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, 2010

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, **1400 Wewatta Street, Suite 400** **Denver, Colorado 80202-5549** **(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** **1400 Wewatta Street, Suite 400** **Denver, Colorado 80202-5549** **(303) 629-3400**

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**

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 [x] 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, 2010, **80,720,420** 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 [x]No

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. [x]Yes [ ] 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 Company’s property is developed, and in the case of mineral reserves, such statements reflect the conclusion based on certain assumptions that a 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; risks related to 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; risks related to to diminishing quantities or grades of mineral reserves as our 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 on Form 40-F. 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 has prepared 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 19 of the audited consolidated financial statements of the Company. Effectively January 1, 2011, the Company will begin preparing its financial statements in accordance with International Financial Reporting Standards.

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 1933, 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 on Form 40-F 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, 2010, based upon the noon exchange rate as quoted by the Bank of Canada, was U.S.$1.00 = Cdn.$0.9999.

ANNUAL INFORMATION FORM

The Company’s AIF for the fiscal year ended December 31, 2010 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, 2010, 2009 and 2008, 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 19 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 the Company's securities 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 on Form 40-F for the fiscal year ended December 31, 2010, 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, 2010. 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, 2010, 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, 2010. In this annual report on Form 40-F, 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, 2010. 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 on Form 40-F 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, 2010 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 prescribed by section 303A.02 of the NYSE Listed Company Manual.

Compensation Committee

Compensation of the Company's CEO and all other officers is recommended by management to the Compensation Committee for evaluation and recommendation to the Board of Directors, established in accordance with section 303A.05 of the NYSE Listed Company Manual. 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: Leonard Harris (chair), Geoffrey Handley 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, established in accordance with section 303A.04 of the NYSE Listed Company Manual, 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 and section 303A.06 of the NYSE Listed Company Manual. The Company's Audit Committee is comprised of:

- Rex McLennan(chair)
- Mario Szotlender
- Ricardo Campoy
- Geoffrey Handley

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 303A.02 of the NYSE Listed Company Manual.) 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 (d)(5) of Regulation S-K under the Exchange Act) and is independent (as determined under Exchange Act Rule 10A-3 and section 303A.02 of the NYSE Listed Company Manual).

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.

	2010	2009
Assurance Fees (1)	$544,105	$479,650
Tax Fees (2)	$0	$0
All other fees (3)	$53,000	$15,000
Total*	$597,105	$494,150

* 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, 2010 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, 2010, 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, 2010 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	$ 1,840	$ 261	$ 551	$ 572	$ 456
Promissory Note (1)	$ 301	$ 243	$ 58	-	-
Other Long-Term Liabilities(2)	$ 2,242	-	$ 758	-	$ 1,484
Total	$ 4,383	$ 504	$ 1,367	$ 572	$ 1,940

(1) Includes $14,000 of interest over the remaining life of the promissory note

(2) The $2.2 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, 2010 concerning any equity security subject to a blackout period under Rule 101 of Regulation BTR.

NYSE CORPORATE GOVERNANCE

The Company's common shares are listed on the NYSE. Sections 103.00 and 303A.11 of the NYSE Listed Company Manual permit foreign private issuers to follow home country practices in lieu of certain provisions of the NYSE Listed Company Manual. A foreign private issuer that follows home country practices in lieu of certain provision of the NYSE Listed Company Manual must disclose any significant ways in which its corporate governance practices differ from those followed by domestic companies either on the its website or in the annual report that it distributes to shareholders in the United States. A description of the significant ways in which the Company's governance practices differ from those followed by domestic companies pursuant to NYSE standards is as follows:

Shareholder Meeting Quorum Requirement: The NYSE is of the opinion that the quorum required for any meeting of shareholders should be sufficiently high to insure a representative vote. 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 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

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, 2010
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, 2010 and 2009
	Consolidated Statement of Operations and Comprehensive Income for the year ended December 31, 2010, year ended December 31, 2009 and year ended December 31, 2008
	Consolidated Statement of Shareholders' Equity and Deficit for the year ended December 31, 2010, the year ended December 31, 2009 and the year ended December 31, 2008
	Consolidated Statements of Cash Flow for the year ended December 31, 2010, the year ended December 31, 2009 and the year ended December 31, 2008
	Notes to Consolidated Financial Statements (which includes a reconciliation with United States GAAP as Note 19)
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 an Associate with 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 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 21, 2011

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 18, 2011

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ITEM 1: PRELIMINARY NOTES

1.1 Incorporation of Documents by Reference

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, 2010, for the year ended December 31, 2009 and for the year ended December 31, 2008, together with the Management Discussion and Analysis accompanying such financial statements.

All financial information in this AIF has been 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, 2011	March 21, 2011	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, Guanajuato State, Mexico	March 15, 2011	March 21, 2011	Technical Report (43-101) – English Qualification Certificate(s) and Consent(s)
NI 43-101 Technical Report Audit of the Mineral Resource Estimate for the Parral Project, Chihuahua State, Mexico	December 15, 2010	March 1, 2011	Technical Report (43-101) – English Qualification Certificate(s) and Consent(s)

References to "the Company", "Endeavour" or "Endeavour Silver" are to Endeavour Silver Corp. and where applicable and as the context requires includes its subsidiaries

1.2 Date of Information

All information in this AIF is as of December 31, 2010 unless otherwise indicated.

1.3 Forward-Looking Statements

This Annual Information Form contains "forward-looking statements" within the meaning of applicable 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 primiarly 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
Minera Plata Carina S.P.A.	Chile	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

2011 to Present

On March 21, 2011 the Company released updated NI 43-101 Reserve and Resource estimates as at December 31, 2010 for its active silver mining and exploration projects in Mexico, the Guanacevi Mines Project and the Guanajuato Mines Project.

On March 14, 2011 the Company transferred the listing of its common shares from the NYSE Amex Equities (“NYSE Amex”) to the NYSE.

2010

Endeavour recorded its fifth consecutive year of growing sales revenue and mine operating cash-flow in 2010 (during fiscal 2005 no revenue was reported as the Company only held an option to purchase on the Guanacevi project at that time). During 2010, escalating prices and increased production drove sales 70% higher to $86.5 million and increased mine operating cash-flow 111% to $45.0 million. Direct operating costs were relatively flat allowing the Company's operating margins to rise for the third straight year, culminating in the Company's best financial performance yet, with EBITDA climbing 122% to $33.1 million and an annual earnings per share of $0.11.

Endeavour reported its sixth consecutive year of growing silver and gold production for 2010, increasing silver production by 26% to 3,285,634 oz silver and gold production by 33% to 17,713 oz gold. The Company successfully completed the 2010 Guanacevi plant expansion program on budget, increasing the plant capacity to facilitate the increased mine production that resulted from the opening of the Porvenir Dos mine in 2009 and the opening of the Porvenir Cuatro and Santa Cruz mines in 2010. At Guanajuato, the Company benefitted from a full year operation at the Lucero mine which opened in 2009.

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.

Endeavour achieved its sixth consecutive year of combined reserve and resource growth in 2010. 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. The Company also acquired an option to purchase a new property called San Sebastian located in Jalisco, Mexico. The San Sebastian property represents a new, district scale, silver-gold exploration opportunity for the Company. The Company can acquire a 100% interest in the San Sebastian property 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 any mineral production from the properties.

In 2010, the Company continued to emphasize its primary focus on safety, as demonstrated by over 24,000 hours of personnel training. Safety and mine rescue training programs are held regularly at both operations and the direct results are safer working environments. The Company reduced lost time accidents, despite increased man-hours.

During 2010, the Company's net financing activities generated $56.3 million. The Company raised a net $49.3 million by issuing 8,710,000 common shares through a short form prospectus and $7.9 million through the exercise of warrants and options during the year. In addition, the Company provided redemption notice to all debenture holders resulting in all outstanding debentures being converted into equity during the year and making the Company debt free once again. The Company paid out $0.9 million in interest on the convertible debentures during the year.

2009

During 2009, Endeavour recorded its fourth consecutive year of growing sales revenue and mine operating cash-flow in (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 over the previous year. 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 (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 2008 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 2008 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.

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 800 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.

Foreign Exchange Rate Fluctuations
Operations in Mexico and Canada are subject to foreign currency exchange fluctuations. The Company raises its funds through equity issuances which are priced in Canadian dollars, and the majority of the exploration costs of the Company are denominated in United States dollars and Mexican pesos. The Company may suffer losses due to adverse foreign currency fluctuations.

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.

Mining Operations
The capital costs required by the Company's projects may be significantly higher than anticipated. Capital and operating costs, production and economic returns, and other estimates contained in the Company's current technical reports, may differ significantly from those provided for in future studies and estimates and from management guidance, and there can be no assurance that the Company's actual capital and operating costs will not be higher than currently anticipated. In addition, delays to construction and exploration schedules may negatively impact the net present value and internal rates of return of the Company's mineral properties as set forth in the applicable technical report. Similarly, there can be no assurance that historical rates of production, grades of ore processed, rates of recoveries or mining cash costs will not experience fluctuations or differ significantly from current levels over the course of the mining operations conducted by the Company.

In addition, there can be no assurance that the Company will be able to continue to extend the production from its current operations through exploration and drilling programs.

Infrastructure
Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important determinants, which affect capital and operating costs. The lack of availability on acceptable terms or the delay in the availability of any one or more of these items could prevent or delay exploitation or development of the Company's projects. If adequate infrastructure is not available in a timely manner, there can be no assurance that the exploitation or development of the Company's projects will be commenced or completed on a timely basis, if at all; the resulting operations will achieve the anticipated production volume, or the construction costs and ongoing operating costs associated with the exploitation and/or development of the Company's advanced projects will not be higher than anticipated. In addition, unusual or infrequent weather phenomena, sabotage, government or other interference in the maintenance or provision of such infrastructure could adversely affect the Company's operations and profitability.

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.

Replacement of Reserves and Resources
The Guanacevi and Guanajuato mines are the Company's current sources of production. Current life-of-mine plans provide for a defined production life for mining at the Company's mines. If the Company's mineral reserves and resources are not replaced either by the development or discovery of additional reserves and/or extension of the life-of-mine at its current operating mines or through the acquisition or development of an additional producing mine, this could have an adverse impact on the Company's future cash flows, earnings, results of operations and financial condition, including as a result of requirements to expend funds for reclamation and decommissioning.

