.62	408	2,706,000	4,600	3,001,800
Guanajuato	111,000	184	2.58	352	656,800	9,200	1,257,000
Total Proven	340,000	308	1.26	390	3,362,700	13,800	4,258,800
Probable							
Guanacevi	1,083,000	354	0.51	388	12,329,200	17,900	13,494,200
Guanajuato	159,000	175	2.41	332	897,000	12,300	1,696,300
Total Probable	1,242,000	331	0.76	380	13,226,200	30,200	15,190,500
Total Proven & Probable	**1,582,000**	**326**	**0.87**	**382**	**16,589,000**	**44,000**	**19,449,200**

Cut-off grade for Proven & Probable Reserves is 222 g/t Ag for Guanacevi & 202 Ag-Equivalent for Guanajuato

Silver-Equivalencies in the table are calculated using a 65:1 ratio based on prices of USD$ 17 per ounce of silver and USD$1,100 per ounce of gold; no base metal credits are used for calculating Silver-Equivalencies

Resources Indicated									
Description	Tonnes	Ag g/t	Au g/t	Ag-Eq g/t	Ag ounces	Au ounces	Ag-Eq Ounces	Pb (%)	Zn (%)
Resources Indicated									
Guanacevi	2,173,000	255	0.53	290	17,830,000	37,100	20,244,100		
Guanajuato	624,000	215	1.90	339	4,319,500	38,200	6,804,000		
Parral (Cometa)	934,000	49	1.46	144	1,471,400	43,800	4,321,100	3.18	3.20
Total Indicated	**3,731,000**	**197**	**0.99**	**262**	**23,620,900**	**119,200**	**31,369,300**		

Resources Inferred									
Description	Tonnes	Ag g/t	Au g/t	Ag-Eq g/t	Ag ounces	Au ounces	Ag-Eq Ounces	Pb (%)	Zn (%)
Guanacevi	1,431,000	209	0.36	232	9,607,200	16,400	10,674,800		
Guanajuato	1,131,000	212	1.93	338	7,714,000	70,000	12,262,600		
Parral (Cometa)	528,000	61	1.45	155	1,035,500	24,600	2,635,500	3.00	2.74
Total Inferred	**3,089,000**	**185**	**1.12**	**257**	**18,356,700**	**111,000**	**25,572,800**		

Cut-off grade for Indicated & Inferred Resources for Guanacevi is 129 g/t Ag for Alex Breccia, Santa Cruz, North Porvenir and Porvenir Dos, 190 g/t AgEq for Porvenir Cuatro and 200 g/t AgEq or 50 g/t AgEq + 3.5% Pb + Zn combined for Noche Buena and Buena Fe.

Cut-off grade for Indicated & Inferred Resources for Guanajuato is 150 g/t AgEq

Cut-off grade for Indicated & Inferred Resources for Parral (Cometa) is USD$40 Net Smelter Return (NSR)

The NSR for Parral (Cometa) was calculated using metal prices of USD$12 per ounce of silver, USD$900 per ounce of gold, USD$0.50 per pound of lead, USD$0.50 per pound of zinc; metallurgical recoveries used were 71% for silver, 75% for gold, 80% for lead and 74% for zinc.

Silver-equivalencies in the table were calculated using a 65:1 ratio based on prices of USD$ 17 per ounce of silver and USD$1,100 per ounce of gold; no base metal credits are used for calculating silver-equivalencies.

Calculations or estimations inherently involve a degree of rounding and consequently introduce a margin of error. Where these occur, they are not considered to be material.

NOTE: Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability.

CONSOLIDATED FINANCIAL RESULTS

Selected Annual Information

	Year Ended December 31, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007
Sales Revenue *	$ 50,769	$ 39,302	$ 32,319
Net loss:			
(i) Total *	$ (1,926)	$ (18,004)	$ (12,202)
(ii) Basic per share	$ (0.04)	$ (0.37)	$ (0.27)
(iii) Diluted per share	$ (0.04)	$ (0.37)	$ (0.27)
Dividends per share	$ -	$ -	$ -

	December 31, 2009	December 31, 2008	December 31, 2007
Total assets *	$ 105,881	$ 67,292	$ 82,151
Total long-term liabilities *	$ 18,240	$ 5,481	$ 6,646

* Expressed in thousands of dollars, except for per share amounts

Consolidated Financial Results

Year ended December 31, 2009 compared with the year ended December 31, 2008

For the year ended December 31, 2009, the Company's Mine Operating Earnings were $10.0 million (2008- $3.1 million) on Sales of $50.8 million (2008- $39.3 million) with Cost of Sales of $29.5 million (2008- $27.8 million) and Depreciation and Depletion of $11.3 million (2008 - $8.4 million).

Operating Earnings were $10 thousand (2008: loss of $12.9 million) after Exploration costs of $2.4 million (2008: $8.6 million), General and Administrative costs of $4.3 million (2008: $5.1 million), Accretion of Convertible Debentures of $1.5 million (2008: Nil) and Stock Based Compensation costs of $1.8 million (2008: $2.3 million).

Earnings Before Taxes were $2.2 million (2008 – Loss Before Taxes of $17.0 million) after Foreign Exchange Loss of $1.0 million (2008- $1.5 million), a Gain on Marketable Securities of $15 thousand (2008 - Loss of $0.6 million), a Mark to Market Gain on redemption call option of $2.7 million (2008 – $ Nil), which relates to the redemption call option of the convertible debt, and Investment and Other Income of $0.5 million (2008 - $0.3 million). During the period in 2008 there was also an impairment of Asset Backed Commercial Paper of $1.4 million, an allowance for IVA receivable of $0.8 million and a write off of uncollectable IVA of $0.1 million. The Company incurred a Net Loss for the year of $3.8 million (2008 - $18.0 million) after an Income Tax Provision of $4.1 million (2008 - $1.0 million).

Sales of $50.8 million for 2009 represent a 29% increase over the $39.3 million for 2008 due to increased production as well as increased realized silver and gold prices during the year. During 2009, the Company sold 2,497,517 ounces of silver and 11,831 oz gold, for realized prices of $15.49 and $1,020 respectively as compared to sales of 2,267,944 oz silver and 7,770 oz gold for realized prices of $14.51 and $822 respectively in 2008. The Company also accumulated 146,859 silver oz and 1,731 gold oz as finished goods at December 31, 2009 as compared to 71,843 silver oz and 397 gold oz at December 31, 2008. The cost allocated to these Finished Goods is $1.8 million compared to $0.9 million at December 31, 2008.

The realized prices of $15.49 for silver and $1,020 for gold are 5% higher than the 2009 average spot prices of $14.67 and $972, respectively due to the Company's monthly sales strategy and the accumulation of Finished Goods in Q3 and Q4 at lower silver prices which were then sold late in Q4 at higher silver prices.

Cost of Sales for 2009 was $29.5 million, an increase of 6% over the Cost of Sales of $27.8 million for 2008. The 6% increase in the cost of sales is primarily a result of the Company's rising production, offset by the improved productivity at Guanajuato mine, the depreciation of the Mexican Peso to the US Dollar compared to 2008. Depreciation and Depletion was $11.3 million, an increase of 34% compared to 2008, primarily due to the reduction in the reported proven and probable ounces at Guanacevi and increased mine tonnes which is used to deplete mine assets on a unit of production basis, increased production as well as depreciation on increased capital asset balances.

Exploration expenses decreased to $2.4 million from $8.6 million in 2008 as the Company reduced its exploration activities in early 2009 to conserve cash and focus on mine development and capital expenditures. General and Administrative expenses decreased by 14% to $4.3 million for 2009 as compared to $5.1 million in 2008 primarily due to some cost reductions and the Canadian Dollar depreciating against the US Dollar in the early part of the year, decreasing the reporting currency costs.

The Company experienced a Foreign Exchange Loss of $1.0 million as compared to $1.5 million in 2008. The losses are due to fluctuations of the Canadian dollar and the Mexican Peso to the US dollar. During 2009, the majority of the Foreign Exchange Loss is due to the translation of the Canadian Dollar-denominated Convertible Debt into US Dollars as there has been a strengthening of the Canadian Dollar to the US Dollar. During 2008, there was a weakening of both the Canadian Dollar and the Mexican Peso against the US Dollar resulting in lower valuations on Canadian Dollar and Mexican Peso cash accounts and realized foreign exchange losses on Canadian denominated marketable securities disposed of during the year.

The Company realized a Gain on Marketable Securities of $15 thousand as compared to a loss of $0.6 million in 2008. The loss in 2008 was a result of general market conditions experienced in 2008 and the Company's liquidation of marketable securities during that time to meet operating needs. There was a Mark to Market Gain on Redemption Call option of $2.7 million (2008 – $ Nil) relating to the Company's redemption call option on the convertible debt. This amount represents the increase in the estimated value of the call option based on the current market conditions and there was no amount for 2008 as the convertible debt was issued in February 2009. Investment and other income increased to $0.5 million in 2009 from $0.3 in 2008 primarily due to a higher cash balance earning interest income in 2009. For 2009, there was an Income Tax Provision of $4.1 million as compared to a provision of $1.0 million in 2008. The change in the income tax provision is largely due to the increase in the future tax liability as Company continues to utilize loss carry forwards on the Mexican entities.

Fourth quarter 2009 compared to fourth quarter 2008

For the three months ended December 31, 2009, the Company realized Mine Operating Earnings of $8.2 million (2008 – loss of $1.8 million) from its mining and milling operations on Sales of $24.2 million (2008 - $7.9 million) with Cost of Sales of $11.4 million (2008 - $7.2 million) and Depreciation and Depletion $4.6 million (2008 - $2.5 million).

The Operating Earnings was $4.4 million (2008 - $3.6 million) after Exploration costs of $1.2 million (2008 - $0.7 million), General and Administrative costs of $1.3 million (2008 - $1.0 million), Accretion of Convertible Debentures of $0.4 million (2008 – Nil) and Stock Based Compensation costs of $0.9 million (2008 - $0.1 million).

The Earnings Before Taxes was $7.3 million (2008 - $6.3 million) after Foreign Exchange Loss of $0.1 million (2008 $1.0 million), a realized Gain on Marketable Securities of $15 thousand (2008 – loss of $0.8 million), a Mark to Market Gain on redemption call option of $2.7 million and Investment and Other Income of $0.3 million (2008 -$0.2 million). During the period in 2008 there was also an allowance for IVA receivable of $0.8 million and a write down of IVA receivable of $0.1 million. The Company recognized Net Earnings of $1.3 million (2008 – Net Loss of $5.2 million) after an Income Tax Provision of $4.1 million (2008 – Provision of $1.1 million).

Sales were $24.2 million, an increase of 206% over Sales of $7.9 million for the fourth quarter of 2008. The increase in sales is due to 3 main factors; an increase in the price of silver and gold; an increase in production; and the timing of finished goods sales. The realized price was $17.95 for silver and $1,108 for gold for the fourth quarter of 2009 whereas the realized price for was US$10.21 for silver and $797.98 for gold for the fourth quarter of 2008. The Company experienced an increase of 12% in silver production and a 90% increase in gold production for Q4 2009 over Q4 2008. There was also a large impact on sales due the timing of finished goods sales as the Company had a book value of $5.0 million in unsold finished goods inventory at September 30, 2009, with an estimated market value of $9.0 million, which was converted to sales in the fourth quarter of 2009.

Cost of sales was $11.4 million, an increase of 58% over the cost of sales of $7.2 million for Q4 2008. The increase in the cost of sales is primarily a result of the costs which were charged to the large finished goods inventory at September 30, 2009 being recognized upon the sale of the goods in Q4. Depreciation and Depletion were $4.6 million, an increase of 84% primarily due to the depreciation charge in finished goods which was recognized when the finished goods were sold. Depletion and Depreciation were also affected by the reduction in the reported proven and probable ounces at Guanacevi, which is used to deplete mine assets on a unit of production basis, as well as depreciation on increased capital asset balances.

Exploration expenses increased to $1.2 million in Q4 2009 from $0.7 million in Q4 2008 as the Company has recently begun to expand exploration activity after approximately a year of reduced activity designed to conserve cash to focus on mine development capital expenditures. General and Administrative expenses increased by 30% to $1.3 million in Q4 2009 due to accruals for management and employee bonuses at year-end. The bonuses paid for 2008 were not accrued at the December 31, 2008 year-end as there was significant uncertainty at that time that bonuses would be paid. There was $0.4 million in Accretion expense on the Convertible Debt during the quarter as compared to Nil in the same period of 2008 as the Company had no Convertible Debt issued in the prior year. Stock Based Compensation increased to $1.0 million in Q4 2009 from $83 thousand in 2008 primarily due to the timing of options granted during the year and the issuance of share bonuses close to year end. During 2008 the majority of the year's stock-based compensation was recognized in the first half of the year whereas for 2009 the majority was recognized in the latter half of the year. The overall stock-based compensation for all of 2009 was $0.5 million less than for all of 2008.

The Company experienced a Foreign Exchange loss during Q4 2009 of $0.1 million compared to $1.0 million in the fourth quarter of 2008. For Q4 2009 the Foreign Exchange loss is primarily due to the Convertible Debt that is held in Canadian dollars and re-valued to U.S. dollars at the current rate at each period end. During Q4 2009 there was low volatility in the Canadian Dollar and the Mexican Peso against the US Dollar whereas during Q4 2008 there was high volatility and a weakening of both the Canadian Dollar and the Mexican Peso against the US Dollar resulting in lower valuation on Canadian Dollar and Mexican Peso cash accounts and realized Foreign Exchange losses on Canadian denominated marketable securities disposed of during the quarter.

The Company experienced a Mark to Market Gain on a Redemption Call option of $2.7 million (2008 – Nil) relating to the Company's redemption call option on the convertible debt. This amount represents the increase in the estimated value of the call option based on the current market conditions and there was no amount for 2008 as the convertible debt was issued in February 2009.

During the quarter there was an Income Tax Provision of $4.1 million for Q4 2009 compared to an income tax recovery of $1.1 million. The increase in tax expense is driven by the increase in silver prices and operating profit during the fourth quarter. The Company continues to expense mine development for tax purposes significantly increasing the temporary difference between the reporting income and taxable income.

Year ended December 31, 2008 compared with the year ended December 31, 2007

For the year ended December 31, 2008, the Company realized Mine Operating Earnings of $3.1 million (2007 –$3.3 million) from its mining and milling operations on Sales of $39.3 million (2007 - $32.3 million) with Cost of Sales of $27.8 million (2007 - $24.3 million) and Depreciation and Depletion $8.4 million (2007 - $4.7 million).

The Operating Loss was $12.9 million (2007 - $12.2 million) after Exploration costs of $8.6 million (2007 - $6.0 million), General and Administrative costs of $5.1 million (2007 - $4.8 million) and Stock Based Compensation costs of $2.3 million (2007 - $4.7 million).

The Loss Before Taxes was $17 million (2007 - $9.5 million) after Foreign Exchange Loss of $1.5 million (2007 –Gain of $2.4 million), a Loss on Marketable Securities of $0.6 million (2007 – Gain of $0.7 million), an Impairment on Asset Backed Commercial Paper of $1.4 million (2007 - $1.3 million), an Allowance for IVA receivable of $0.8 million (2007 – Nil) a Write Off of uncollectible IVA of $0.1 million (2007 – Nil) and Investment and Other Income and Expenses of $0.3 million (2007 - $0.9 million). The Company incurred a Net Loss for the year of $18 million (2007 - $12.2 million) after an Income Tax Provision of $1.0 million (2007 - $1.2 million).

Sales were $39.3 million for 2008, an increase of 22% over the sales of $32.3 million for 2007 due to increased production and higher average realized price per ounce. Cost of Sales for the year was $27.8 million, an increase of 14% over the cost of sales of $24.3 million for 2007. The increase in the cost of sales is a result of the costs associated with an increase in production and rising costs for labour, fuel, power, parts, equipment and supplies. The Company also experienced additional costs during the year related to expansion and upgrade programs. Depreciation and depletion was $8.4 million, an increase of 79% as compared to 2007, primarily due to increased capital asset balances resulting from the buy-out of the remaining 49% of Minera Santa Cruz SA de CV and additional capital expenditures in 2008.

Exploration expenses increased 44% in 2008 to $8.6 million from $6.0 million, due to a more aggressive exploration program. General and Administrative costs increased 5% to $5.1 million as compared to $4.8 million in 2007 primarily due to increased corporate development activities.

The Company experienced a Foreign Exchange loss during 2008 of $1.5 million as compared to a foreign exchange gain of $2.4 million in 2007. During 2008 there was a weakening of both the Canadian Dollar and the Mexican Peso against the U.S. Dollar resulting in a lower valuation of Canadian Dollar and Mexican Peso cash accounts and realized foreign exchanges losses on Canadian denominated marketable securities disposed of during the year. During 2007 there was a strengthening of the Canadian dollar to the U.S. dollar and the Company held more Canadian dollars at that time. The Company realized a Loss on Marketable Securities during the period of $0.6 million as compared to a gain of $0.7 million in the same period of 2007 as a result of general market conditions experienced in 2008 and the Company's liquidation of marketable securities during that time to meet operating needs. Investment Income and Other expenses decreased from $0.9 million in 2007 to $0.3 million as a result of less cash earning interest income and a reduction in the interest rates received on cash during 2008. The Income Tax Provision was $1 million for 2008, as compared to $1.2 million for 2007.

During 2008, the Company took an additional impairment of $1.4 million (2007 - $1.3 million) on Asset Backed Commercial Paper ("ABCP") held by the Company. (see "Liquidity and Capital Resources") and took an Allowance against IVA receivable of $0.9 million (2007 - $Nil) on balances relating to 2006.

Summary of Quarterly Results

(in US$000s	Dec 31, 2009 Period End				Dec. 31, 2008 Period End			
except per share amounts)	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31
Total Revenues	$ 24,250	$ 9,796	$ 8,236	$ 8,487	$ 7,900	$ 10,613	$ 10,060	$ 10,729
Cost of Sales	$ 11,439	$ 6,516	$ 5,640	$ 5,883	$ 7,226	$ 7,648	$ 6,361	$ 6,567
Depreciation, Depletion & Accretion	$ 4,563	$ 1,997	$ 2,414	$ 2,290	$ 2,551	$ 2,558	$ 1,769	$ 1,505
Mine Operating Earnings / (Loss)*	$ 8,248	$ 1,283	$ 182	$ 314	$ (1,877)	$ 407	$ 1,930	$ 2,657
Net income (loss):								
(i) Total	$ 3,133	$ (1,487)	$ (1,832)	$ (1,740)	$ (5,149)	$ (7,427)	$ (3,417)	$ (2,011)
(ii) Basic per share	$ 0.06	$ (0.03)	$ (0.04)	$ (0.03)	$ (0.11)	$ (0.15)	$ (0.07)	$ (0.04)
(iii) Diluted per share	$ 0.06	$ (0.03)	$ (0.04)	$ (0.03)	$ (0.11)	$ (0.15)	$ (0.07)	$ (0.04)

* Earnings from mine operations is a non-GAAP measure used by the Company as a measure of operating performance

Quarterly Trends and Analysis

In the 1st Quarter of 2008 production decreased because Guanajuato reduced output in order to facilitate the mine and shaft safety upgrades to meet North American standards. The decreased production was partly offset by higher silver prices, which surged to more than $20 per ounce in March, averaging $17.68 during the quarter. The decreased costs were a function of decreased production activity during the Guanajuato rehabilitation and safety programs.

In the 2nd Quarter of 2008 the ramp up of Guanacevi capital expansion program, including mine development reduced the production for the quarter, while Guanajuato production ramped up in June resulting in consistent production and costs quarter over quarter.

In the 3rd Quarter of 2008 production increased primarily due to the ramp up of production at Guanajuato, partially offsetting the slide in silver prices which began in August. Costs increased due to the ramp up of Guanajuato operations and improved employee production bonuses which were magnified by the slight appreciation of the Mexican Peso during the quarter until late September when the Peso began its significant fall.

In the 4th Quarter of 2008 the Company realized higher production output due to improved grades and recoveries at Guanacevi and greater output at Guanajuato. However the production increase was significantly offset by the drop in the silver price during the fourth quarter. The decrease in production costs is attributed to the significant depreciation of the Mexican peso. The Company's largest production cost is labour, therefore any change in the valuation of the local currency directly impacts our production costs. Subsequent to December 31, 2008, the Mexican Peso continued its depreciation against the US dollar, further reducing the US dollar production costs of both mines.

In the 1st Quarter of 2009, the Company's decrease in production was offset by improved silver and gold prices compared to prior quarter. The Company's operating costs continued to benefit from the depreciation of the Mexican Peso against the US dollar, while General and Administrative costs reported also benefited from the depreciation of the Canadian dollar against the US dollar.

In the 2nd Quarter of 2009, the Company experienced a slight increase in production over the previous quarter but the significant increase in finished goods inventory at the end of the period resulted in decreased sales revenue. The Company's operating costs also decreased from the previous quarter accordingly.

In the 3rd Quarter of 2009, the Company experienced a 13% increase in production over the previous quarter. There was an increase in sales due to both an increase in sold ounces and more robust silver and gold prices during the period, with a corresponding increase in operating costs. The increase in sales was in addition to a further increase in finished goods inventory from the prior quarter.

In the 4th Quarter of 2009, the Company had a significant increase in sales over previous quarters. The increase in sales is due to 3 main factors: an increase in the price of silver and gold; an increase in production; and the timing of finished goods sales. During the fourth quarter of 2009 there was an increase in production of 18% for silver and 27% for gold over the previous quarter and more robust silver and gold prices. The Company also accumulated a large finished goods inventory at September 30, 2009 which was converted to sales during Q4 2009 resulting in a significant increase in cost of sales and depreciation and depletion for the quarter.

Update on Use of Proceeds from Recent Financings

As disclosed in the Company's short form prospectus dated February 20, 2009, the Company proposed to use Cdn$1,075,000 of the net proceeds from its December 31, 2008 special warrants private placement to continue sustaining capital development programs associated with the Company's Guanacevi Mines project. Based on the December 31, 2008 noon exchange rate reported by the Bank of Canada of Cdn.$1.00 = US$0.8166, this amount was equivalent to US$887,845.

These proceeds were used to extend the North Porvenir Ramp for stope development and to complete a Robbins ventilation raise, as further detailed in the table below. In the first quarter of 2009, the ramp was extended 564 metres at a cost 30% greater than plan. The extra costs for the ramp extension were attributed to the need for additional ground support through a section of the ramp and more-than-expected water inflows that therefore required more pumping. The ventilation raise cost was higher than budgeted due to an unfavourable exchange rate as compared to the original quote.

Guanacevi Mine Project Capital Expenditures	**Expected (US$)**	**Actual (US$)**	**Variance (US$)**
Ventilation Raise	**$387,885**	**$429,722**	**($41,837)**
North Porvenir Ramp Extension			
Labour	$205,783	283,244	(77,461)
Engineering & Geology	$45,730	44,052	1,678
Supplies	$120,040	188,441	(68,401)
Electrical	$32,664	42,002	(9,338)
Indirect Allocation	$85,743	81,542	4,201
North Porvenir Ramp Extension	**$489,960**	**639,281**	**(149,321)**
Total	**$877,845**	**$1,069,003**	**($191,158)**

On February 26, 2009, the Company received net proceeds of Cdn$12.5 million from a private placement of five year 10% subordinated unsecured convertible redeemable debentures. Based on the February 26, 2009 noon exchange rate reported by the Bank of Canada of Cdn$1.00 = US$0.8028, this amount was equivalent to U.S.$10.0 million. Of the net proceeds from this private placement, US$5.8 million were intended to be used for capital expenditures at the Guanacevi and Guanajuato Mines Projects as set out in the table below, with the balance of U.S.$4.2 million to be used for working capital. The work was completed with costs being consistent with management's initial budget and with no material variance.