Acquisition Strategy
As part of the Company's business strategy, it has sought and will continue to seek new mining and development opportunities in the mining industry. In pursuit of such opportunities, it may fail to select appropriate acquisition candidates, negotiate appropriate acquisition terms, conduct sufficient due diligence to determine all related liabilities or to negotiate favourable financing terms. The Company may encounter difficulties in transitioning the business, including issues with the integration of the acquired businesses or its personnel into the Company. The Company cannot assure that it can complete any acquisition or business arrangement that it pursues, or is pursuing, on favourable terms, or that any acquisitions or business arrangements completed will ultimately benefit its business.

Integration of New Acquisitions

The Company's success at completing any acquisitions will depend on a number of factors, including, but not limited to: identifying acquisitions which fit the Company's strategy; negotiating acceptable terms with the seller of the business or property to be acquired; and obtaining approval from regulatory authorities in the jurisdictions of the business or property to be acquired.

If the Company does make further acquisitions, any positive effect on the Company's results will depend on a variety of factors, including, but not limited to: assimilating the operations of an acquired business or property in a timely and efficient manner; maintaining the Company's financial and strategic focus while integrating the acquired business or property; implementing uniform standards, controls, procedures and policies at the acquired business, as appropriate; and to the extent that the Company makes an acquisition outside of markets in which it has previously operated, conducting and managing operations in a new operating environment and under a new regulatory regime where it has no direct experience.

Acquiring additional businesses or properties could place increased pressure on the Company's cash flow if such acquisitions involve cash consideration or the assumption of obligations requiring cash payments. The integration of the Company's existing operations with any acquired business will require significant expenditures of time, attention and funds. Achievement of the benefits expected from consolidation would require the Company to incur significant costs in connection with, among other things, implementing financial and planning systems. The Company may not be able to integrate the operations of a recently acquired business or restructure the Company's previously existing business operations without encountering difficulties and delays. In addition, this integration may require significant attention from the Company's management team, which may detract attention from the Company's day-to-day operations. Over the short-term, difficulties associated with integration could have a material adverse effect on the Company's business, operating results, financial condition and the price of the Company's common shares. In addition, the acquisition of mineral properties may subject the Company to unforeseen liabilities, including environmental liabilities.

Foreign Operations

The Company's operations are currently conducted through subsidiaries principally in Mexico and, as such, its operations are exposed to various levels of political, economic and other risks and uncertainties which could result in work stoppages, blockades of the Company's mining operations and appropriation of assets. Some of the Company's operations are located in areas where Mexican drug cartels operate. These risks and uncertainties vary from region to region and include, but are not limited to, terrorism; hostage taking; local drug gang activities; military repression; expropriation; extreme fluctuations in currency exchange rates; high rates of inflation; labour unrest; the risks of war or civil unrest; renegotiation or nullification of existing concessions, licenses, permits and contracts; illegal mining; changes in taxation policies; restrictions on foreign exchange and repatriation; and changing political conditions, currency controls and governmental regulations that favour or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction.

Local opposition to mine development projects could arise in Mexico, and such opposition could be violent. There can be no assurance that such local opposition will not arise with respect to the Company's Mexican operations. If the Company were to experience resistance or unrest in connection with its Mexican operations, it could have a material adverse effect on its operations and profitability.

To the extent the Company acquires mineral properties in jurisdictions other than Mexico, it may be subject to similar and additional risks with respect to its operations in those jurisdictions.

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.

Mexican Tax Assessments

As disclosed under "Regulatory Actions" on page 49, one of the Company's subsidiaries in Mexico has received a tax assessment from Mexican fiscal authorities while another subsidiary's 2006 tax return is currently being audited by Mexican fiscal authorities.

While the Company is of the view that the tax assessment has no legal merit and is contesting this, there is no assurance that the Company will be successful or that the Company will not have to pay the full amount of the assessment plus interest and penalties. In the event the Company is unsuccessful, this could negatively impact the Company's financial position and create difficulties for the Company in the future in dealing with Mexican fiscal authorities.

Although the audit of the subsidiary's 2006 tax return is ongoing, the Company has estimated that there is no significant tax exposure.

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.

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 or results of operations 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, 2010. 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 rateably 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.

Financial Instruments

The Company currently has an investment in Notes formerly asset backed commercial paper. There can be no assurances that the value of the Notes will not experience fluctuations in value.

From time to time, the Company may use certain financial instruments to manage the risks associated with changes in silver prices, interest rates and foreign currency exchange rates. The use of financial instruments involves certain inherent risks including, among other things: (i) credit risk, the risk of default on amounts owing to the Company by the counterparties with which Company has entered into such transaction; (ii) market liquidity risk, the risk that the Company has entered into a position that cannot be closed out quickly, either by liquidating such financial instrument or by establishing an offsetting position; (iii) unrealized mark-to-market risk, the risk that, in respect of certain financial instruments, an adverse change in market prices for commodities, currencies or interest rates will result in the Company incurring an unrealized mark-to-market loss in respect of such derivative products.

Conversion to IFRS
The Company's conversion to International Financial Reporting Standards ("IFRS") may materially impact the Company's reported financial position and results of operations. The conversion to IFRS may affect the Company's accounting policies, information technology systems, internal controls and disclosure controls and procedures.

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, 2011. 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 estimates 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, 2010 mineral resource and reserve estimates 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, 2009 resource and reserve estimates were the subject of a March 15, 2010 Technical Report by Micon. The current Micon audit incorporates the exploration and mining data gathered since the publication of the March, 2010 report. The March, 2010 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 260 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 40 mineral concessions. The mineral concessions are not all contiguous and vary in size, for a total property area of 1,072.11 ha. The annual 2011 concession tax for the Guanaceví properties is approximately 219,570 Mexican pesos, which is equal to about US $17,566 at an exchange rate of 12.50 pesos to US $1.00.

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 and has now acquired a 100% interest in these properties by paying a total consideration to the vendors 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 July 2010, Endeavour Silver acquired 100% interest in the Elizabeth (17.0 ha) and El Calvario (1.3 ha) properties in Guanaceví. The purchase price of these properties was US$50,000. The El Calvario property is situated in the central part of San Pedro, adjacent to the historic, high grade Noche Buena mine and transected by the Noche Buena vein. The Elizabeth property is situated approximately 1 km east of Endeavour Silver's Porvenir Mine.

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, or 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 some 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 modelling software.

During 2010, Endeavour Silver spent US $3,930,487 (including property holding costs) on exploration activities on Porvenir Cuatro, San Pedro and La Brisa.

On the whole, exploration results in all the areas investigated were encouraging. Follow-up work is planned for 2011.

Resource and reserve Estimation

Operations Division

For the December 31, 2010 reserve and resource estimates, two different methodologies have been employed by the Operations Division for the Guanaceví Mines project.

The two methodologies used, and the mineralized areas to which they have been applied are:

- Block modelling for Santa Cruz.
- A separate methodology for Porvenir North, Porvenir Dos, Porvenir Cuatro and Alex Breccia as described below.

For the Porvenir North, Porvenir Dos, Porvenir Cuatro and Alex Breccia mines, the resource and reserve estimates were completed in a 2-D horizontal plane. The model was then rotated back to 3-D. Drill holes and composites were converted into point data with a single 3-D UTM coordinate. These data were rotated twice: first, a clockwise rotation was applied to align to the local grid and, second, the data were rotated to horizontal. These point data, particularly accumulation and thickness, were used for estimation. Compositing of the drill holes was done in an Excel spreadsheet to vein width. The composite grades and thicknesses were used in the modelling process. The footwall surface was then modelled to coincide with the footwall composite boundary. The modelled thickness was added to the footwall grid on a cell-by-cell basis to create the hanging wall surface. These two modelled surfaces were joined together to create a wireframe of the mineralized zone. Un-estimated blocks were given a vein thickness based on the average thickness of nearby cells.

Exploration Division

Due to the limited number of data/drill holes, Endeavour Silver's Exploration Division has used the traditional polygonal approach for the estimation of the December 31, 2010 resources for most of the veins or deposits. The 2-D polygonal method is based on the use of a longitudinal section to estimate the mineral resources for the Noche Buena, Buena Fé, Epsilon-Soto, La Blanca-Mi Niña and Milache deposits in the San Pedro sub-district. Mineral resource blocks are defined by drawing a polygon around each drill intercept on a longitudinal section. Before a polygon is drawn, the intercept must be above the established cut-off grade and meet the 1.5 m minimum width criterion. A 25 m projection from the centroid of the drill intercept is then made for indicated resource blocks. When the continuity of mineralization is determined, an additional 25 m projection is made for inferred resources. Block volumes are estimated by drawing each block area on a longitudinal section and measuring this area using AutoCAD. The area of the block is then multiplied by the average horizontal width of the composited drill intercept to estimate the volume.

Audited Reserve and Resource Figures

Micon has audited Endeavour Silver's updated reserve and resource estimates for the period ending December 31, 2010. Following the audit, the accepted figures of the reserve estimate are presented in Table 1.1, while the accepted figures for Indicated and Inferred mineral resources are presented in Tables 1.2 and 1.3, respectively. Currently (i.e. as at December 31, 2010), there are no Measured resources. The mineral reserve figures reported here are in addition to the reported mineral resources

Table 1.1
December 31, 2010 Proven and Probable Mineral Reserve Estimate, Guanaceví Mines Project

Reserve Category	Tonnes	Silver (g/t)	Gold (g/t)	Silver Equivalent (g/t)	Silver (oz)	Gold (oz)	Silver Equivalent (oz)
Proven	466,000	313	0.64	353	4,689,000	9,600	5,283,000
Probable	816,000	237	0.40	262	6,218,000	10,000	6,866,000
Total Proven and Probable	**1,282,000**	**265**	**0.49**	**295**	**10,907,000**	**20,000**	**12,149,000**

Table 1.2
December 31, 2010 Indicated Mineral Resource Estimate, Guanaceví Mines Project

Resource Category	Tonnes	Silver (g/t)	Gold (g/t)	Silver Equivalent (g/t)	Silver (oz)	Gold (oz)	Silver Equivalent (oz)
Measured	---	---	---	---	---	---	---
Indicated	2,309,000	232	0.46	259	17,215,000	34,200	19,247,000
Total Measured and Indicated	**2,309,000**	**232**	**0.46**	**259**	**17,215,000**	**34,200**	**19,247,000**

Table 1.3
December 31, 2010 Inferred Mineral Resource Estimate, Guanaceví Mines Project

Resource Category	Tonnes	Silver (g/t)	Gold (g/t)	Silver Equivalent (g/t)	Silver (oz)	Gold (oz)	Silver Equivalent (oz)
Inferred	2,070,000	219	0.46	246	14,564,000	30,400	16,349,000
Total Inferred	**2,070,000**	**219**	**0.46**	**246**	**14,564,000**	**30,400**	**16,349,000**

In addition to these reserves and resources, Guanaceví has a stockpile as detailed in Table 1.4. Although the stockpile was inspected during Micon's June, 2010 site visit, it was not subject to the Micon audit.

Table 1.4
December 31, 2010 Stockpile Reserves, GuanacevíMines Project

Resource Category	Tonnes	Silver (g/t)	Gold (g/t)	Silver Equivalent (g/t)	Silver (oz)	Gold (oz)	Silver Equivalent (oz)
Proven	110,000	313	0.50	338	1,107,000	1,800	1,215,000
Total Stockpile	**110,000**	**313**	**0.50**	**338**	**1,107,000**	**1,800**	**1,215,000**

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 reserve and resource figures in Tables 1.1 through 1.4 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.

Development and Operations

For the year ending December 31, 2010, silver production was 2,448,826 oz and gold production was 6,272 oz. Plant throughput for 2010 was 312,087 tonnes at an average grade of 323 g/t silver and 0.73 g/t gold. In 2010, mill recoveries averaged 75.5% for silver and 85.2% for gold.

For 2011, Endeavour Silver is forecasting to produce 2.616 million ounces of silver and 5,325 ounces of gold from the Guanaceví Mines project. Plant throughput for 2011 is forecast at 353,000 t at an estimated average grade of 304 g/t silver and 0.53 g/t gold. Recoveries are forecast to average 78% and 82% for silver and gold, respectively. Plant throughput is based on production from the Porvenir North mine, Porvenir Dos mine and third party ore bought from local miners.

Endeavour Silver mine management is currently working on projects to access the deeper portions of already developed ore zones, as well as opening up new mineralized zones.

Two ramps are currently being driven from the Porvenir mine, one into the deep part of the North Porvenir ore zone, where production has already begun, and the other into the deeper portion of the Santa Cruz mine ore zone. The first development headings in Santa Cruz were opened in mid to late 2010.

A ramp driven into Porvenir Dos in 2009 has been completed. Seven production levels were in operation in 2010. Endeavour Silver started a ramp into the Porvenir Cuatro zone in 2010. The development of the first two levels was complete at the end of 2010.

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 doré 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.

Interpretation and Conclusions

General Statement

Endeavour Silver's Guanaceví Mines project has an extensive mining history and well known silver and gold bearing vein systems. The ongoing exploration programs have continued to demonstrate the potential for the discovery of additional resources and reserves as development and exploration at the mine continue.

In addition, since taking over the day-to-day operation of the mine, Endeavour Silver has continued to implement measures in a number of areas which have culminated in increased productivity and efficiency, leading to cost savings. Further improvements in implementing low cost mining techniques should allow mining to be expanded beyond the boundaries of previously mined areas and extend into new areas.

The Audit Process

Micon's audit of the reserves/resources for Endeavour Silver was carried out in two stages: (a) verification of data and associated in-house protocols and (b) analysis of data, its manipulation and results.

For verification of data and in-house protocols, Micon relied on the evidence gathered from the site visits, during which first-hand information was gathered on reserve/resource blocks, QA/QC protocols, level of geological/mineralization understanding, visual confirmation of mineralization in drill cores and underground exposures and resource/reserve database construction. With respect to the reserve/resource tonnages and grades, Micon's audit focused on drilling/sampling density, choice and suitability of estimation methodology, reasonableness of estimates including accuracy of calculations/computations.

Reserve/Resource Audits

Following its review, 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 programs. Thus, the resource estimation process (in particular for new reserve/resource blocks) is well supported by a good geological/mineralization model. The acquisition of the Ballmark Core Orientation System has enhanced the abilities of Endeavour's Silver's exploration division in determining the geometry of the manto type deposits at Buena Fé and other structurally complex targets.

Endeavour Silver has a robust QA/QC system which is enhanced by the Century Systems Technology data management software. Based on its verification process, Micon is satisfied that the database used in the reserve/resource estimate is credible.

Micon has conducted an audit of the Endeavour Silver resource and reserve estimates for the period ending December 31, 2010 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. Micon also considers that all the estimation techniques used by Endeavour Silver are appropriate and commensurate with the data levels. Accordingly, Micon accepts Endeavour Silver's resource and reserve estimates as an appropriate 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.

Future Potential

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 only limited exploration. Therefore, Micon believes that the property continues to hold the potential for the discovery of 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.

In the case of the Guanaceví Mines project, although a number of mineralized areas have been exploited in the past, improvements in mining techniques have allowed mining to be expanded within the boundaries of previously mined areas and extended into new areas.

Micon is satisfied that Endeavour Silver's exploration and development objectives for the year ended December 31, 2010 have been met, as evidenced by the discovery of the Epsilon-Soto and La Blanca-Mi Nina deposits and a significant increase in resources/reserves in other areas. Micon believes that the program for further exploration on the Guanaceví Mines project proposed by Endeavour Silver is both warranted and justified as the potential for the continuing discovery of additional resources is good.

Recommendations

Exploration Programs

Endeavour Silver's exploration programs are ongoing and exploration efficiencies appear to be improving progressively as new resources are being discovered.

In 2011, Endeavour Silver plans a follow-up exploration program focused on several of the new discoveries made in the San Pedro sub-district near Endeavour Silver'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 2011 exploration program is planned to include 10,000 m of core in 35 surface diamond drill holes to test mantos, stockworks and veins in the San Pedro area in the Guanaceví district. The manto style mineralization in the Buena Fé area (San Pedro) represents an area with considerable potential and could be prioritized in the 2011 drilling plans. The estimated cost of diamond drilling is approximately US $170/m.

Drilling proposed for the San Pedro area will mainly test high grade veins and mantos in the Epsilon-Soto vein and Santa Isabel areas. Mineralized zones are principally comprised of quartz, carbonate and adularia veins with sphalerite, galena and pyrite, hosted in Tertiary-age volcaniclastic andesite.

Given that (1) the known mineralization on the Santa Cruz vein extends some 4,500 m along strike, (2) the mineralized zones in the Deep Santa Cruz, Porvenir, Porvenir Dos and Alex Breccia areas are open at depth, and (3) the down-dip potential of the Deep Santa Cruz, Porvenir, Porvenir Dos and Alex Breccia areas does not appear to be constrained by the increase in base-metal to silver and gold ratios, Endeavour Silver could reasonably expect that further exploration may yield additional mineralized areas which could have a positive impact on the resources and possibly on the reserves as exploration and development continue at the Guanaceví Mines project. Micon believes that the program for further exploration on the Guanaceví Mines project proposed by Endeavour Silver is both warranted and justified as the potential for the continuing discovery of additional resources is good.

The proposed exploration program will focus on expanding the highest priority discovery areas in order to prepare them for an updated reserve/resource report at year-end 2011.

Table 1.5 summarizes the planned 2011 exploration budget for the Guanaceví Mines project.

Table 1.5
Guanaceví Exploration Priority Targets – 2011

Project Area	2011 Program			Budget US $
	Holes	Metres	Samples	
Priority Target Areas				
San Pedro Surface	35	10,000	4,675	1,780,700
Porvenir Mine Surface & Underground	15	5,000	1,500	791,000
Totals	**50**	**15,000**	**6,175**	**2,571,700**

Table provided by Endeavour Silver Corp.

Further Recommendations

Micon makes the following additional recommendations to assist Endeavour Silver in its exploration and resource/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 modelling parameters should be undertaken to develop better estimation protocols.

4) Micon recommends that the new method of grade interpolation applied to Porvenir Dos and Porvenir Cuatro be stabilized by relating it to a linear method of estimation.

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, and Robert J. Leader, P. Eng. of Micon International Limited, and dated March 15, 2011. 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 estimates for its Guanajuato Mines project, located near the city of Guanajuato in the State of Guanajuato, Mexico. This Technical Report constitutes an audit of the December 31, 2010 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, 2009 resource and reserve estimate was the subject of a March, 2010, NI 43-101 Technical Report prepared by Micon. The current Micon audit incorporates the exploration data gathered since the publication of the March, 2010 report. The March, 2010 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 and 2010. 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. 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 17 properties which are not all contiguous and vary in size for a total of 2,314 hectares (ha). The project includes three operating silver (gold) mines (Bolañitos, Lucero and Cebada), several past-producing silver (gold) mines, and the 600 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. These have now been resolved and the transfer of the water license and the explosive permit to Endeavour Silver's Mina Bolañitos S.A. de C.V. has been completed as well.

The annual 2011 concession tax payment for the Guanajuato Mines property is approximately 524,504 Mexican pesos (pesos), which is equal to about US $43,347 at an exchange rate of 12.10 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. The current cost of maintaining the surface access rights is 399,000 pesos per annum which is equivalent to approximately US $32,975.

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 southern 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 2010 Endeavour Silver spent US $2,694,577 (excluding property holding costs) on exploration activities on the Guanajuato Mines project. The bulk of this amount was devoted to diamond drilling involving 67 surface holes totalling 21,201 m in the Bolañitos and Cebada areas, plus the associated sampling, as shown in Table 1.1.

Table 1.1
Guanajuato Mines Project Surface Exploration Drilling Activities in 2010

Project Area	Number of Holes	Total Metres	Number of Samples Taken
Bolañitos (core)	61	17,970.10	4,866
Cebada	6	3,230.65	700
Total	**67**	**21,200.75**	**5,566**

Table provided by Endeavour Silver Corp.

Other 2010 exploration activities included surface mapping, rock and soil geochemical sampling. The areas mapped and sampled are the Bolañitos North area and the Belén properties which are off the main trends of the Veta Madre and La Luz vein systems. Rock chip samples on the Bolañitos vein returned significant assays of up to 103 g/t Ag and 4.25 g/t Au. Rock chip samples on the Belén property returned significant assays of up to 153 g/t Ag and 1.67 g/t Au. Evidently, new targets for diamond drilling were generated.