Guanacevi and Guanajuato Mines Capital Expenditures	**Expected (US$)**	**Actual (US$)**	**Variance (US$)**
Mine Development	$3,500,000	$3,450,000	$ 50,000
Plant Expansion	500,000	500,000	0
Mine Equipment	1,400,000	1,300,000	100,000
Miscellaneous Equipment	400,000	340,000	60,000
Total	**$5,800,000**	**$5,590,000**	**$210,000**

On October 7, 2009, the Company received net proceeds of Cdn$17.3 million from a prospectus offering of units. Based on the October 7, 2009 noon exchange rate reported by the Bank of Canada of Cdn$1.00 = US$0.9417, this amount was equivalent to US$16.4 million. As disclosed in the Company's short form prospectus dated September 28, 2009, US$12 million of the net proceeds from this offering were intended to be used for capital expenditures and exploration drilling at the Guanacevi and Guanajuato Mines projects as set out in the table below, with the balance of US$4.4 million to be used for working capital. The capital expenditure and exploration drilling programs have not yet been completed and further expenditures will be made in 2010. Expenditures to date have been consistent with management's initial budget and with no material variance.

Guanacevi and Guanajuato Mines Capital Expenditures	**Expected (US$)**	**Actual (US$)**	**Variance (US$)**
Mine Development - Guanacevi	$3,000,000	$2,001,705	$ 998,295
Mine Development - Guanajuato	1,000,000	538,530	461,470
Plant Refurbishment & equipment – Guanacevi & Guanajuato	3,000,000	0	3,000,000
Miscellaneous Equipment - Guanjuato	1,000,000	360,000	640,000
Exploration drilling – Guanacevi (Porvenir Cuatro)	600,000	617,428	(17,428)
Exploration drilling – Guanacevi (Santa Fe)	200,000	91,384	108,616
Exploration drilling – Guanacevi (Noche Buena)	600,000	274,153	325,847
Exploration drilling – Guanacevi (Porvenir Mine)	600,000	314,937	285,063
Exploration drilling – Guanajuato (South Bolanitos)	800,000	592,899	207,101
Exploration drilling – Guanajuato (North Cebada)	900,000	363,267	536,733
Exploration drilling – Guanajuato (North Bolanitos)	300,000	0	300,000
Total	**$12,000,000**	**$ 5,154,303**	**$6,845,697**

Transactions with Related Parties

The Company shares common administrative services and office space with Canarc Resource Corp., Caza Gold Corp., and Aztec Metals Corp. ("Aztec"), related party companies, 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 $133,000 receivable related to administration costs outstanding as of December 31, 2009 (2008 - $21,000).

During the year ended December 31, 2009, the Company has paid $228,000 for legal services to Koffman Kalef LLP, a firm in which the Company's Corporate Secretary is a partner. The Company has $5,000 payable related to legal costs outstanding as of December 31, 2009. In 2008 and 2007 the Company paid $120,000 and $130,000, respectively for legal services to a separate legal firm with a former member of management.

On December 31, 2007 the Company signed option agreements with Aztec Metals Corp. ("Aztec"), a non-public company with common directors, whereby Aztec had the right to acquire unexplored properties (Rio Chico and Matehuala) for a cash payment of $63,000 and issuance of 533,333 common shares in Aztec.

Aztec paid Endeavour $43,000 and delivered a signed silver participation contract June 30, 2008 to exercise the option on the Matehuala property and cancelled the option to acquire the Rio Chico property during the year. The common shares of Aztec acquired by the Company have an estimated value of $35,000 as of December 31, 2009, compared to $160,.000 original cost.

The Company has a $110,000 receivable related to 2008 property tax payments and the initial Rico Chico option payment outstanding as of December 31, 2009.

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents increased by $23.1 million from $3.6 million at December 31, 2008 to $26.7 million at December 31, 2009. The Company had working capital of $38.8 million at December 31, 2009 (December 31, 2008 - $7.7 million). The increase in cash and cash equivalents of $23.1 million is primarily due to the $10.0 million net proceeds from the issuance of convertible debentures, the combined net proceeds of $19.4 million from equity issued in a prospectus offering and a private placement in October, 2009, $1.3 million from the exercise of warrants and stock options and $12.7 million from operations less $17.1 million used for capital investments made in property, plant and equipment, $1.8 million invested in marketable securities and $0.8 million of interest paid. The $38.8 million increase in working capital is primarily a result of the $23.1 million increase in cash and cash equivalents, a $2.9 million increase in inventory, a $1.1 million increase in accounts receivable and prepaid amounts, a $2.4 million increase in marketable securities and the reallocation of the Asset Backed Commercial Paper from long-term assets to current assets, the decrease in accounts payable of $0.1 million, less an increase in taxes payable of $0.5 million and the increase of the other short-term liabilities of $0.5 million.

Operating activities provided $12.2 million during the year ended December 31, 2009 compared to using $4.6 million during the same period in 2008. The major non-cash adjustments on the recorded loss of $1.9 million were non-cash charges for depreciation, depletion of $11.3 million, stock-based compensation of $1.8 million, accretion charge on convertible debentures of $1.5 million, a future income tax loss of $4.0 million, an unrealized foreign exchange loss of $1.4 million, a mark to market gain on redemption call option of $2.7 million and an increase in non-cash working capital of $3.1 million. The increase in non-cash working capital is primarily due to increased inventories.

Investing activities during the year used $19.1 million as compared to $10.6 million in 2008. The investments in property, plant and equipment was $17.1 million compared to $12.6 million for the same period in 2008. During the current period there was $2.4 million invested in marketable securities with $0.6 million in proceeds received compared to proceeds from sales of $6.0 million and investments made of $4.0 million in the same period of 2008.

The Company invested $18.0 million in property, plant and equipment during the year ended December 31, 2009, of which $17.1 million was paid in cash, $0.2 million was asset retirement obligation adjustment, $0.2 million was settled through common shares and $0.5 million will be settled through the balance remaining on a promissory note. Approximately $13.4 million was invested at Guanacevi with $9.1 million spent on mine development, $1.0 million on the tailings facility, $3.1 million on mine equipment and $0.2 million on office equipment and small vehicles. A total of $4.6 million was invested at Guanajuato with $3.3 million spent on mine development, $0.4 million spent on the plant, $0.8 million on mine equipment and $0.1 million spent on office equipment and small vehicles.

Planned capital investments in 2009 were $16.8 million with the continued focus on developing ramp access and dewatering two new ore-bodies at Guanacevi.

At Guanacevi, the planned capital investment was $8.5 million in mine development, $4.9 million on related mining equipment and $1.5 million on increasing the size of the tailings facility. While total capital expenditures at Guanacevi was 90% of budget, the mine development costs exceeded plan by 7% primarily due to increased costs associated with the completion of the North Porvenir pump station. The planned access to Santa Cruz was delayed because the capital funds were taken from Santa Cruz development and used to complete the pump station at North Porvenir. Mine development included the completion of the access to Porvenir Dos ore body, while the North Porvenir ramp continues to be extended with the pump station now complete at North Porvenir. The significant mine development completed in 2009 will provide the operation with a larger selection of stopes and allow it to expand the daily tonnage sent to the mill and improve management of cash flows. The tailings dam expansion was re-engineered to reduce the initial planned costs.

At Guanajuato, the capital investment was $1.5 million primarily to develop some of the newly discovered mineralized zones and $0.4 million to expand the plant to 600 tonnes per day by replacing one of the jaw crushers with a cone crusher. The 2009 actual investments were $3.3 million and $0.4 million, respectively, with additional expenditures approved for the purchase of additional mine equipment totalling $0.9 million. Mine development and equipment purchases exceeded plan or were incurred due to the discovery of Lucero and extension of the Bolanitos veins resulting from management decision to increase development.

Financing activities during the year generated $30.0 million as compared to $2.3 million during the same period in 2008. In February 2009, the Company completed a convertible debt financing for $10.0 million, net of issue costs, of five year 10% subordinated unsecured convertible redeemable debentures. In October 2009 the Company received net proceeds of $19.4 million from equity issued in a short form prospectus and a private placement . There were also 585,800 share purchase options and 273,675 warrants exercised which provided $1.3 million net of issue costs, while the Company paid out $0.8 million in interest year to December 31, 2009 on the convertible debentures.

As at December 31, 2009, the Company's issued share capital was $112.2 million representing 60,626,203 common shares compared to $87.5 million representing 49,080,478 common shares at December 31, 2008. Of the 11,545,725 common shares issued during the period, 2,311,540 were issued upon conversion of special warrants, 6,152,500 were issued under the prospectus offering, 1,299,843 were issued under the private placement, 585,800 were issued upon stock option exercises, 273,675 were issued on exercise of warrants, 136,054 were issued on the acquisition of a mineral property, 80,000 were issued under the Company's stock bonus plan and 706,313 were issued upon conversion of convertible debt.

In December 2008, the Company completed a brokered and non brokered private placements of special warrants for 2,311,540 units at CAN$1.30 per unit for gross proceeds of CAN$3.0 million. Each special warrant was exercisable into a unit comprised of one common share and one-half of a common share purchase warrant. Each whole share purchase warrant is exercisable to purchase one common share at an exercise price of CAN$1.90 until February 25, 2014. The agents received a cash commission of 6% totalling $0.1 million and 131,792 agents' share purchase warrants at an exercise price of CAN$1.51 until February 25, 2014. The warrants issued to the agents have a deemed fair value of $0.1 million and have been recorded in share capital on a net basis. The special warrants had been classified as a separate equity component at December 31, 2008 as the Company had not yet received a receipt from the provincial securities regulator for the Company's final prospectus. This was subsequently received on February 24, 2009 and the special warrants were exercised into units as described above.

In February 2009, management completed a convertible debt financing for approximately CAN $14 million of five year 10% subordinated unsecured convertible redeemable debentures (See "Convertible Debentures" for further information).

In October 2009, the Company completed a prospectus offering and exercise of the over allotment for 6,152,500 units at CAN $3.00 per unit for gross proceeds of CAN $18.5 million. Each unit is comprised on one common share and one-half of a common share purchase warrant. Each whole share purchase warrant is exercisable to purchase one common share at an exercise price of CAN $3.60 until October 7, 2011. The agents received a cash commission of 6% totalling $1.1 million and 369,150 agents' warrants, each warrant exercisable for one common share at an exercise price of CAN $3.00 until October 7, 2011. The warrants issued to the agents have an estimated fair value of $0.5 million and have been recorded in share capital on a net basis. Share issuance costs including agents' fees totalled $1.9 million.

In October 2009, the Company completed a non-brokered private placement for 1,299,843 units at CAN $3.00 per unit for gross proceeds of CAN $3.9 million. Each unit consisted of one common share and one-half of a common share purchase warrant. Each whole share purchase warrant is exercisable to purchase one common share at an exercise price of CAN $3.60 until October 26, 2011. A finders' fee of 6% was paid on a portion of the private placement totaling $0.2 million. Share issuance costs including the finders' fee totalled $0.2 million.

As at December 31, 2009, the Company had 5,187,700 options to purchase common shares outstanding with a weighted average exercise price of CAN$2.63 and had 6,030,989 share purchase warrants outstanding with a weighted average exercise price of CAN$3.00.

At December 31, 2009 the Company held certain Notes that were obtained in February from the restructuring of Canadian Asset Backed Commercial Paper ("ABCP"). The ABCP was purchased in a Canaccord Capital account in August 2007 with a par value $5.2 million. At the dates at which we acquired the investments, the non-bank sponsored ABCP was rated RI (High) by Dominion Bond Rating Services ("DBRS"), the highest credit rating issued for commercial paper. In August 2007, the ABCP market experienced liquidity problems and was subsequently frozen. See "Asset Backed Commercial Paper" for further detail.