The 2011 exploration program is planned to include 20,920 m of core in more than 60 surface and underground diamond drill holes to target vein discoveries and new prospective areas in the Bolañitos, La Luz and Cebada areas of the Guanajuato district. Endeavour Silver is budgeting to spend US $3,316,400, mainly on surface diamond drilling, in an effort to continue to expand the resource base through both exploration and development on its properties during 2011. The estimated cost of diamond drilling is US $160/m. The underground program will focus on expanding the resources and reserves at the Cebada mine, as well as continuing to explore for new sources of mineralization within the property.

Table 1.2 summarizes the planned 2011 surface and underground exploration budgets for the Guanajuato Mines project.

Table 1.2
Summary of the Total 2011 Expenditures for the Guanajuato Mines Project Exploration Programs

Project Area	2011 Exploration Programs			Budget (US $)
	Drill Holes	Metres	Samples	
Lucero-Karina-La Joya	12	3,500	1,900	633,700
Belén	13	3,500	1,400	619,000
Bolañitos North	5	1,500	1,200	296,000
La Luz – Asuncion	10	3,000	1,200	523,500
Soledad	5	1,500	500	249,000
Golondrinas South	5	1,500	1,500	315,000
Cebada Mine Exploration	12	6,420	1,200	680,200
Total	**62**	**20,920**	**8,900**	**3,316,400**

Table provided by Endeavour Silver Corp.

Resource and reserve estimation

Prior to this report, three previous resource and reserve estimates for the Guanajuato Mines project were reported by Endeavour Silver. All of these previous mineral resource and reserve estimates were contained in Technical Reports filed on the System for Electronic Document Analysis and Retrieval (SEDAR).

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 and third Technical Reports were issued by Micon. The reports were 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 and March 15, 2010.

The December 31, 2010 mineral resource estimates from Endeavour Silver’s Exploration Division, discussed in this present report, used the following parameters:

- Cut-off grade for indicated and inferred resources is 100 g/t silver equivalent.

- Silver equivalents in the resource tables were estimated using a 50:1 ratio based on prices of US $24/oz silver and US $1,200/oz gold with no base metal credits.

The December 31, 2010 mineral reserve estimates from Endeavour Silver's Operations Division (i.e. mines) used the following parameters:

- Cut-off grade for proven and probable reserves is 102 g/t silver.
- Silver equivalents in the reserve tables were estimated using a 62:1 ratio based on 3 year trailing average prices of gold and silver. 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 1.3, 1.4 and 1.5, is effective December 31, 2010.

Table 1.3
December 31, 2010, Proven and 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	141,000	189	2.50	344	856,000	11,300	1,557,000
Probable	100,000	158	2.20	295	508,000	7,100	946,000
Total Proven & Probable	**241,000**	**176**	**2.37**	**324**	**1,364,000**	**18,400**	**2,503,000**

Table 1.4
December 31, 2010, 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	1,443,000	163	2.18	283	7,554,000	101,100	13,138,000
Total Measured and Indicated	**1,443,000**	**163**	**2.18**	**283**	**7,554,000**	**101,100**	**13,138,000**

Table 1.5
December 31, 2010, 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	1,475,000	155	2.11	270	7,345,000	100,000	12,787,000
Total Inferred	**1,475,000**	**155**	**2.11**	**270**	**7,345,000**	**100,000**	**12,787,000**

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 reserve and resource 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 estimates for the period ending December 31, 2010 and considers these estimates to have been reasonably prepared and to conform to the current CIM standards and definitions for estimating reserves and resources as required under NI 43-101 regulations. Accordingly, Micon accepts Endeavour Silver's resource and reserve estimate as an appropriate 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 2010, the Bolañitos plant produced 943,423 oz silver and 12,914 oz gold from 194,923 t ore grading 177 g/t silver and 2.40 g/t gold. Silver and gold recoveries averaged 85.5 and 86.0%, respectively. Recent production statistics (2006 to 2010) are summarized in Table 1.6.

Table 1.6
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
	2010	194,923	2.40	177	12,914	943,423
Total		**584,040**	**1.64**	**141**	**30,850**	**2,645,726**

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 doré 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 Endeavour Silver's proposal for further exploration and has conducted its third audit of the resource and reserve estimates for the project. Micon has accepted the estimates as appropriate. 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 have its on-site laboratory participate in a proficiency program of round-robin laboratory testing such as the one run by CanMet. This will continue to 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 continue to 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 of 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 help in both future exploration and in infill drilling.

6) Micon recommends that future budgets for the operations 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.

7) Micon recommends that Endeavour Silver continues to nurture its talented Exploration Division and to equip it with a broader range of skills to ensure growth through the continuous generation of resources.

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., Charley Z. Murahwi, M.Sc., P.Geo, MAusIMM and Dibya Kanti Mukhopadhyay, M.Sc, MAusIMM, of Micon International Limited, and dated December 15, 2010 (the "Parral Project Report"). 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 of the October, 2010, mineral resource estimate for the Parral Project located in the State of Chihuahua, Mexico and owned by Endeavour Silver Corp. (Endeavour Silver). This Technical Report is an update of the Micon's previous Technical Report dated March 15, 2010, which constituted an audit of Endeavour Silver's December 31, 2008, in-house mineral resource estimate conducted on the El Cometa property. The March, 2010, Technical Report was posted on the System for Electronic Document Analysis and Retrieval (SEDAR).

The Parral Project Report constitutes an audit of the October 27, 2010, mineral resource estimate conducted on the Parral Project by Endeavour Silver. Endeavour Silver's mineral resource estimate is an in-house estimate based on further exploration conducted in 2009 and 2010. Micon's audit was performed to ensure that the resource estimate complied with the Canadian Institute of Mining, Metallurgy and Petroleum (CIM) standards and definitions, as required by Canadian National Instrument 43-101 (NI 43-101).

The term "El Cometa property" refers to the El Cometa concession and "San Juanico property" refers to the Ampliacion de San Juanico, Dolores and El Jazmin concessions. These are the concessions on which Endeavour Silver conducted its exploration programs and resource estimates in 2007/2008 and 2010, respectively. The term "Parral Project" refers to the entire land package acquired or held by Endeavour Silver in the Parral area.

The Parral Project Report 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.

Property Description

The El Cometa property consists of one roughly 19.6 hectare (ha) mineral concession and the San Juanico property consists of three mineral concessions totaling 17.1 hectares. The mineral concessions are 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 Parral Project and the area to the west underneath which the vein dips are open ground.

The Parral Project 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 Parral Project concessions are 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; Endeavour Silver's Parral Project 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 property in 2006 and it is part of the 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 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 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 paying a total of US $130,000 in four installments 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 2011 concession tax for the Parral Project properties is estimated to be approximately 5,662 Mexican pesos (pesos), which is equal to about US $457 at an exchange rate of 12.40 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. While the plan failed, a large amount of historical information was obtained.

The principal mines in the Villa del Parral in 1820 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, New Mexico, 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 of silver 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 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 rocks, 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 polymetallic mineralization and helped to further define the El Cometa vein system. Six holes totaling 1,800.20 m were completed in 2008, bringing the total to 33 holes and 11,136.03 m drilled by Endeavour Silver on the El Cometa property.

No exploration drilling was conducted on the property in 2009.

The San Juanico drilling program commenced in March, 2010, and was completed in July, 2010. The objective was to extend the resources on the El Cometa property onto the San Juanico property. Endeavour Silver believed that, if the current resources could 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 commenced a Phase 1 exploration drilling program at San Juanico in the first quarter of 2010. A total of 9,000 m of drilling was planned at an estimated cost of US $1,543,500.

Resource Estimation for the Parral project

The last mineral resource estimate conducted on the property was Endeavour Silver's December 31, 2008, estimate which was audited by Micon with the results disclosed in a March, 2010, Technical Report. Subsequent to the December, 2008, estimate Endeavour Silver conducted work on the Parral Project in 2010. As a result of the most recent exploration program, Endeavour Silver prepared a new mineral resource estimate for the Parral Project. The new mineral resource estimate has been audited by Micon and has an effective date of October 27, 2010.

The Parral Project mineralization is polymetallic and, for this reason, each sampled intersection was assigned a value based on the estimated net smelter return (NSR). The economic assumptions used to calculate the NSR are summarized in Table 1.1. Metal prices were based on the budget numbers for gold and silver that Endeavour used for 2010 and the London lead and zinc prices in July, 2010. The metallurgical recovery is based on the metallurgical testwork described in Section 16. Endeavour Silver plans to produce zinc and lead concentrates for sale to a Mexican smelter, if the property is brought to production.

Table 1.1 Net Smelter Return (NSR) Cut-off Parameters for the Parral Project

Description	Parameter
Gold Price	US $1,000 per oz
Silver Price	US $16 per oz
Lead Price	US $0.65 per lb
Zinc Price	US $0.65 per lb
Gold Recovery (Overall)	75%
Silver Recovery (Overall)	71%
Lead Recovery (Overall)	80%
Zinc Recovery (Overall)	74%
Smelter Terms	Based on generic contract

The cut-off NSR value for reporting mineral resources was based on a review of operating costs at existing Endeavour Silver operations. The review indicated that a total operating cost of approximately US $55/t, and a direct operating cost of approximately US $40/t, can be expected for Endeavour Silver's Parral Project.

The mineral resource estimate for the Parral Project is summarized in Table 1.2.

Table 1.2
Summary of the Parral Project Mineral Resource Estimate as of October 27, 2010 (NSR Cut-off US $40/t)

Resource Category	Thousand Tonnes	Ag (g/t)	Au (g/t)	Cu (%)	Pb (%)	Zn (%)	NSR/Tonne ($US)
Indicated	**1,631.0**	**49.39**	**0.90**	**0.15**	**2.87**	**2.86**	**75.38**
Inferred	**1,302.9**	**63.47**	**0.88**	**0.20**	**2.55**	**2.28**	**73.77**

The mineral resource estimate has been reviewed and audited by Micon. It is Micon's opinion that the October 27, 2010, mineral resource estimate has been prepared in accordance with the CIM standards and definitions for mineral resource estimates and that Endeavour Silver can use the mineral resource estimate as a basis for further exploration and economic evaluation of the Parral Project.

Micon believes that currently no environmental, permitting, legal, title, taxation, socio-economic, marketing or political issues exist which would adversely affect the mineral resources estimated above.

However, mineral resources that are not mineral reserves do not have demonstrated economic viability. There are currently no mineral reserves on the Parral Project.