Even though the Company generates significant mine operating cash flow, the Company has incurred significant operating losses to date. Management recognizes that the Company will need to grow its operations and/or generate additional financing resources in order to meet its planned business objectives in the long term. The Company has historically financed its activities principally by the sale of equity securities. The Company's ability to continue as a going concern is dependent on the Company's ability to raise equity financing, debt financing or the attainment of profitable operations.

Capital Requirements

The Company plans to invest a total of $29.6 million on capital projects in 2010, with the continued focus on refurbishing and expanding the Guanacevi plant, and developing mine access ramps at both operations.

At Guanacevi, $11.1 million is planned to develop the Santa Cruz and Porvenir Cuatro ore-bodies and extend access into both the North Porvenir and Porvenir Dos ore-bodies, $5.6 million is planned on a new crushing circuit, $1.0 million on tailings expansion and $5.0 million for various plant and mine equipment to facilitate the continued expansion at Guanacevi.

At Guanajuato, $4.5 million in planned to further develop the Lucero, Karina and Bolanitos veins, while $2.5 million is planned for mine equipment and plant equipment.

These planned expenditures are expected to be financed from mine operating cash flows and current cash balances.

Financial Instruments and Other Instruments

Financial Assets and Liabilities

The Company's financial instruments consist of cash and cash equivalents, receivables, marketable securities, accounts payable, accrued liabilities, asset backed commercial paper notes ("ABCP Notes"), a promissory note and convertible debentures. Cash and cash equivalents are designated as held for trading and therefore carried at fair value, with the unrealized gain or loss recorded in income. Receivables are designated as loan receivables and accounts payables, accrued liabilities, promissory note and convertible debentures are designated as other financial liabilities and recorded at amortized cost. Marketable securities and ABCP are available for sale with the unrealized gain or loss recorded in other comprehensive income. Interest income and expense are both recorded in income.

The fair value hierarchy establishes three levels to classify inputs to the valuation techniques used to measure fair value. Level 1 inputs are quoted market prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are inputs other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable (supported by little or no market activity).

Cash and cash equivalents and promissory note are stated at fair value and are classified as Level 1 of the fair value hierarchy. The fair values of accounts receivables, accounts payable and accrued liabilities are approximate carrying value because of the short term nature of these instruments.

The fair value of available for sale marketable securities is determined based on a market approach reflecting the closing price of each particular security at the closing balance sheet date. The closing price is a quoted market price obtained from the exchange that is the principal active market for the particular security, and therefore available for sale securities are classified within Level 1 of the fair value hierarchy.

The fair value of the ABCP Notes are determined by discounting the stream of future payments at the estimated prevailing market rates and are classified within Level 2 as of December 31, 2009. Prior to the successful restructuring of the ABCP in January 2009, the ABCP inputs was value unobservable and therefore classified as Level 3 of the fair value hierarchy.

The fair values of the convertible debentures are determined as described under "Convertible Debentures" and are classified within Level 2.

Financial Instrument Risk Exposure and Risk Management
The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management process. The types of risk exposure and the way in which such exposure is managed is provided as follows:

Credit Risk
The Company is exposed to credit risk on its bank accounts and IVA receivable balance. Credit risk exposure on bank accounts is limited through maintaining its cash and equivalents with high-credit quality financial institutions, maintaining investment policies, assessing institutional exposure and continual discussion with external advisors. IVA receivables are generated on the purchase of supplies and services to produce silver which are refundable from the Mexican government.

Liquidity Risk
The Company ensures that there is sufficient capital in order to meet short term business requirements. After taking into account the Company's holdings of cash equivalents, marketable securities and receivables, the Company believes that these sources will be sufficient to cover the likely short term cash requirements and commitments.

Market Risk
The significant market risk exposures to which the Company is subject are foreign exchange risk, interest rate risk and commodity price risk.

Foreign Currency Risk
The Company's operations in Mexico and Canada subject it to foreign currency fluctuations. The Company's operating expenses are primarily incurred in Mexican pesos and Canadian dollars, and the fluctuation of the US dollar in relation to these currencies will consequently have an impact upon the profitability of the Company and may also affect the value of the Company's assets and the amount of shareholders' equity. The Company's convertible debentures were issued in Canadian dollars and related interest expense is incurred in Canadian dollars. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks.

The US dollar equivalent of financial assets and liabilities denominated in currencies other than the US dollar as at December 31 are as follows:

	December 31, 2009		December 31, 2008	
	Canadian Dollar	**Mexican Peso**	Canadian Dollar	Mexican Peso
Financial Assets	**$ 24,025**	**$ 7,582**	$ 5,068	4,825
Financial Liabilities	**(9,228)**	**(2,946)**	(870)	(2,679)
Net Financial Liabilities	**$ 14,797**	**$ 4,636**	$ 4,198	$ 2,146

Of the financial assets listed above, $19,203 (2008 – $2,571) represents cash and cash equivalents held in Canadian dollars, and $2,426 (2008 -- $851) represents cash held in Mexican Pesos. The remaining cash balance is held in US dollars.

As at December 31, 2009, with other variables unchanged, a 5% strengthening of the US dollar against the Canadian dollar would decrease net earnings by $0.7 million due to these financial assets and liabilities.

As at December 31, 2009, with other variables unchanged, a 5% strengthening of the US dollar against the Mexican peso would decrease net earnings by $0.2 million due to these financial assets and liabilities.

Interest Rate Risk

In respect of financial assets, the Company's policy is to invest cash at floating rates of interest and cash reserves are to be maintained in cash equivalents in order to maintain liquidity. Fluctuations in interest rates impact the value of cash equivalents.

With respect to financial liabilities, the convertible debentures and promissory note are not subject to interest rate risk given the fixed rate of 10% for both liabilities.

Asset Backed Commercial Paper

At December 31, 2009 the Company held restructured Canadian Asset Backed Commercial Paper Notes that were obtained in February 2009 from the restructuring of Canadian Asset Backed Commercial Paper ("ABCP"). The ABCP was purchased in a Canaccord Capital account in August 2007 with a par value $5.2 million. At the dates at which the Company acquired the investments, the non-bank sponsored ABCP was rated RI (High) by Dominion Bond Rating Services ("DBRS"), the highest credit rating issued for commercial paper. In August 2007, the ABCP market experienced liquidity problems and was subsequently frozen.

The Company assessed the estimated fair value of its investment and based on the available information regarding current market conditions, the underlying assets and the indicative values contained in the report issued by JP Morgan, we recorded an impairment of $2.6 million in 2008.

There is a significant amount of uncertainty in estimating the amount of timing of cash flows associated with the ABCP. The Company estimated the fair value by using a basic discounted cash flow model assuming principal is repaid between 2013 and 2016, interest earned at banker acceptance less 50 bps, using a 12% discount rate. This results in an estimated fair value of CAN$2.6 million.

In September 2007, a Pan-Canadian Committee (the "Committee") consisting of a panel of major ABCP investors was formed to restructure the affected ABCP trusts. In January 2009, the Committee successfully completed the restructuring based on the report issued by J.P. Morgan. The restructuring plan was executed as follows:

- The creation of three master asset vehicles (MAV).
- Within each MAV, the issuance of 5 different series of notes:
  - Class A-1 Notes are the senior notes, with the other series of Notes subordinated to them. Class A-1 Notes are expected to have maturities from 6 to 8 years and a coupon rate of Bankers Acceptance ("BA") Rate less 0.5%.
  - Class A-2 Notes are senior to the Class B Notes, C Notes and IA Tracking Notes. Class A-2 Notes are expected to have maturity of 8 years and a coupon rate of BA Rate less 0.5%
  - Class B Notes are senior to the Class C Notes and IA Tracking Notes. Class B Notes are expected to have a maturity of 8 years and a coupon rate BA Rate of less 0.5%
  - Class C Notes are senior to the IA Tracking Notes. Class C Notes are expected to have a maturity of 8 years and a coupon rate of 20%. It was stated by JP Morgan that for the Class C Notes "investors" should expect return closer to BA Rate less 0.5%.
  - IA Tracking Notes are expected to have a maturity of 8 years and a coupon rate equivalent to the net rate of return generated by the specific underlying assets.

Based on the Restructuring Plan:

- CAN $3,229,000 of our investments were replaced with Class A-1 Notes
- CAN $1,093,000 of our investments were replaced with Class A-2 Notes
- CAN $ 198,000 of our investments were replaced with Class B Notes
- CAN $ 140,000 of our investments were replaced with Class C Notes
- CAN $ 464,000 of our investments were replaced with IA Tracking Notes (Class 15)

The Company updated the valuation model to reflect the Notes that were distributed as a result of the restructuring. The Notes were recorded at their estimated fair value of CAN $2.6 million, resulting in no gain or loss on implementation of the restructuring. The Company received $247 thousand in the period in accordance with the terms of the notes.

The Company has classified the Notes as available for sale. Management has recorded the Notes at their estimated fair market value with the impact of market fluctuations recognized through other comprehensive income, unless there are declines in value that are concluded to be other than temporary, in which case the declines will be charged to operations.

Convertible Debentures

In February 2009, the Company issued CAN $14 million in 10% subordinated unsecured convertible redeemable debentures (the "Debentures") maturing February 2014. The interest is 10% annually, paid quarterly in arrears. At any time, each Debenture may be converted by the holder into one unit consisting of one of the Company's common shares and one half of a common share purchase warrant at an initial conversion rate of 526.3 units for each CAN $1,000 Debenture, representing an initial conversion price of CAN $1.90 per unit. Additional units may become issuable following the occurrence of certain corporate acts or events. Each full share purchase warrant will entitle the holder to purchase one common share at an exercise price of CAN $2.05.

A total of 7,364,737 common shares are issuable upon conversion. Subsequent to July 26, 2010, each Debenture can be redeemed by the Company for cash, plus a redemption fee of 7%, provided the closing share price is greater than CAN $2.85.

As the Debentures include both cash payment and equity conversion features, the gross proceeds have been allocated between liability and equity elements as further described below. The liability component of the Debentures is designated as other financial liabilities and is recognized at amortized cost. The related transaction costs are allocated on a proportional basis. The transaction costs associated with the liability portion of the Debentures is deferred over their expected term.

The face value of the Debentures has been allocated as follows for accounting purposes:

	CAN $	US $
Allocation of gross proceeds		
Gross Proceeds	**$ 13,993**	**$ 11,225**
Fair value of liability portion	10,492	8,417
Fair value of equity portion	3,501	2,808
Liability portion of convertible debentures		
Opening balance	-	-
Fair value of debt component	10,492	8,417
Issuance costs	(1,547)	(1,241)
Accretion expense	1,643	1,466
Interest accrued	(267)	(254)
Interest paid	(883)	(794)
Conversion into common shares	(889)	(829)
Foreign exchange (gain)/loss on revaluation	-	1,384
Closing balance of liability portion	**8,549**	**8,149**
Equity portion of convertible debentures		
Opening balance	-	-
Fair value of equity portion	3,501	2,808
Issuance costs	(516)	(415)
Conversion into common shares	(286)	(229)
Closing balance of equity portion	**2,699**	**2,164**

The fair value of the liability portion of the Debentures at initial recognition was estimated using a discounted cash flow method, estimating the Company's incremental borrowing rate to be 18%. The fair value of the equity component was estimated using the residual value method. The Company has determined that its redemption option had no material value at inception, but due to change of estimated inputs, the rise in the Company's share price and estimated borrowing rate, a gain of $2.7 million was recorded in the fourth quarter of 2009. As at December 31, 2009 the redemption option was valued using a binomial lattice model using a volatility estimate of 65%, risk free rate of 2.3% and estimated borrowing rate of 12% over the life of the Debentures. The liability portion of the Debentures is accreted over an expected life of 5 years using the effective interest method. Total financing fees associated with the transaction were $1,656, which were allocated on a proportional basis between the liability component ($1,241), equity component ($415). The Company paid $1,191 and issued 644,414 share purchase warrants, each warrant exercisable for one common share at CAN$ 1.90 for five years with an estimated value of $465 as consideration for the financing fees. The agent warrants were valued using Black-Scholes valuation technique with an expected life of 5 years and a volatility of 73%.