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 t/d of silver-rich lead-zinc-gold ore for processing at the nearby 500 t/d flotation plant owned by the Mexican government.

Prior to drilling in 2010, Endeavour Silver believed that the resource potential of the San Juanico property was 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 had 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 reviewed Endeavour Silver's initial QA/QC protocols and generally agrees with them. It should be noted that, during the 2008 drilling program, standards were not immediately available and therefore were not inserted into the sample stream of the earlier drill holes. It is understood that Endeavour Silver undertook check analyses of the earlier samples prior to the current resource estimate.

Through acquiring the El Cometa and San Juanico properties, Endeavour Silver is in the position of having acquired properties in a historical mining district in Mexico that has not been subjected fully to modern exploration concepts and technology. The properties hold the potential for the discovery of mineralized deposits of similar character and grade as those exploited in the district in the past.

The Parral Project should be considered as a mid-stage exploration project upon which Endeavour Silver has begun to conduct further exploration and drilling in order to gain a better understanding of the nature and extent of the mineralization located on both the El Cometa and San Juanico properties, as well as on adjacent properties.

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. However, based on the results obtained from the 2010 drilling program, Endeavour Silver has decided to defer any further work on the Parral Project for the time being pending a further review of the project. Since Endeavour Silver is putting the Parral Project on hold pending a review, the only money budgeted for 2011 is the holding cost for the property plus any obligations as per its agreements with the vendors (Phase 1). However, Endeavour Silver may decide to conduct further work (Phase 2) comprised of a bulk sample, further metallurgical testing and a preliminary economic assessment. If Endeavour Silver decides to conduct further work, it has budgeted approximately US $500,000 to cover the Phase 2 program. Endeavour Silver's budget to hold the Parral Project and fulfill any obligations and to conduct the Phase 2 program if it proceeds, is summarized in Table 1.3.

Table 1.3 Parral Property – Exploration Budget for 2011

Phase	Activity Description (units)	Units	Unit Cost (US $)	Total Cost (US $)
Phase 1	Consultants (days)	5	1,200	6,000
	Taxes and fees			1,000
	San Juanico option payment (February, 2011)	1	30,000	30,000
	Miscellaneous expenses			3,000
	Total			**40,000**
Phase 2	Bulk sample			100,000
	Metallurgical testing			200,000
	Preliminary assessment study			200,000
	Total			**500,000**
Phase 1 and Phase 2	**Total (Both Phases)**			**540,000**

Table supplied by Endeavour Silver Corp.

Micon recommends that Endeavour Silver conducts its review (Phase 1) as proposed, prior to determining whether or not to commit additional funds to exploration of the Parrel Project.

Micon agrees with the general direction of Endeavour Silver's programs for the properties and recommends that desktop studies be conducted over the greater Parral region in search of opportunities to expand the land holding and resources. After auditing the geological models and mineral resource estimates generated by Endeavour Silver, Micon finds the methodology to be acceptable for use on the Parral Project and makes the following recommendations for improvements to be applied to future estimates:

1. Validating the resource estimate by an alternative method of estimation will give greater confidence in the resource figures.

2. Detailed geological modeling will result in improved variography and a better definition of the mineralization domains.

ITEM 5: DIVIDENDS

5.1 Dividends

The Company has not declared any dividends during the past three fiscal years ended December 31, 2010. 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.

The following table provides a summary concerning the Company's share capital as of December 31, 2010:

	December 31, 2010
Authorized share capital	Unlimited number of common shares without par value
Number of shares issued and outstanding	80,720,420 common shares without par value

As at March 15, 2011, the Company has 81,657,937 common shares issued and outstanding.

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 since March 14, 2011 on the New York Stock Exchange ("NYSE") under the symbol "EXK". Prior to March 14, 2011, the Company's common shares were listed on the NYSE Amex.

The price ranges for the Company's common shares in Canadian dollars and volume traded on the TSX for the most recently completed fiscal year ended December 31, 2010 and the months of January and February 2011 are set out below:

Date	Open	High	Low	Close	Volume Traded
Feb-11	6.30	7.49	6.22	7.14	4,790,939
Jan-11	7.18	7.19	5.40	6.19	6,159,096
Dec-10	6.45	7.63	6.36	7.30	8,400,732
Nov-10	4.95	7.14	4.70	6.38	13,333,133
Oct-10	4.16	5.10	4.13	4.94	3,868,180
Sep-10	3.89	4.40	3.77	4.17	3,771,294
Aug-10	3.38	3.88	3.29	6.87	1,702,999
Jul-10	3.37	3.73	3.20	3.40	1,498,128
Jun-10	3.71	3.93	3.45	3.63	1,987,300
May-10	4.00	4.34	3.35	3.69	4,574,999
Apr-10	3.30	4.07	3.29	3.97	3,184,668
Mar-10	3.53	3.90	3.15	3.23	3,570,781
Feb-10	3.31	3.90	3.05	3.45	3,059,000
Jan-10	3.96	4.57	3.32	3.35	3,934,300

The price ranges for the Company's common shares in US$ and volume traded on the NYSE Amex for the most recently completed fiscal year ended December 31, 2010 and the months of January and February 2011 are set out below:

Date	Open	High	Low	Close	Volume Traded
Feb-11	6.34	7.60	6.23	7.41	27,711,000
Jan-11	7.47	7.69	5.40	6.17	31,779,000
Dec-10	6.37	7.61	6.22	7.34	41,500,000
Nov-10	4.88	7.16	4.63	6.21	42,115,000
Oct-10	4.09	5.10	4.09	4.89	21,117,000
Sep-10	3.65	4.23	3.63	4.03	13,743,000
Aug-10	3.33	3.60	3.16	3.60	6,981,000
Jul-10	3.34	3.57	3.09	3.32	5,958,000
Jun-10	3.51	3.68	3.29	3.38	8,256,000
May-10	3.93	4.13	3.42	3.57	18,492,000
Apr-10	3.25	3.91	3.26	3.91	12,084,000
Mar-10	3.28	3.71	3.15	3.21	11,149,000
Feb-10	3.23	3.59	3.10	3.28	11,266,000
Jan-10	3.89	4.28	3.15	3.15	13,136,000

The Company also has 2,941,150 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, 2009 and have an exercise price of CDN$3.60 per share and expire on October 7, 2011. As of March 15, 2011 2,839,650 of these share purchase warrants remain outstanding.

The price ranges for the above-mentioned common share purchase warrants in Canadian dollars and volume traded on the TSX for the most recently completed fiscal year ended December 31, 2010 and the months of January and February 2011 are set out below:

Date	Open	High	Low	Close	Volume Traded
Feb-11	2.90	4.00	2.64	3.60	339,859
Jan-11	3.56	3.56	1.97	2.66	451,155
Dec-10	3.34	4.10	3.06	3.75	646,433
Nov-10	1.73	4.45	1.67	3.18	526,120
Oct-10	1.39	1.79	1.31	1.70	214,608
Sep-10	1.08	1.48	1.05	1.34	155,150
Aug-10	0.88	0.97	0.66	0.97	92,250
Jul-10	0.95	0.95	0.79	0.88	51,300
Jun-10	1.06	1.17	1.00	1.01	68,600
May-10	1.28	1.33	1.02	1.12	148,000
Apr-10	1.08	1.30	0.95	1.26	123,300
Mar-10	1.33	1.44	1.06	1.12	75,700
Feb-10	1.27	1.44	1.09	1.25	79,000
Jan-10	1.40	1.75	1.15	1.33	237,600

ITEM 8: ESCROWED SECURITIES

8.1 Escrowed Securities

As at December 31, 2010, a total of 93,750 common shares of the Company were held in escrow. On February 3, 2011, all of these common shares were cancelled and returned to treasury.

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)	1,225,939 1.50%
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)	164,189 0.20%

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)
Leonard Harris (1) Colorado, USA	Retired, and., Director of 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 0.02%

Mario D. Szotlender (1),(2) Caracas, Venezuela	President, Mena Resources Inc.	Director (From July 25, 2002)	119,200 0.14%
Geoffrey Handley (1),(2) Sydney, Australia	Past Executive VP Strategic Development, Placer Dome Inc., Currently Director of Eldorado Gold Ltd, PanAust Limited, Mirabela Nickel Ltd.	Lead Director (From June 14, 2006)	Nil
Rex McLennan (2) Alberta, Canada	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
Ricardo Campoy (2) New York, USA	Managing director of Headwaters MB, Past managing director and head of minings and metal group for of WestLB. Currently Director of Bayswater Uranium Corporation, Century Mining Corporation and Forsys Metals Corp	Director (From July 9, 2010)	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 from March, 2007 to March, 2008; KPMG from Sept 2002 to February 2007	Chief Financial Officer (From April 1, 2008)	Nil

Barry Devlin Washington, USA	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 Dickinson	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 15, 2011 the directors and officers of the Company as a group beneficially owned, directly or indirectly, or exercised control or direction over an aggregate of 1,554,328 common shares of the Company, representing approximately 2% 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, 2009 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, 2010, there were no penalties or sanctions imposed against the Company by a court relating to securities legislation or by a securities regulatory authority. During the year ended December 31, 2010, there were no settlement agreements that the Company entered into before a court relating to securities legislation or with a securities regulatory authority. Except as described below, 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.

Minera Santa Cruz y Garibaldi SA de CV, a subsidiary of Endeavour, received a $19.1 million assessment on October 12 th, 2010 by Mexican fiscal authorities for failure to provide the appropriate support for certain expense deductions in the 2006 tax return. During the audit process the Company retained a big four accounting firm and external counsel to expedite the audit process and to ensure the delivery of the appropriate documentation. Based on the advice of our tax advisors and legal counsel, it is the Company's view that it provided the appropriate documentation and support for the expenses and the tax assessment has no legal merit. As a result of a detailed review by the Company of its accounting records and available information to support the deductions taken, the Company has estimated a potential tax exposure of $80,000, plus an estimated additional interest and penalties of $80,000, for which the Company has made a provision in the consolidated financial statements for the year ended December 31st 2010. The Company has commenced the appeal process.