During the year, CAN $1.34 million of convertible debentures were converted into 706,313 common shares and 353,155 warrants.

Contractual Obligations

The Company had the following contractual obligations at December 31, 2009:

	Payments due by period (in thousands of dollars)				
Contractual Obligations	Total	Less than 1 year	1 – 3 years	3 – 5 years	More than 5 years
Operating Lease	$ 506	$ 253	$ 253	-	-
Promissory Note	539	231	308	-	-
Other Long-Term Liabilities	1,740	-	-	$ 618	$ 1,122
Total	$ 2,785	$ 484	$ 561	$ 618	$ 1,122

Outstanding Share Data

As of March 19, 2010, the Company had the following items issued and outstanding:

- 61,502,610 common shares
- 4,668,500 options to purchase common shares with a weighted average exercise price of CAD$2.65 per share expiring between March 22, 2010 and June 14, 2017.
- 6,094,869 purchase warrants with a weighted average exercise price of CAD$2.99 per share expiring between October 7, 2011 and February 26, 2014.
- CAN$ 11,990,000 of five year 10% subordinated unsecured convertible redeemable debentures with an exercise price of $1.90 per share.

The Company considers the items included in the consolidated statement of shareholders' equity as capital. The Company's objective when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders**.** The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares through private placements, prospectus offerings, convertible debentures, asset acquisitions or return capital to shareholders. The Company is not subject to externally imposed capital requirements.

SUBSEQUENT EVENTS

In January 2010, the Company acquired the option to purchase a 100% interest in the San Sebastian properties, located in Jalisco, Mexico by paying a total of $2.75 million over three years, of which the Company paid $50,000 upon signing the option agreement. The Company is also required to spend $2.0 million on exploration over three years.

In February 2010 the Company exercised its right to acquire the Porvenir concessions and issued 71,428 common shares of the Company valued at $240,000 and paid $160,000 to acquire the property.

ANNUAL OUTLOOK

Financial

In 2010, Endeavour anticipates reaching new milestones in its financial performance, including higher sales revenues, mine operating cash-flow and EBITDA assuming continued robust silver and gold bullion prices, rising mine and plant production and falling cash costs. Management has planned one more year of major capital investments totalling $29.6 million in order to realize the full production capacities at Guanacevi and Guanajuato. Thereafter, capital requirements at both mining operations should decline to sustaining levels.

Production

In 2010, Endeavour expects to deliver its sixth consecutive year of growing silver production, up by about 20% to the 3.1 million oz range with approximately 15,000 oz gold as a by-product. Similar to 2009, the first two quarters of silver production are scheduled to be relatively flat, as we focus on mine development and capital programs. However, silver production is scheduled to increase in Q3 and Q4 of 2009, as the new ore bodies under development during the first half of the year at Guanacevi and Guanajuato are expected to enter into production.

Upon completion of the 2010 capital expansion projects, the Guanacevi mines production is scheduled to reach 1,000 tonnes per day (tpd), and the Guanajuato mines production is scheduled to reach 600 tonnes per day (tpd). The final phase of organic growth for Guanacevi and Guanajuato should see the mine and plant capacities rise to 1,200 tonnes per day (tpd) at Guanacevi and 800 tonnes per day (tpd) at Guanajuato in 2011-2012.

Guanacevi currently draws 80% of its ore production from the Porvenir Mine, although Porvenir Dos production continues to grow as the ramp advances and new levels are accessed. The recent installation of a temporary jaw crushing circuit at the Guanacevi plant is intended to augment current production capacity until the permanent expanded crushing circuit is completed in 2010. Work re-commenced on the Santa Cruz access ramp in Q4, 2009 to allow for ore development starting in Q2, 2010 so that three ore-bodies can feed the Guanacevi plant in 2010.

At Guanajuato, the Lucero vein continues to contribute 60% of the ore production with the balance coming from Cebada and Bolanitos. With the recent expansion of the Guanajuato plant capacity to 600 tpd through the installation of a new cone crusher, production is expected to climb with the development of the new ore zone on the Bolanitos vein. However, plant capacity is not expected to be achieved until after new mine equipment arrives in Q1, 2010.

Exploration

In 2010, the Company will strive once again to replace reserves and expand resources at both mining operations. An aggressive 36,000 meter, 125-hole exploration drill program will be focused on following up on the new discoveries in both districts, testing several new prospective targets within these two districts, and exploring properties acquired in new districts.

The Company will also commence surface exploration drilling on the San Juanico properties. The objective will be to extend the poly-metallic resources from the El Cometa property onto the San Juanico properties. If current resources can be doubled, Endeavour believes these properties should have sufficient critical mass to conduct a preliminary economic assessment. Cometa and San Juanico have excellent access and infrastructure, being located on the outskirts of the city of Hidalgo de Parral, and less than two kilometres from the government processing plant. Phase 1 drill programs are also planned for El Toro and certain property acquisitions which are pending.

CHANGES IN ACCOUNTING POLICIES & CRITICAL ACCOUNTING ESTIMATES

Changes in Accounting Policies

On January 1, 2009, the Company adopted a new accounting standard that was issued by the Canadian Institute of Chartered Accountants: Handbook Section 3604, *Goodwill and intangible assets,* which replaces section 3062, Goodwill and intangible assets and Section 3450, Research and Development Costs, establishes a standard for recognition, measurement and disclosure of goodwill and intangible assets. There is no impact on the Company's consolidated financial statements.

Recently released Canadian accounting standards

The Company has assessed new and revised accounting pronouncements that have been issued that are not yet effective and determined that the following may have a significant impact on the Company:

i) In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

Critical Accounting Estimates

The preparation of financial statements requires the Company to make estimates that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of estimates relate to the determination of mineralized reserves, valuation of asset back commercial paper, impairment of long-lived assets, determination of asset retirement obligations, valuation allowances for future income taxes and assumptions used in determining the fair value of non-cash based compensation.

Mineralized reserves and impairment on long lived assets
Management periodically reviews the carrying value of its mineral properties with internal and external mining related professionals. A decision to abandon, reduce or expand a specific project is based upon many factors including general and specific assessments of reserves, anticipated future prices, anticipated future costs of exploring, developing and operating a producing mine, expiration term and ongoing expense of maintaining leased mineral properties and the period for properties with unproven reserves. However, properties which have not demonstrated suitable mineral concentrations at the conclusion of each phase of an exploration program are reevaluated to determine if future exploration is warranted and their carrying values are appropriate.

If an area of interest is abandoned or it is determined that its carrying value cannot be supported by future production or sale, the related costs are charged against operations in the period of abandonment or determination that the carrying value exceeds its fair value. The amounts recorded as mineral properties represent costs incurred to date and do not necessarily reflect present or future values.

Asset retirement obligations
Reclamation and closure costs have been estimated based on the Company's interpretation of current regulatory requirements, however changes in regulatory requirements and new information may result in revisions to estimates. The Company recognized the present value of liabilities for reclamation and closure costs in the period in which they are incurred. These obligations are measured initially at fair value and the resulting costs capitalized to the carrying value of the related asset. In subsequent periods, the liability is adjusted for any changes in the amount or timing and for the accretion of discounted underlying future cash flows. The capitalized asset retirement cost is amortized to operations over the life of the asset.

Convertible Debt
We follow accounting guidelines in determining the value of the liability and equity components of the convertible notes, as described in Note 13 to the interim Financial Statements. The carrying value of the liability component was determined by discounting the stream of future payments of interest and principal over a 5 year expected life at the estimated market rate for a similar liability without the conversion features. The carrying value of the equity component was measured as the face value of the notes less the portion relating to the debt component.

Future income taxes
The Company follows the asset and liability method of accounting for income taxes. Under this method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and losses carried forward. Future tax assets and liabilities are measured using substantively enacted or enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the substantive enactment date. Future tax assets are recognized to the extent that they are considered more likely than not to be realized. The valuation of future income tax assets is adjusted, if necessary, by the use of a valuation allowance to reflect the estimated realizable amount. The future income tax provision also incorporates management's estimates regarding the utilization of tax loss carry forwards, which are dependent on future operating performance and transactions.

Stock-based compensation
The Company has a share option plan which is described in Note 14 (d) of the Company's consolidated financial statements. The Company records all stock-based compensation for options using the fair value method. The fair value of each option award is estimated on the date of the grant using the Black-Scholes option pricing model, with expected volatility based on historical volatility of our stock. We use historical data to estimate the term of the option and the risk free rate for the expected term of the option is based on the Government of Canada yield curve in effect at the time of the grant.

RISKS AND UNCERTAINTIES

Precious and Base Metal Price Fluctuations
The profitability of the precious and base metal operations in which the Company has an interest will be significantly affected by changes in the market prices of precious and base metals. Prices for precious and base metals fluctuate on a daily basis, have historically been subject to wide fluctuations and are affected by numerous factors beyond the control of the Company such as the level of interest rates, the rate of inflation, central bank transactions, world supply of the precious and base metals, foreign currency exchange rates, international investments, monetary systems, speculative activities, international economic conditions and political developments. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving adequate returns on invested capital or the investments retaining their respective values. Declining market prices for these metals could materially adversely affect the Company's operations and profitability.

Passive Foreign Investment Company Consequences
The Company has not made a determination as to whether it is considered a "passive foreign investment company" (a "PFIC") as such term is defined in the U.S. Internal Revenue Code of 1986, as amended (the "Code"), for U.S. federal income tax purposes for the current tax year and any prior tax years. A non-U.S. corporation generally will be considered a PFIC for any taxable year if either (1) at least 75% of its gross income is passive income or (2) at least 50% of the value of its assets (based on an average of the quarterly values of the assets during a taxable year) is attributable to assets that produce or are held for the production of passive income.

In general, if the Company is or becomes a PFIC, any gain recognized on the sale of securities and any "excess distributions" (as specifically defined in the Code) paid on the securities must be ratably allocated to each day in a U.S. taxpayer's holding period for the securities. The amount of any such gain or excess distribution allocated to prior years of such U.S. taxpayer's holding period for the securities generally will be subject to U.S. federal income tax at the highest tax applicable to ordinary income in each such prior year, and the U.S. taxpayer will be required to pay interest on the resulting tax liability for each such prior year, calculated as if such tax liability had been due in each such prior year.

Fluctuations in the price of consumed commodities
Prices and availability of commodities consumed or used in connection with exploration, development and mining, such as natural gas, diesel, oil, electricity, cyanide and other reagents fluctuate affecting the costs of production at our operations. These fluctuations can be unpredictable, can occur over short periods of time and may have a materially adverse impact on our operating costs or the timing and costs of various projects. Our general policy is not to hedge our exposure to changes in prices of the commodities we use in our business.

Competitive Conditions
Significant competition exists for natural resource acquisition opportunities. As a result of this competition, some of which is with large, well established mining companies with substantial capabilities and significant financial and technical resources, the Company may be unable to either compete for or acquire rights to exploit additional attractive mining properties on terms it considers acceptable. Accordingly, there can be no assurance that the Company will be able to acquire any interest in additional projects that would yield reserves or results for commercial mining operations.

Operating Hazards and Risks
Mining operations generally involve a high degree of risk, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. These risks include, but are not limited to, the following: environmental hazards, industrial accidents, third party accidents, unusual or unexpected geological structures or formations, fires, power outages, labour disruptions, floods, explosions, cave-ins, land-slides, acts of God, periodic interruptions due to inclement or hazardous weather conditions, earthquakes, war, rebellion, revolution, delays in transportation, inaccessibility to property, restrictions of courts and/or government authorities, other restrictive matters beyond the reasonable control of the Company, and the inability to obtain suitable or adequate machinery, equipment or labour and other risks involved in the operation of mines.

Operations in which the Company has a direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration, development and production of precious and base metals, any of which could result in work stoppages, delayed production and resultant losses, increased production costs, asset write downs, damage to or destruction of mines and other producing facilities, damage to life and property, environmental damage and possible legal liability for any or all damages. The Company may become subject to liability for pollution, cave-ins or hazards against which it cannot insure or against which it may elect not to insure. Any compensation for such liabilities may have a material, adverse effect on the Company's financial position.