The 2006 tax return of Refinadora Plata Guanacevi SA de CV, a subsidiary of Endeavour, is currently being audited by the Mexican fiscal authorities. The Company was delayed in providing certain requested documentation and the Mexican fiscal authorities froze the subsidiary's bank accounts. In consulting with external legal counsel, the Company appealed the actions taken by the Mexican tax authorities through the federal circuit court which ruled that the bank freeze was unconstitutional. After the ruling, the court instructed the Mexican authorities to unfreeze the bank accounts, which occurred shortly after year end. The bank freeze did not affect the Company's ability to carry on business, however the Company did not have access to $1.8 million during that time and the Mexican fiscal authorities' actions impacted the timely refund of value added tax.

During the audit process the Company retained external legal counsel to ensure the delivery of the appropriate documentation to the Mexican fiscal authorities. As a result of a detailed review of the Company's 2006 financial information and delivery of appropriate requested documents to the Mexican fiscal authorities, the Company has estimated that there is no significant remaining potential tax exposure.

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, 2008 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. See "Risk Factors – Potential Conflicts of Interest" and "Conflict of Interest"

ITEM 13: TRANSFER AGENT AND REGISTRAR

13.1 Transfer Agent and Registrar

The transfer agent and registrar for the common shares of the Company is Computershare Investor Services Inc. at its principal offices in Vancouver, British Columbia and Toronto, Ontario.

ITEM 14: MATERIAL CONTRACTS

14.1 Material Contracts

Other than the following contracts, there are no contracts that are material to the Company that were entered into during the financial year ended December 31, 2010 or prior thereto but which are still in effect, other than contracts entered into in the ordinary course of business of the Company:

1. Warrant Indenture dated October 7, 2009 between the Company and Computershare Trust Company of Canada governing 2,941,150 outstanding common share purchase warrants which comprised a part of units of the Company that were originally issued pursuant to a CDN$18.5 million prospectus offering of 6,152,500 units at CDN$3.00 per unit. Each common share purchase warrant is exercisable for one common share of the Company at a price of CDN$3.60 until October 7, 2011. See "General Development of the Business – Three Year History – 2009".

2. Underwriting Agreement dated November 16, 2010 among CIBC World Markets Inc., Salman Partners Inc., Haywood Securities Inc., RBC Dominion Securities Inc. (collectively, the "Underwriters") and the Company in connection with a prospectus offering of 8,150,000 common shares of the Company at a price of CDN$6.15 per common share, subject to an over-allotment option granted to the Underwriters to purchase up to an additional 1,222,500 common shares of the Company for a period of 30 days following the initial closing date at a price of CDN$6.15 per common share (collectively, the "Offering"). Pursuant to the Underwriting Agreement, the Company agreed to pay the Underwriters a cash fee equal to 5% of the gross proceeds of the Offering. The Offering was completed on December 1, 2010, with a partial exercise of the over-allotment option. See "General Development of the Business – Three Year History – 2010".

ITEM 15: INTERESTS OF EXPERTS

15.1 Names of Experts

KPMG LLP is the external auditor of the Company and reported on the fiscal 2010 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"). They are the authors of the report*"NI 43-101 Technical Report Audit of the Resource and Reserve Estimates for the Guanacevi Project, Durango State, Mexico*" dated March 15, 2011 filed on Sedar.

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 ("Micon"). They are the authors of 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, 2011 filed on Sedar.

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., Charley Z. Murahwi, M. Sc., P.Geo, MAusIMM and Dibya Kanti Mukhopadhyay, M.Sc, MAusIMM of Micon International ("Micon"). They are the authors of the report *"43-101 Technical Report Audit of the Mineral Resource Estimate for the Parral Project (El Cometa Property),Chihuahua State, Mexico*" dated March 1, 2011 filed on Sedar.

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 or afterwards, nor will they receive any such interest.

ITEM 16: ADDITIONAL INFORMATION

16.1 Additional Information

Additional information relating to the Company may be found on SEDAR at www.sedar.com. 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. Additional financial informationis also provided in the Company's financial statements and management's discussion and analysis for its most recently completed financial year ended December 31, 2010.

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 four directors, as set forth below:

Geoff Handley	Ricardo Campoy	Mario D. Szotlender	Rex McLennan

As defined in NI 52-110, Geoff Handley, Mario Szotlender, Ricardo Campoy 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.

Ricardo Campoy – Mr. Campoy has a Bachelor of Science in Mine Engineering from the Colorado School of Mines and a Master of International Management (Finance) from the American Graduate School of International Management. Mr. Campoy has over 30 years experience as a mine engineer, investment banker and financial advisor for the resource industry, financial institutions and investment funds.

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 under NI 52-110:

(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 3.3(2) *Controlled Companies;*

(d) the exemption in section 3.4 *Events Outside Control of Member;*
(e) the exemption in section 3.5 *Death, Disability or Resignation of Audit Committee Member;*
(f) the exemption in section 3.6 *Temporary Exemption for Limited and Exceptional Circumstances;*
(g) the exemption in section 3.8 *Acquisition of Financial Literacy;*
(h) an exemption from NI 52-110, in whole or part, granted under Part 8, *Exemptions*

5. 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.

6. 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.

7. 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, 2009	$479,650	Nil	$15,000
December 31, 2010	$542,105	Nil	$53,000

*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. The nature of the services in both fiscal periods pertains to advisory over the Company's transition to International Financial Reporting Standards.

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, 2010, 2009 and 2008

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, respectively.

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; 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 18, 2011

/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

INDEPENDENT AUDITORS' REPORT OF REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying consolidated financial statements of Endeavour Silver Corp., which comprise the consolidated balance sheets as at December 31, 2010 and 2009, and the consolidated statements of operations and comprehensive income (loss), shareholders' equity and cash flows for each of the years in the three-year period ended December 31, 2010, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Endeavour Silver Corp. as at December 31, 2010 and 2009 and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2010 in accordance with Canadian generally accepted accounting principles.

Other Matter

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Endeavour Silver Corp.'s internal control over financial reporting as of December 31, 2010, 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 18, 2011 expressed an unmodified opinion on the effectiveness of Endeavour Silver Corp.'s internal control over financial reporting.

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

Chartered Accountants Vancouver, Canada
March 18, 2011

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, 2010, 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 on 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.

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, 2010, 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 the standards of the Public Company Accounting Oversight Board (United States). Our report dated March 18, 2011 expressed an unmodified opinion on those consolidated financial statements.

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

Chartered Accountants

Vancouver, Canada
March 18, 2011

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KPMG Canada provides services to KPMG LLP.

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

	Notes	December 31 2010	December 31 2009
ASSETS			
Current assets			
Cash and cash equivalents		**$ 68,037**	$ 26,702
Short term investments		**20,009**	-
Marketable securities	4	**81**	2,045
Notes receivable	5	**3,551**	2,476
Accounts receivable and prepaids	6	**10,299**	7,467
Inventories	7	**12,971**	6,100
Due from related parties	8	**218**	243
Total current assets		**115,166**	45,033
Long term deposits		**778**	1,153
Redemption call option on convertible debentures	12	**-**	2,693
Mineral property, plant and equipment	9	**72,479**	57,002
Total assets		**$ 188,423**	$ 105,881
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		**$ 9,464**	$ 5,230
Current portion of promissory note	10	**231**	231
Accrued interest on convertible debentures	12	**-**	254
Income taxes payable		**3,260**	545
Total current liabilities		**12,955**	6,260
Promissory note	10	**56**	248
Asset retirement obligations	11	**2,242**	1,740
Future income tax liability	16	**14,157**	8,103
Liability portion of convertible debentures	12	**-**	8,149
Total liabilities		**29,410**	24,500
Shareholders' equity			
Common shares, unlimited shares authorized, no par value, issued and outstanding 80,720,420 shares (2009 - 60,626,203 shares)	Page 9	**183,296**	112,173
Equity portion of convertible debentures	12	**-**	2,164
Contributed surplus	Page 9	**13,635**	12,948
Accumulated comprehensive income	Page 9	**1,656**	749
Deficit		**(39,574)**	(46,653)
Total shareholders' equity		**159,013**	81,381
		$ 188,423	$ 105,881

Commitments (note 9 and note 18)

Approved on behalf of the Board

/s/ Bradford Cooke
Director

/s/ Godfrey Walton
Director

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

	Notes	**Year Ended December 31 2010**	Year Ended December 31 2009	Year Ended December 31 2008
Revenues		**$ 86,510**	$ 50,769	$ 39,302
Cost of sales		**41,514**	29,478	27,802
Depreciation and depletion		**15,447**	11,264	8,383
Exploration		**4,283**	2,394	8,570
General and administrative		**5,485**	4,356	5,078
Accretion of convertible debentures	12	**1,088**	1,466	-
Stock-based compensation	13 (d)	**4,679**	1,801	2,349
Earnings (loss) before other items		**14,014**	10	(12,880)
Foreign exchange gain (loss)		**1,156**	(1,057)	(1,452)
Realized gain (loss) on marketable securities		**195**	15	(637)
Mark to market gain (loss) on redemption call option	12	**703**	2,693	-
Impairment of asset backed commercial paper	5	**-**	-	(1,394)
Allowance for value added tax		**-**	-	(945)
Investment and other income		**478**	506	305
Earnings (loss) before taxes		**16,546**	2,167	(17,003)
Income tax provision	16	**9,467**	4,093	1,001
Net earnings (loss) for the year		**7,079**	(1,926)	**(18,004)**
Other comprehensive income, net of tax				
Unrealized gain (loss) on marketable securities	4	**22**	150	(1,145)
Unrealized gain on notes receivable	5	**953**	423	-
Unrealized foreign exchange gain (loss) on available for sale securities		**127**	(21)	-
Reclassification adjustment for loss (gain) included in net income		**(195)**	(15)	637
		907	537	(508)
Comprehensive income (loss) for the year		**7,986**	(1,389)	(18,512)
Basic earnings (loss) per share		**$ 0.11**	$ (0.04)	$ (0.37)
Diluted earnings (loss) per share		**$ 0.10**	$ (0.04)	$ (0.37)
Basic weighted average number of shares outstanding		**65,646,786**	53,212,960	49,032,192
Diluted weighted average number of shares outstanding		**69,122,226**	53,212,960	49,032,192