Our property, business interruption and liability insurance may not provide sufficient coverage for losses related to these or other hazards. Insurance against certain risks, including certain liabilities for environmental pollution, may not be available to us or to other companies within the industry at reasonable terms or at all. In addition, our insurance coverage may not continue to be available at economically feasible premiums, or at all. Any such event could have a material adverse affect on our business.

Exploration and Development
There is no assurance given by the Company that its exploration and development programs and properties will result in the discovery, development or production of a commercially viable ore body or yield new reserves to replace or expand current reserves.

The business of exploration for minerals and mining involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. At this time, apart from the mineral reserves on the Company's Guanacevi Mines Project and Guanajuato Mines Project, none of the Company's properties have any defined ore-bodies with proven reserves.

The economics of developing silver, gold and other mineral properties are affected by many factors including capital and operating costs, variations of the tonnage and grade of ore mined, fluctuating mineral markets, and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals and environmental protection. Depending on the prices of silver, gold or other minerals produced, the Company may determine that it is impractical to commence or continue commercial production. Substantial expenditures are required to discover an ore-body, to establish reserves, to identify the appropriate metallurgical processes to extract metal from ore, and to develop the mining and processing facilities and infrastructure. The marketability of any minerals acquired or discovered may be affected by numerous factors which are beyond the Company's control and which cannot be accurately foreseen or predicted, such as market fluctuations, conditions for precious and base metals, the proximity and capacity of milling and smelting facilities, and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting minerals and environmental protection. In order to commence exploitation of certain properties presently held under exploration concessions, it is necessary for the Company to apply for an exploitation concession. There can be no guarantee that such a concession will be granted. Unsuccessful exploration or development programs could have a material adverse impact on the Company's operations and profitability.

Calculation of Reserves and Resources and Precious Metal Recoveries
There is a degree of uncertainty attributable to the calculation and estimates of reserves and resources and their corresponding metal grades to be mined and recovered. Until reserves or resources are actually mined and processed, the quantities of mineralization and metal grades must be considered as estimates only. Any material change in the quantity of mineral reserves, mineral resources, grades and recoveries may affect the economic viability of the Company's properties.

Government Regulation
The Company's operations, exploration and development activities are subject to extensive foreign federal, state and local laws and regulations governing such matters as environmental protection, management and use of toxic substances and explosives, management of natural resources, health, exploration and development of mines, production and post-closure reclamation, safety and labour, mining law reform, price controls import and export laws, taxation, maintenance of claims, tenure, government royalties and expropriation of property. There is no assurance that future changes in such regulation, if any, will not adversely affect the Company's operations. The activities of the Company require licenses and permits from various governmental authorities.

The costs associated with compliance with these laws and regulations are substantial and possible future laws and regulations, changes to existing laws and regulations and more stringent enforcement of current laws and regulations by governmental authorities, could cause additional expenses, capital expenditures, restrictions on or suspensions of the Company's operations and delays in the development of its properties. Moreover, these laws and regulations may allow governmental authorities and private parties to bring lawsuits based upon damages to property and injury to persons resulting from the environmental, health and safety practices of the Company's past and current operations, or possibly even those actions of parties from whom the Company acquired its mines or properties, and could lead to the imposition of substantial fines, penalties or other civil or criminal sanctions. The Company retains competent and well trained individuals and consultants in jurisdictions in which it does business, however, even with the application of considerable skill the Company may inadvertently fail to comply with certain laws. Such events can lead to financial restatements, fines, penalties, and other material negative impacts on the Company.

Obtaining and Renewing of Government Permits
In the ordinary course of business, the Company is required to obtain and renew government permits for the operation and expansion of existing operations or for the development, construction and commencement of new operations. Obtaining or renewing the necessary governmental permits is a complex and time-consuming process involving numerous jurisdictions and possibly involving public hearings and costly undertakings on the Company's part. The duration and success of the Company's efforts to obtain and renew permits are contingent upon many variables not within its control including the interpretation of applicable requirements implemented by the permitting authority.

The Company may not be able to obtain or renew permits that are necessary to its operations, or the cost to obtain or renew permits may exceed what the Company believes it can recover from a given property once in production. Any unexpected delays or costs associated with the permitting process could delay the development or impede the operation of a mine, which could adversely impact the Company's operations and profitability.

Environmental Factors

All phases of the Company's operations are subject to environmental regulation in the various jurisdictions in which it operates. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that any future changes in environmental regulation, will not adversely affect the Company's operations. The costs of compliance with changes in government regulations have the potential to reduce the profitability of future operations. Environmental hazards that may have been caused by previous or existing owners or operators may exist on the Company's mineral properties, but are unknown to the Company at the present.

Title to Assets

Although the Company has or will receive title opinions for any properties in which it has a material interest, there is no guarantee that title to such properties will not be challenged or impugned. The Company has not conducted surveys of the claims in which it holds direct or indirect interests and, therefore, the precise area and location of such claims may be in doubt. The Company's claims may be subject to prior unregistered agreements or transfers or native land claims and title may be affected by unidentified or unknown defects. The Company has conducted as thorough an investigation as possible on the title of properties that it has acquired or will be acquiring to be certain that there are no other claims or agreements that could affect its title to the concessions or claims. If title to the Company's properties is disputed it may result in the Company paying substantial costs to settle the dispute or clear title and could result in the loss of the property, which events may affect the economic viability of the Company.

Uncertainty of Funding

The Company has limited financial resources, and the mineral claims in which the Company has an interest or an option to acquire an interest require financial expenditures to be made by the Company. There can be no assurance that adequate funding will be available to the Company so as to exercise its option or to maintain its interests once those options have been exercised. Further exploration work and development of the properties in which the Company has an interest or option to acquire depend upon the Company's ability to obtain financing through joint venturing of projects, debt financing or equity financing or other means. Failure to obtain financing on a timely basis could cause the Company to forfeit all or parts of its interests in mineral properties or reduce or terminate its operations.

Agreements with Other Parties

The Company has entered into agreements with other parties relating to the exploration, development and production of its properties. The Company may, in the future, be unable to meet its share of costs incurred under agreements to which it is a party, and the Company may have its interest in the properties subject to such agreements reduced as a result. Furthermore, if other parties to such agreements do not meet their share of such costs, the Company may be unable to finance the costs required to complete recommended programs.

Employee Recruitment and Retention

Recruiting and retaining qualified personnel is critical to the Company's success. The Company is dependent on the services of key executives including the Company's President and Chief Executive Officer and other highly skilled and experienced executives and personnel focused on managing the Company's interests. The number of persons skilled in acquisition, exploration, development and operation of mining properties are limited and competition for such persons is intense. As the Company's business activity grows, the Company will require additional key financial, administrative and mining personnel as well as additional operations staff.

We could experience increases in our recruiting and training costs and decreases in our operating efficiency, productivity and profit margins. If we are not able to attract, hire and retain qualified personnel, the efficiency of our operations could be impaired, which could have an adverse impact on the Company's future cash flows, earnings, results of operations and financial condition.

Potential Conflicts of Interest

The directors and officers of the Company may serve as directors and/or officers of other public and private companies, and may devote a portion of their time to manage other business interests. This may result in certain conflicts of interest. To the extent that such other companies may participate in ventures in which the Company is also participating, such directors and officers of the Company may have a conflict of interest in negotiating and reaching an agreement with respect to the extent of each company's participation. The laws of British Columbia, Canada, require the directors and officers to act honestly, in good faith, and in the best interests of the Company and its shareholders. However, in conflict of interest situations, directors and officers of the Company may owe the same duty to another company and will need to balance the competing obligations and liabilities of their actions.

There is no assurance that the needs of the Company will receive priority in all cases. From time to time, several companies may participate together in the acquisition, exploration and development of natural resource properties, thereby allowing these companies to: (i) participate in larger properties and programs; (ii) acquire an interest in a greater number of properties and programs; and (iii) reduce their financial exposure to any one property or program. A particular company may assign, at its cost, all or a portion of its interests in a particular program to another affiliated company due to the financial position of the company making the assignment. In determining whether or not the Company will participate in a particular program and the interest therein to be acquired by it, it is expected that the directors and officers of the Company will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time.

Foreign Countries and Regulatory Requirements

The Company's mining and exploration properties are located in Mexico, and mineral exploration and mining activities may be affected in varying degrees by political stability and government regulations relating to the mining industry. Any changes in regulations or shifts in political attitudes may vary from country to country and are beyond the control of the Company and may adversely affect its business. Operations may be affected in varying degrees by government regulations with respect to restrictions on production, price controls, export controls, income and other taxes and duties, expropriation of property, environmental legislation and mine safety. These uncertainties may make it more difficult for the Company to obtain any required production financing for its mineral properties.

Foreign Operations

The majority of the Company's current operations are conducted by its subsidiaries in, and all of the Company's current production and revenue is derived from its operations in, Mexico. As the Company's business is carried on in a foreign country, it is exposed to a number of risks and uncertainties including; labour unrest, high rates of inflation, changes to tax regimes, extreme fluctuations in currency exchange rates and difficulty obtaining key equipment and components for equipment.

Third Party Reliance

The Company's rights to acquire interests in certain mineral properties have been granted by third parties who themselves may hold only an option to acquire such properties. As a result, the Company may have no direct contractual relationship with the underlying property holder.

Absolute Assurance on Financial Statements

We prepare our financial reports in accordance with accounting policies and methods prescribed by Canadian generally accepted accounting principles. In the preparation of financial reports, management may need to rely upon assumptions, make estimates or use their best judgment in determining the financial condition of the Company. Significant accounting details are described in more detail in the notes to our annual consolidated financial statements for the year ended December 31, 2009.

In order to have a reasonable level of assurance that financial transactions are properly authorized, assets are safeguarded against unauthorized or improper use and transactions are properly recorded and reported, we have implemented and continue to analyze our internal control systems for financial reporting. Although we believe our financial reporting and financial statements are prepared with reasonable safeguards to ensure reliability, we cannot provide absolute assurance in that regard.

General economic conditions

The recent unprecedented events in global financial markets have had a profound effect on the global economy. Many industries, including the gold and silver mining industry, are affected by these market conditions. Some of the key effects of the current financial market turmoil include contraction in credit markets resulting in a widening of credit risk, devaluations and high volatility in global equity, commodity, foreign exchange and precious metal markets, and a lack of market liquidity. A continued or worsened slowdown in the financial markets or other economic conditions, including but not limited to, consumer spending, employment rates, business conditions, inflation, fuel and energy costs, consumer debt levels, lack of available credit, the state of the financial markets, interest rates, and tax rates may adversely affect the Company's growth and profitability. Specifically:

- the global credit/liquidity crisis could affect the cost and availability of financing and our overall liquidity;
- the volatility of gold and silver prices affects our revenues, profits and cash flow;
- volatile energy prices, commodity and consumables prices and currency exchange rates affect our production costs; and
- the devaluation and volatility of global stock markets affects the valuation of our equity securities.

These factors could have a material adverse effect on the Company's financial condition and results of operations.

Recent market events and conditions

In 2007, 2008 and into 2009, the U.S. credit markets experienced serious disruption due to a deterioration in residential property values, defaults and delinquencies in the residential mortgage market (particularly, sub-prime and non-prime mortgages) and a decline in the credit quality of mortgage backed securities. These problems led to a slow-down in residential housing market transactions, declining housing prices, delinquencies in non-mortgage consumer credit and a general decline in consumer confidence. These conditions continued and worsened in 2008 and 2009, causing a loss of confidence in the broader U.S. and global credit and financial markets and resulting in the collapse of, and government intervention in, major banks, financial institutions and insurers and creating a climate of greater volatility, less liquidity, widening of credit spreads, a lack of price transparency, increased credit losses and tighter credit conditions. In addition, general economic indicators have deteriorated, including declining consumer sentiment, increased unemployment and declining economic growth and uncertainty about corporate earnings.