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 2010	December 31 2009	December 31 2008
Number of common shares, opening		**60,626,203**	49,080,478	48,982,146
Exercise of special warrants	13 (c)	**-**	2,311,540	-
Issued on public offering	13 (c)	**8,710,000**	6,152,500	-
Issued on private placement	13 (c)	**-**	1,299,843	-
Exercise of options	13 (d)	**1,762,500**	585,800	88,000
Exercise of warrants	13 (g)	**2,142,761**	273,675	-
Exercise of convertible debentures	12	**6,658,382**	706,313	-
Issued through stock bonus plan	13 (f)	**41,500**	80,000	-
Issued on acquisition of mineral properties	9 (a)	**642,204**	136,054	-
Share appreciation rights	13 (e)	**136,870**	-	10,332
Number of common shares, closing		**80,720,420**	60,626,203	49,080,478
Common shares, opening		**$ 112,173**	$ 87,584	$ 87,458
Exercise of special warrants	13 (c)	**-**	2,118	-
Issued on public offering, net of issuance costs	13 (c)	**49,310**	15,346	-
Issued on private placement, net of issuance costs	13 (c)	**-**	3,484	-
Exercise of options	13 (d)	**7,080**	1,361	105
Exercise of warrants	13 (g)	**4,242**	759	-
Exercise of convertible debentures	12	**7,408**	1,058	-
Issued through stock bonus plan	13 (f)	**193**	263	-
Issued on acquisition of mineral properties	9 (a)	**2,358**	200	-
Share appreciation rights	13 (e)	**532**	-	21
Common shares, closing		**$ 183,296**	$ 112,173	$ 87,584
Special warrants, opening		**$ -**	$ 2,118	$ -
Issued on private placement, net of issuance costs	13 (c)	**-**	-	2,118
Exercise of special warrants	13 (c)	**-**	(2,118)	-
Special warrants, closing		**$ -**	$ -	$ 2,118
Equity portion of convertible debentures, opening		**$ 2,164**	$ -	-
Issued on convertible debentures, net of issuance costs	12	**-**	2,393	$ -
Exercise of convertible debentures	12	**(2,164)**	(229)	-
Equity portion of convertible debentures, closing		**$ -**	$ 2,164	$ -
Contributed surplus, opening		**$ 12,948**	$ 11,285	$ 8,921
Stock-based compensation	13 (d)	**4,595**	1,431	2,349
Fair value of agent warrants issued on financing	12, 13 (c)	**-**	1,001	82
Exercise of share purchase options	13 (d)	**(3,020)**	(533)	(46)
Fair value of exercised warrants	13 (g)	**(356)**	(236)	-
Share appreciation rights	13 (e)	**(532)**	-	(21)
Contributed surplus, closing		**$ 13,635**	$ 12,948	$ 11,285
Accumulated other comprehensive income, opening		**$ 749**	$ 212	$ 720
Unrealized foreign exchange gain (loss) on available for sale securities		**127**	(21)	-
Unrealized gain (loss) on marketable securities		**22**	150	(1,145)
Unrealized gain (loss) on notes receivable		**953**	423	-
Realized (gain) loss on marketable securities included in net income		**(195)**	(15)	637
Accumulated other comprehensive income, closing		**$ 1,656**	$ 749	$ 212
Deficit, opening		**$ (46,653)**	$ (44,727)	$ (26,723)
Earnings (loss) for the period		**7,079**	(1,926)	(18,004)
Deficit, closing		**$ (39,574)**	$ (46,653)	$ (44,727)
Shareholders' equity		**$ 159,013**	$ 81,381	$ 56,472

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

	Notes	**Year Ended December 31, 2010**	Year Ended December 31, 2009	Year Ended December 31, 2008
Operating activities				
Net earnings (loss) for the period		**$ 7,079**	$ (1,926)	$ (18,004)
Items not affecting cash:				
Stock-based compensation	13 (d)	**4,679**	1,801	2,349
Depreciation and depletion		**15,447**	11,264	8,383
Future income tax expense	16	**6,054**	4,068	21
Unrealized foreign exchange loss (gain)		**(65)**	1,384	(58)
Impairment of asset backed commercial paper	5	**-**	-	1,394
Allowance for value added tax		**-**	-	945
(Gain) loss on marketable securities		**(195)**	(15)	637
Accretion of convertible debentures	12	**1,088**	1,466	-
Mark to market gain on redemption call option	12	**(703)**	(2,693)	-
Net changes in non-cash working capital	14	**(700)**	(3,103)	(291)
Cash from (used for) operations		**32,684**	12,246	(4,624)
Investing activites				
Property, plant and equipment expenditures		**(30,176)**	(17,065)	(12,625)
Investment in short term investments		**(20,009)**	-	-
Long term deposits		**375**	(239)	(37)
Investment in marketable securities		**(1,021)**	(2,361)	(3,963)
Proceeds from sale of marketable securities		**3,215**	581	5,995
Cash used in investing activities		**(47,616)**	(19,084)	(10,630)
Financing activites				
Equity issued on exercise of options and warrants	13 (d)	**7,946**	1,351	2,541
Equity issued on public offering	13 (c)	**52,431**	17,337	-
Equity issued on private placement	13 (c)	**-**	3,703	-
Issuance of convertible debentures	12	**-**	11,225	-
Share issuance costs	13 (c)	**(3,121)**	(1,673)	(282)
Debenture issuance costs	12	**-**	(1,191)	-
Interest paid	12	**(989)**	(794)	-
Cash from financing activites		**56,267**	29,958	2,259
Increase (decrease) in cash and cash equivalents		**41,335**	23,120	(12,995)
Cash and cash equivalents, beginning of period		**26,702**	3,582	16,577
Cash and cash equivalents, end of period		**$ 68,037**	$ 26,702	$ 3,582

See note 14 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.

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 from United States GAAP are described in Note 19 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 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 of convertible debentures, 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, or 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. Information on the Company's financial instruments is further described in Note 17.

(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. Short term investments, marketable securities and Notes are recorded at fair value with unrealized gains and losses at the reporting date recognized in comprehensive income unless unrealized losses are indicative of other than temporary impairments in 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.

(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 in effect on the balance sheet date; and
- Exchange gains and losses are recorded in the statement of operations in the period in which they occur.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 less or are readily convertible into cash.

(h) Short term investments

Short term investments are carried at fair value and are comprised of highly liquid investments with terms greater than ninety days with low risk of significant changes in values. Short term investments are designated held for trading.

(i) 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 unless unrealized losses are indicative of other than temporary impairments in value.

(j) 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. 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.

(k) 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. In-fill and step out drilling, along with associated support costs are capitalized on producing properties, while exploration expenditures on non-producing properties are expensed. All property 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.

(l) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) 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.

(n) Stock-based compensation

The Company has a share option plan which is described in Note 13(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. The Company generally issues new shares to option holders on the exercise of stock-based compensation awards.

(o) 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, including 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.

(p) Earnings (loss) per share

Basic income (loss) per share is computed by dividing income available to common shareholders by the weighted average number of shares outstanding during the period. For all periods presented, income available to common shareholders equals the reported income (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 income (loss) per share is presented as the same as basic income (loss) per share as the effect of outstanding options and warrants in the per share calculation is not dilutive in 2008 and 2009.

(q) 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 INTERNATIONAL FINANCIAL REPORTING

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 adopt IFRS, replacing Canadian 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 and fiscal 2010 quarterly interim periods.

The detailed assessment is near complete and to date the Company has identified presentation and disclosure, mineral property, plant and equipment, convertible debentures, 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.

4. MARKETABLE SECURITIES

	December 31 2010	December 31 2009
Investment in marketable securities, at cost	**$ 35**	**$ 1,828**
Unrealized gain on marketable securities	**41**	**150**
Unrealized foreign exchange gain (loss)	**5**	**67**
	$ 81	**$ 2,045**

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

At December 31, 2010 the Company held Canadian dollar denominated restructured Asset Backed Commercial Paper Notes (the "Notes") that were obtained in February 2009 from the restructuring of Canadian Asset Backed Commercial Paper ("ABCP").

			CAN $	**Dec 31, 2010**	Dec 31, 2009
Notes	Maturity Dates	Interest Rate	Face Amount	**Market Value**	Market Value
MAV II Class A-1	July 15, 2056	BA - 0.5%	$ 3,219	**$ 2,334**	$ 1,629
MAV II Class A-2	July 15, 2056	BA - 0.5%	1,093	**705**	525
MAV II Class B	July 15, 2056	BA - 0.5%	198	**84**	-
MAV II Class C	July 15, 2056	BA + 20.0%	140	**15**	-
IA Tracking Class 15		BA - 0.5%	464	**413**	322
			$ 5,114	**$ 3,551**	$ 2,476

During the first quarter of 2010, the trade activity of the MAV II Trust and the IA Tracking Note Class 15 significantly increased providing a more liquid market, permitting the Company to estimate the value of the Notes based on current market activity bids. Effective January 1, 2010, the Company marks to market the Notes based on trade market bids. The mark to market of the Notes resulted in a $1,075 gain during the year ended December 31, 2010. The Notes are classified as Level 1 in the fair value hierarchy, a change from December 31, 2009 where the Notes were classified within Level 2 of the fair value hierarchy, as the Company then used inputs other than quoted market prices included in Level 1 that were either directly or indirectly observable for the asset in estimating fair value.

In 2009, the Company estimated the value using a basic discounted cash flow model assuming the principal would be repaid between 2013 and 2016, interest earned at banker acceptance less 50 bps, and a 12% discount rate. This resulted in an estimated fair value of $2,476 at December 31, 2009.

In 2008, the Company assessed the estimated fair value of its ABCP and based on the available information at the time regarding market conditions, the underlying assets and the indicative values contained in the report issued by JP Morgan, recorded an additional impairment charge of $1,394. The Company estimated the value using a basic discounted cash flow model assuming principal would be repaid between 2013 and 2016, interest earned at banker acceptance less 50 bps, using a 12% discount rate. This impairment charge resulted in an estimated fair value of $2,115 and a total impairment charge to the original investment of $2,721 as a $1,327 impairment charge was taken in 2007.

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 fair value fluctuations and any related foreign exchange gains or losses recognized in other comprehensive income, unless such gains or losses are declines in value that are concluded to be other than temporary, in which case the declines will be charged to operations.

6. ACCOUNTS RECEIVABLE AND PREPAIDS

	December 31 2010	December 31 2009
Value added tax receivables	**$ 7,895**	$ 4,497
Income tax receivable	**124**	1,869
Other receivables	**219**	73
Prepaids and advances	**2,061**	1,028
	$ 10,299	$ 7,467

In 2008, the Company recorded a $945 allowance related to value added tax outstanding from 2008 and periods prior to 2007 which was deemed uncollectible.