These unprecedented disruptions in the current credit and financial markets have had a significant material adverse effect on a number of financial institutions and have limited access to capital and credit for many companies. These disruptions could, among other things, make it more difficult for the Company to obtain, or increase its cost of obtaining, capital and financing for its operations. The Company's access to additional capital may not be available on terms acceptable to it or at all.

Substantial Volatility of Share Price

In recent years, the securities markets in the United States and Canada have experienced a high level of price and volume volatility, and the securities of many mineral exploration companies have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. The price of the Company's common shares is also likely to be significantly affected by short-term changes in mineral prices or in the Company's financial condition or results of operations as reflected in its quarterly financial reports.

Other factors unrelated to the Company's performance that may have an effect on the price of its common shares include the following: the extent of analytical coverage available to investors concerning the Company's business may be limited if investment banks with research capabilities do not follow the Company's securities; lessening in trading volume and general market interest in the Company's securities may affect an investor's ability to trade significant numbers of the Company's common shares; the size of the Company's public float may limit the ability of some institutions to invest in the Company's securities; and a substantial decline in the price of the Company's common shares that persists for a significant period of time could cause the Company's securities to be delisted from the Toronto Stock Exchange and NYSE Amex, further reducing market liquidity.

Differences in U.S. and Canadian reporting of reserves and resources

The Company's reserve and resource estimates are not directly comparable to those made in filings subject to SEC reporting and disclosure requirements, as the Company generally reports reserves and resources in accordance with Canadian practices. These practices are different from those used to report reserve and resource estimates in reports and other materials filed with the SEC. It is Canadian practice to report measured, indicated and inferred resources, which are not permitted in disclosure filed with the SEC by United States issuers. In the United States, mineralization may not be classified as a "reserve" unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time the reserve determination is made. United States investors are cautioned not to assume that all or any part of measured or indicated resources will ever be converted into reserves.

Further, "inferred resources" have a great amount of uncertainty as to their existence and as to whether they can be mined legally or economically. Disclosure of "contained ounces" is permitted disclosure under Canadian regulations; however, the SEC permits issuers to report "resources" only as in-place tonnage and grade without reference to unit of metal measures.

Accordingly, information concerning descriptions of mineralization, reserves and resources contained in this MD&A, or in the documents incorporated herein by reference, may not be comparable to information made public by United States companies subject to the reporting and disclosure requirements of the SEC.

Adequacy of internal control over financial reporting as per the requirements of the U.S. Sarbanes-Oxley Act

The Company documented and tested during its most recent fiscal year, its internal control procedures in order to satisfy the requirements of Section 404 of the U.S. Sarbanes-Oxley Act ("SOX"). SOX requires an annual assessment by management of the effectiveness of the Company's internal control over financial reporting and an attestation report by the Company's independent auditor addressing this assessment. The Company may fail to achieve and maintain the adequacy of its internal control over financial reporting as such standards are modified, supplemented, or amended from time to time, and the Company may not be able to ensure that it can conclude on an ongoing basis that it has effective internal control over financial reporting in accordance with Section 404 of SOX. The Company's failure to satisfy the requirements of Section 404 of SOX on an ongoing, timely basis could result in the loss of investor confidence in the reliability of its financial statements, which in turn could harm the Company's business and negatively affect the trading price of its common shares or market value of its other securities. In addition, any failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm the Company's operating results or cause it to fail to meet its reporting obligations. Future acquisitions of companies may provide the Company with challenges in implementing the required processes, procedures and controls in its acquired operations. Acquired companies may not have disclosure controls and procedures or internal control over financial reporting that are as thorough or effective as those required by securities laws currently applicable to the Company.

No evaluation can provide complete assurance that the Company's internal control over financial reporting will detect or uncover all failures of persons within the Company to disclose material information required to be reported. The effectiveness of the Company's control and procedures could also be limited by simple errors or faulty judgments. In addition, as the Company continues to expand, the challenges involved in implementing appropriate internal control over financial reporting will increase and will require that the Company continue to improve its internal control over financial reporting. Although the Company intends to devote substantial time and incur substantial costs, as necessary, to ensure ongoing compliance, the Company cannot be certain that it will be successful in complying with Section 404 of SOX.

Potential dilution of present and prospective shareholdings
In order to finance future operations and development efforts, the Company may raise funds through the issue of common shares or the issue of securities convertible into common shares. The Company cannot predict the size of future issues of common shares or the issue of securities convertible into common shares or the effect, if any, that future issues and sales of the Company's common shares will have on the market price of its common shares. Any transaction involving the issue of shares, or securities convertible into shares, could result in dilution, possibly substantial, to present and prospective holders of shares.

Lack of Dividends
No dividends on the Company's common shares have been paid to date. The Company currently plans to retain all future earnings and other cash resources, if any, for the future operation and development of its business. Payment of any future dividends, if any, will be at the discretion of the Board of Directors after taking into account many factors, including the Company's operating results, financial condition, and current and anticipated cash needs.

Future Sales of Common Shares by Existing Shareholders
Sales of a large number of the Company's common shares in the public markets, or the potential for such sales, could decrease the trading price of the common shares and could impair the Company's ability to raise capital through future sales of common shares.

Claims Under U.S. Securities Laws
The enforcement by investors of civil liabilities under the federal securities laws of the United States may be affected adversely by the fact that the Company is incorporated under the laws of British Columbia, Canada, that the independent registered chartered accountants who have audited the Company's financial statements and some or all of the Company's directors and officers may be residents of Canada or elsewhere, and that all or a substantial portion of the Company's assets and said persons are located outside the United States. As a result, it may be difficult for holders of the Company's common shares to effect service of process within the United States upon people who are not residents of the United States or to realize in the United States upon judgments of courts of the United States predicated upon civil liabilities under the federal securities laws of the United States

CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The Company's officers and management are responsible for establishing and maintaining disclosure controls and procedures for the Company. Disclosure controls and procedures are designed to provide reasonable assurance that material information required to be disclosed by the Company under securities legislation is recorded, processed, summarized and reported within the applicable time periods and to ensure that required information is gathered and communicated to the Company's management, including the Chief Executive Officer (CEO) and Chief Financial Officer (CFO) as is appropriate to permit timely decisions regarding public disclosure. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives.

At the end of the period covered by this MD&A management conducted an evaluation, including the CEO and CFO, of the effectiveness of the Company's disclosure controls and procedures pursuant to National Instrument 51-109 "Certification of Disclosure in Issuers Annual and Interim Filings" ("NI 52-109") and Rule 13a -15(b) of the U.S. Exchange Act of 1934, as amended (the "U.S. Exchange Act"). Based upon that evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that as of the end of the period covered by this MD&A the disclosure controls and procedures were effective to give reasonable assurance that the information required to be disclosed by the Company in reports that it files or submits is (i) recorded, processed, summarized and reported, within the time periods specified under applicable securities legislation in Canada and in the U.S. Securities and Exchange Commission's rules and forms, and (ii) accumulated and communicated to management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Management's Report on Internal Controls over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in NI 52-109 and in Rules 13a-15(f) under the Exchange Act). A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements. It should be noted that a control system, no matter how well conceived or operated, can only provide reasonable assurance, not absolute assurance, that the objectives of the control system are met. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies and procedures may deteriorate.

Management, including our Chief Executive Officer and Chief Financial Officer, assessed the effectiveness of our internal control over financial reporting as of December 31, 2009. In making this assessment, management used the criteria set forth in the Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on its assessment, management has concluded that, as of December 31, 2009, the Company's internal control over financial reporting is effective. Also, management determined that there were no material weaknesses in the Company's internal control over financial reporting as at December 31, 2009.

The Company's independent auditor, KPMG LLP, the independent registered public accounting firm that audited the financial statements, has issued a report on the Company's internal control over financial reporting which is included with the financial statements.

Changes in Internal Control over Financial Reporting

There have been no changes than occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

On February 13, 2008, the Canadian Accounting Standards Board confirmed that publicly accountable enterprises will be required to adopt International Financial Reporting Standards ("IFRS") in place of Canadian GAAP for interim and annual reporting purposes for fiscal years beginning on or after January 1, 2011. Accordingly, the Company will transition from current Canadian GAAP reporting and commence reporting under IFRS for the first quarter of 2011, with restatement of comparative information presented.

The conversion to IFRS from Canadian GAAP may materially affect the Company's reported financial position and results of operations and will affect the Company's accounting policies, information technology and data systems, internal controls over financial reporting, and disclosure controls and procedures. The transition may also affect business activities such as certain contractual arrangements and compensation arrangements.

The Company has developed a conversion plan consisting of four key stages including; project planning and preliminary assessment, detailed assessment, design and implementation. The project planning and initial assessment stage has been completed. The initial assessment was completed with the assistance of external advisors and outlines the significant differences between Canadian GAAP and IFRS and rates the impact of each of the significant differences on the entity's financial statements, thereby allowing the Company to focus the detailed assessment on the highest priority items.

The detailed assessment is ongoing and to date the Company has identified presentation and disclosure, mineral property, plant and equipment, future income taxes, asset retirement obligation and financial instruments as areas where the adoption of IFRS may have a material effect on the Company's financial reporting, processes and controls. The Company is also assessing the available elections under IFRS to determine the effect of each election to the Company. This detailed assessment is expected to be completed in the second quarter of 2010.

The Company will then commence the design stage which includes completing an assessment of the IFRS estimates of the quantified effects of the anticipated changes to the Company's IFRS opening balance sheet and identifying business processes and resources that may require modification as a result of these changes. The implementation stage will proceed concurrently with the detailed assessment and design stages and includes preparing draft IFRS compliant model financial statements and making appropriate changes to business, reporting and system processes and training to support preparation and maintenance of IFRS compliant financial datea for the IFRS opening balance sheet at January 1, 2010 and going forward. The Company believes the plan is sufficiently advanced and adequate resources are in place to ensure an efficient and effective transition to IFRS reporting.

The Company has and continues to provide training seminars to its accounting staff and has hired additional accounting staff to assist with the transition. The Company continues to monitor the development of the standards as issued by the International Accounting Standards Board and to determine any impact on the assessments done to date. Regular reporting will occur to senior executive management and to the Audit Committee of our Board of Directors.

Exhibit 4

CERTIFICATION

I, Bradford Cooke, certify that:

1 I have reviewed this annual report on Form 40-F of Endeavour Silver Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4. The issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-5(f) for the issuer and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

5. The issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: March 23, 2010

By: /s/ Bradford Cooke

Bradford Cooke
Chief Executive Officer
(Principal Executive Officer)

Exhibit 5

CERTIFICATION

I, Dan Dickson, certify that:

1 I have reviewed this annual report on Form 40-F of Endeavour Silver Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4. The issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-5(f) for the issuer and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

5. The issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: March 23, 2010

By: /s/ Dan Dickson

Dan Dickson
Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 6

CERTIFICATION PURSUANT TO

18 U.S.C. §1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the annual report of Endeavour Silver Corp. (the "Company") on Form 40-F for the period ended December 31, 2009 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Bradford Cooke, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in this Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

March 23, 2010 /s/ Bradford Cooke

Bradford Cooke
Chief Executive Officer
(Principal Executive Officer)

A signed original of this written statement required by Section 906 has been provided to Endeavour Silver Corp. and will be retained by Endeavour Silver Corp. and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 7

CERTIFICATION PURSUANT TO
18 U.S.C. §1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the annual report of Endeavour Silver Corp. (the "Company") on Form 40-F for the period ended December 31, 2009 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Dan Dickson, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in this Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

March 23, 2010 /s/ Dan Dickson

Dan Dickson
Chief Financial Officer
(Principal Financial and Accounting Officer)

A signed original of this written statement required by Section 906 has been provided to Endeavour Silver Corp. and will be retained by Endeavour Silver Corp. and furnished to the Securities and Exchange Commission or its staff upon request.

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CONSENT of AUTHOR

TO: British Columbia Securities Commission
Alberta Securities Commission
Saskatchewan Financial Services Commission
Manitoba Securities Commission
Ontario Securities Commission
Autorité des marchés financiers
New Brunswick Securities Commission
Nova Scotia Securities Commission
Prince Edward Island Securities Office
Securities Commission of Newfoundland and Labrador
U.S. Securities and Exchange Commission
TSX Toronto Stock Exchange

Dears Sirs/Mesdames:

I, William J. Lewis, BSc., P.Geo. consent to the public filing of the technical report titled *"NI 43-101 Technical Report Audit of the Resource and Reserve Estimates for the Guanacevi Project, Durango State, Mexico"*, dated March 15, 2010 (the "Technical Report"), and to extracts from or a summary of, the technical report in the Annual Information Form dated March 19, 2010, the Annual Report on Form 40-F dated March 19, 2010 and the Management Discussion &Analysis dated March 19, 2010, of Endeavour Silver Corp.

I confirm that I have read the Annual Information Form dated March 19, 2010, the Annual Report on Form 40-F dated March 19, 2010 and the Management Discussion &Analysis dated March 19, 2010 of Endeavour Silver Corp and that they fairly and accurately represent the information in the technical report.

Dated this 23 day of March, 2010.

William J. Lewis, BSc., P.Geo.
Senior Geologist

PROVINCE OF ONTARIO REGISTERED PROFESSIONAL GEOSCIENTIST W. J. LEWIS

SUITE 900 - 390 BAY STREET, TORONTO ONTARIO, CANADA M5H 2Y2
Telephone (1) (416) 362-5135 Fax (1) (416) 362 5763

micon INTERNATIONAL LIMITED | mineral industry consultants

CONSENT of AUTHOR

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Alberta Securities Commission
Saskatchewan Financial Services Commission
Manitoba Securities Commission
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Nova Scotia Securities Commission
Prince Edward Island Securities Office
Securities Commission of Newfoundland and Labrador
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Dears Sirs/Mesdames:

I, William J. Lewis, BSc., P.Geo., consent to the public filing of the technical report titled *"NI 43-101 Technical Report Audit of the Resource and Reserve Estimates for the Guanajuato Mines Project, Guanajuato State, Mexico"*, dated March 15, 2010 (the "Technical Report"), and to extracts from or a summary of, the technical report in the Annual Information Form dated March 19, 2010, the Annual Report on Form 40-F dated March 19, 2010 and the Management Discussion &Analysis dated March 19, 2010, of Endeavour Silver Corp.

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Dated this 23 day of March, 2010.

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Securities Commission of Newfoundland and Labrador
U.S. Securities and Exchange Commission
TSX Toronto Stock Exchange

Dears Sirs/Mesdames:

I, William J. Lewis, BSc., P.Geo., consent to the public filing of the technical report titled *"NI 43-101 Technical Report Audit of the Mineral Resource Estimate for the Parral Project (El Cometa Property), Chihuahua State, Mexico"*, dated March 15, 2010 (the "Technical Report"), and to extracts from or a summary of, the technical report in the Annual Information Form dated March 19, 2010, the Annual Report on Form 40-F dated March 19, 2010 and the Management Discussion &Analysis dated March 19, 2010, of Endeavour Silver Corp.

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Dated this 23 day of March, 2010.

William J. Lewis, BSc., P.Geo.
Senior Geologist

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W. J. LEWIS
REGISTERED PROFESSIONAL GEOSCIENTIST

SUITE 900 - 390 BAY STREET, TORONTO ONTARIO, CANADA M5H 2Y2
Telephone (1) (416) 362-5135 Fax (1) (416) 362 5763

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Nova Scotia Securities Commission
Prince Edward Island Securities Office
Securities Commission of Newfoundland and Labrador
U.S. Securities and Exchange Commission
TSX Toronto Stock Exchange

Dears Sirs/Mesdames:

I, Robert J. Leader, P.Eng., consent to the public filing of the technical report titled *"NI 43-101 Technical Report Audit of the Resource and Reserve Estimates for the Guanacevi Project, Durango State, Mexico"*, dated March 15, 2010 (the "Technical Report"), and to extracts from or a summary of, the technical report in the Annual Information Form dated March 19, 2010, the Annual Report on Form 40-F dated March 19, 2010 and the Management Discussion &Analysis dated March 19, 2010, of Endeavour Silver Corp.

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Dated this 23 day of March, 2010.

Robert J. Leader, P.Eng.

PROFESSIONAL ENGINEER PROVINCE OF BRITISH COLUMBIA ROBERT J. LEADER

SUITE 205 - 700 WEST PENDER STREET, VANCOUVER, B.C. CANADA V6C 1G8
Telephone (1) (604) 647-6463 Fax (1) (604) 647- 6455

micon INTERNATIONAL LIMITED | mineral industry consultants

CONSENT of AUTHOR

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Dears Sirs/Mesdames:

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Dated this 23 day of March, 2010.

Robert J. Leader, P.Eng.

PROFESSIONAL ENGINEER
PROVINCE OF BRITISH COLUMBIA
ROBERT J. LEADER

SUITE 205 - 700 WEST PENDER STREET, VANCOUVER, B.C. CANADA V6C 1G8
Telephone (1) (604) 647-6463 Fax (1) (604) 647- 6455

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Prince Edward Island Securities Office
Securities Commission of Newfoundland and Labrador
U.S. Securities and Exchange Commission
TSX Toronto Stock Exchange

Dears Sirs/Mesdames:

I, Dibya Kanti Mukhopadhyay, MAusIMM., consent to the public filing of the technical report titled *"NI 43-101 Technical Report Audit of the Resource and Reserve Estimates for the Guanacevi Project, Durango State, Mexico"*, dated March 15, 2010 (the "Technical Report"), and to extracts from or a summary of, the technical report in the Annual Information Form dated March 19, 2010, the Annual Report on Form 40-F dated March 19, 2010 and the Management Discussion &Analysis dated March 19, 2010, of Endeavour Silver Corp.

I confirm that I have read the Annual Information Form dated March 19, 2010 the Annual Report on Form 40-F dated March 19, 2010 and the Management Discussion &Analysis dated March 19, 2010 of Endeavour Silver Corp and that they fairly and accurately represent the information in the technical report.

Dated this 23 day of March, 2010.

Dibya Kanti Mukhopadhyay, MAusIMM (#225557)

Micon International Co Limited. Suite 10, Keswick Hall, Keswick, Norwich, Norfolk, U.K., NR4 6TJ
Telephone (44) (1603)-501501 Fax (44) (1603)-507007 E-mail office@micon-international.co.uk. Registered no. 4026319, England.

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CONSENT of AUTHOR

TO: British Columbia Securities Commission
Alberta Securities Commission
Saskatchewan Financial Services Commission
Manitoba Securities Commission
Ontario Securities Commission
Autorité des marchés financiers
New Brunswick Securities Commission
Nova Scotia Securities Commission
Prince Edward Island Securities Office
Securities Commission of Newfoundland and Labrador
U.S. Securities and Exchange Commission
TSX Toronto Stock Exchange

Dears Sirs/Mesdames:

I, Charley Z. Murahwi, M.Sc., P.Geo., MAusIMM consent to the public filing of the technical report titled *"NI 43-101 Technical Report Audit of the Resource and Reserve Estimates for the Guanacevi Project, Durango State, Mexico"*, dated March 15, 2010 (the "Technical Report"), and to extracts from or a summary of, the technical report in the Annual Information Form dated March 19, 2010, the Annual Report on Form 40-F dated March 19, 2010 and the Management Discussion &Analysis dated March 19, 2010, of Endeavour Silver Corp.

I confirm that I have read the Annual Information Form dated March 19, 2010, the Annual Report on Form 40-F dated March 19, 2010 and the Management Discussion &Analysis dated March 19, 2010 of Endeavour Silver Corp and that they fairly and accurately represent the information in the technical report.

Dated this 23 day of March, 2010.

Charley Z. Murahwi, M.Sc., P.Geo.,MAusIMM

PROFESSIONAL GEOSCIENTIST
CHARLEY Z. MURAHWI
PRACTISING MEMBER
1618
ONTARIO

SUITE 900 - 390 BAY STREET, TORONTO ONTARIO, CANADA M5H 2Y2
Telephone (1) (416) 362-5135 Fax (1) (416) 362 5763

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Nova Scotia Securities Commission
Prince Edward Island Securities Office
Securities Commission of Newfoundland and Labrador
U.S. Securities and Exchange Commission
TSX Toronto Stock Exchange

Dears Sirs/Mesdames:

I, Charley Z. Murahwi, M.Sc., P.Geo., MAusIMM consent to the public filing of the technical report titled *"NI 43-101 Technical Report Audit of the Resource and Reserve Estimates for the Guanajuato Mines Project, Guanajuato State, Mexico"*, dated March 15, 2010 (the "Technical Report"), and to extracts from or a summary of, the technical report in the Annual Information Form dated March 19, 2010, the Annual Report on Form 40-F dated March 19, 2010 and the Management Discussion &Analysis dated March 19, 2010, of Endeavour Silver Corp.

I confirm that I have read the Annual Information Form dated March 19, 2010, the Annual Report on Form 40-F dated March 19, 2010 and the Management Discussion &Analysis dated March 19, 2010 of Endeavour Silver Corp and that they fairly and accurately represent the information in the technical report.

Dated this 23 day of March, 2010.

Charley Z. Murahwi, M.Sc., P.Geo., MAusIMM

PROFESSIONAL GEOSCIENTIST ONTARIO
CHARLEY Z. MURAHWI
PRACTISING MEMBER
1618

SUITE 900 - 390 BAY STREET, TORONTO ONTARIO, CANADA M5H 2Y2
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Securities Commission of Newfoundland and Labrador
U.S. Securities and Exchange Commission
TSX Toronto Stock Exchange

Dears Sirs/Mesdames:

I, Ing. Alan J. San Martin, MAusIMM consent to the public filing of the technical report titled "*NI 43-101 Technical Report Audit of the Resource and Reserve Estimates for the Guanajuato Mines Project, Guanajuato State, Mexico*", dated March 15, 2010 (the "Technical Report"), and to extracts from or a summary of, the technical report in the Annual Information Form dated March 19, 2010, the Annual Report on Form 40-F dated March 19, 2010 and the Management Discussion &Analysis dated March 19, 2010, of Endeavour Silver Corp.

I confirm that I have read the Annual Information Form dated March 19, 2010, the Annual Report on Form 40-F dated March 19, 2010 and the Management Discussion &Analysis dated March 19, 2010 of Endeavour Silver Corp and that they fairly and accurately represent the information in the technical report.

Dated this 23rd day of March, 2010.

Ing. Alan J. San Martin, MAusIMM

SUITE 900 - 390 BAY STREET, TORONTO ONTARIO, CANADA M5H 2Y2
Telephone (1) (416) 362-5135 Fax (1) (416) 362 5763

KPMG LLP
Chartered Accountants
PO Box 10426 777 Dunsmuir Street
Vancouver BC V7Y 1K3
Canada

Telephone (604) 691-3000
Fax (604) 691-3031
Internet www.kpmg.ca

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors of Endeavour Silver Corp.

We consent to the inclusion in this annual report on Form 40-F of:

- our auditors' report dated March 19, 2010 on the consolidated balance sheets of Endeavour Silver Corp. (the Company) as at December 31, 2009 and 2008, and the consolidated statements of operations and comprehensive income, shareholders' equity and deficit and cash flows for each of the years in the three-year period ended December 31, 2009
- our Report of Independent Registered Public Accounting Firm dated March 19, 2010 on the Company's internal control over financial reporting as of December 31, 2009.

each of which is incorporated by reference in this annual report on Form 40-F of the Company for the fiscal year ended December 31, 2009.

//**s**// **KPMG LLP**

Chartered Accountants

Vancouver, Canada
March 22, 2010

KPMG LLP, a Canadian limited liability partnership is the Canadian member firm of KPMG International, a Swiss cooperative.