7. INVENTORIES

	December 31 2010	December 31 2009
Warehouse inventory	**$ 3,703**	$ 2,446
Stockpile inventory	**6,580**	1,412
Finished Goods inventory	**2,393**	1,834
Work in process inventory	**295**	408
	$ 12,971	$ 6,100

8. 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 $104 receivable related to administration costs outstanding as of December 31, 2010 (2009 – $133).

During the course of the year the Company paid $ nil (2009 - $ nil, 2008 - $155) in consulting fees to a company with common directors and management.

The Company has paid $388 (2009 - $228) for legal services to a legal firm with a common member of management. The Company has a $39 payable related to legal costs outstanding as of December 31, 2010 (2009 - $5). In 2008, the Company paid $120 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, 2010, compared to an original cost of $160. The Company has a $114 receivable related to 2008 property tax payments and the initial Rico Chico option payment outstanding as of December 31, 2010.

9. MINERAL PROPERTY, PLANT AND EQUIPMENT

Mineral property, plant and equipment comprise:

	December 31, 2010			December 31, 2009		
	Cost	**Accumulated amortization**	**Net book value**	Cost	Accumulated amortization	Net book value
Properties	**$ 70,739**	**$ 31,390**	**$ 39,349**	$ 49,423	$ 17,684	$ 31,739
Mill	**25,525**	**7,006**	**18,519**	18,738	5,348	13,390
Machinery and equipment	**15,278**	**3,347**	**11,931**	11,498	2,132	9,366
Transportation and vehicles	**1,336**	**778**	**558**	1,056	528	528
Buildings	**2,175**	**539**	**1,636**	1,861	359	1,502
Office equipment	**1,078**	**592**	**486**	870	393	477
	$ 116,131	**$ 43,652**	**$ 72,479**	$ 83,446	$ 26,444	$ 57,002

(a) Guanacevi mines

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. In 2010, the Company paid $1,211 in royalties (2009 - $820, 2008 -$807)

On November 29, 2007, the Company signed an option to acquire a 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 one-year warrants with an exercise price of $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 one year and an estimated risk-free rate of 3.98%. The warrants expired unexercised. During the year ended December 31, 2010, the Company issued 570,776 shares with a market value at the time of issuance of $2,118 to acquire 100% of the properties.

In February 2009, the Company signed an option agreement to acquire Porvenir Cuatro concessions located in the Guanacevi district for payments totaling $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 was required to issue an additional $240 worth of shares within one year of the agreement date and $160 in cash or shares within two years of the agreement date. During the year ended December 31, 2010, the Company issued 71,428 shares with a market value at the time of issuance of $240 and paid $160 to acquire the property.

Property concessions acquired by the Company in the Guanacevi District are maintained with nominal property tax payments to the Mexican government.

(b) Guanajuato mines

In 2007, the Company acquired the exploitation contracts and underlying assets to the Guanajuato silver-gold mines located in the northern parts of the Guanajuato and La Luz silver districts in the state of Guanajuato, Mexico.

In 2010, the Company acquired a 100% interest in 192 hectares titled the Belen properties, located in the Guanajuato district for total remuneration of $200. The Company is required to pay a 2% net smeleter return ("NSR") royalty on any production from the Belen properties.

The Company holds various property concessions in the Guanajuato District that it maintains with nominal property tax payments to the Mexican government.

MINERAL PROPERTY, PLANT AND EQUIPMENT (continued)

(c) 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 of a minimum $300 up to a maximum of $1,900 based on the NI 43-101 compliant silver-equivalent resources at the exercise date (using gold as an equivalent based on a price ratio of silver and gold) within 24 months. The Company has paid $100 of the option as of December 31, 2010. Subsequent to year end, the Company made the next $30 option payment. As of December 31, 2010, the Company has completed a NI 43-101 compliant resource estimate indicating silver equivalent resources to be less than 10 million ounces resulting in the estimated final payment to be $300 due prior to August 2011.

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, 2010, the Company advanced $150 (2009- $130) held in prepaids and advances. In 2010, the San Juanico property did not produce any significant production.

(d) 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 payable over a four year period. During 2009, the Company acquired 100% interest in the property with the final $45 payment.

(e) San Sebastien

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 $2,750 over three years, of which the Company has paid $100. Subsequent to year end, the Company made a $100 payment. The Company is required to pay a 2% NSR royalty on any production from the San Sebastien properties.

(f) 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.

10. 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, 2010, a balance of $287 remains. The promissory note has been designated as other liabilities and is recognized at amortized cost.

11. 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 $1,670 for the Guanacevi mine operations and $783 for the Guanajuato mine operations (2009 – $1,258 and $600, respectively), which has been discounted using a credit adjusted risk free rate of 8.75%. 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 with undiscounted expenditures of $516 estimated in 2012 at Guanajuato operations, while the remaining estimated obligation would be incurred subsequent to 2014.

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 at Guanacevi		-
Incurrence at Guanajuato		-
Change in estimate		135
Interest accretion		160
Balance at December 31, 2009	$	1,740
Changes during the period:		
Incurrence at Guanacevi		269
Incurrence at Guanajuato		90
Change in estimate		-
Interest accretion		143
Balance at December 31, 2010	**$**	**2,242**

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.

12. CONVERTIBLE DEBENTURES

In February 2009, the Company issued CAN $13,993 in 10% subordinated unsecured convertible redeemable debentures (the "Debentures") maturing February 2014. The interest was 10% annually, paid quarterly in arrears. At any time, each Debenture was convertible 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 would have become issuable following the occurrence of certain corporate acts or events. Each full share purchase warrant entitled the holder to purchase one common share at an exercise price of CAN $2.05 per share. Subsequent to August 26, 2010, each Debenture could be redeemed by the Company for cash, plus a redemption fee of 7%, provided the closing share price is greater than CAN $2.85 per share.

As the Debentures included both cash payment and equity conversion features, the original gross proceeds were allocated between liability and equity elements. The liability element was designated as other liabilities and was recognized at amortized cost. The related transaction costs were allocated on a proportional basis. The transaction costs associated with the liability portion of the Debentures were deferred and amortized over their expected term.

As of August 26, 2010, the Company's share price was greater than CAN $2.85 per share, therefore the Company provided redemption notice to all debenture holders providing ten business days to convert all outstanding debentures. At the time of notice there were 7,874 debentures remaining and subsequently were all converted for 4,144,189 common shares and 2,072,079 warrants. During fiscal 2010 a total of 6,658,382 common shares and 3,329,168 warrants were issued on conversion of convertible debentures.

As at August 26, 2010, the redemption option was valued at $2,233 using a binomial lattice model with a volatility estimate of 65%, risk free rate of 1.8% and estimated borrowing rate of 11.2% over the life of the Debentures (December 31, 2009 - $2,693). The redemption option was designated as held for trading and market fluctuations were charged to operations. For the year ended December 31, 2010 a gain of $703 (December 31, 2009 - $2,693) was recorded on conversion of the debentures and $3,396 was allocated to equity.

		CAN $		US $
Liability portion of convertible debentures				
Opening balance at 12/31/09		8,549		8,149
Opening accrued interest		267		254
Accretion expense		1,126		1,088
Interest accrued		-		-
Interest paid		(1,010)		(989)
Conversion into common shares		(8,932)		(8,640)
Foreign exchange (gain)/loss on revaluation		-		138
Closing balance of liability portion	**$**	**-**	**$**	**-**
Equity portion of convertible debentures				
Opening balance at 12/31/09		2,699		2,164
Conversion into common shares		(2,699)		(2,164)
Closing balance of equity portion	**$**	**-**	**$**	**-**
Redemption call option on convertible debentures				
Opening balance at 12/31/09		2,825		2,693
Mark to market gain on redemption call option		687		703
Conversion into common shares		(3,512)		(3,396)
Closing balance of redemption call option on debentures	**$**	**-**	**$**	**-**

13. 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, 2010 and 2009 a total of 93,750 common shares are held in escrow. Subsequent to year end, these shares were cancelled.

(c) Private Placements/Public Offerings

(i) In December 2010, the Company issued 8,710,000 common shares in a prospectus offering and partial exercise of the over allotment at CAN $6.15 per common share for gross proceeds of CAN $53.6 million. The agents received a cash commission of 5% totaling $2.7 million, while other share issuance costs totaled an additional $0.4 million and have been included in equity.

(ii) 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.

(iii) 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.

(iv) 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 of Directors, 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, 2010		December 31, 2009		December 31, 2008	
	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	**5,187,700**	**$ 2.63**	4,733,400	$ 3.28	4,089,400	$ 3.25
Granted	**1,819,000**	**$ 3.73**	2,325,000	$ 2.71	2,133,000	$ 3.20
Exercised (1)	**(2,120,700)**	**$ 2.39**	(585,800)	$ 1.61	(88,000)	$ 0.83
Cancelled	**(221,000)**	**$ 2.49**	(1,284,900)	$ 4.71	(1,401,000)	$ 3.31
Outstanding, end of period	**4,665,000**	**$ 3.17**	5,187,700	$ 2.63	4,733,400	$ 3.28
Options exercisable at period-end	**3,575,200**	**$ 3.00**	2,669,700	$ 2.57	4,263,400	$ 3.33

(1) 358,200 options priced with a weighted average price of CAN $2.48 were cancelled in exchange for 136,870 share appreciation rights in 2010, while there were no cancellations of options for share appreciation rights in 2009 and 20,000 options priced were cancelled in exchange for 10,332 share appreciation rights in 2008.

The following tables summarize information about stock options outstanding at December 31, 2010:

	Prices expressed in CAN $					
	Options Outstanding			Options Exercisable		
CAN $ Price Intervals	Number Outstanding as at Dec 31, 2010	Weighted Average Remaining Contractual Life (Number of Years)	Weighted Average Exercise Prices	Number Exercisable as at Dec 31, 2010	Weighted Average Exercise Prices	
$1.00 - $1.99	640,000	3.5	$ 1.87	635,000	$	1.87
$2.00 - $2.99	794,600	0.7	$ 2.78	794,600	$	2.78
$3.00 - $3.99	3,124,400	4.0	$ 3.47	2,095,600	$	3.88
$4.00 - $4.99	56,000	6.0	$ 4.80	40,000	$	4.89
$5.00 - $5.99	50,000	4.9	$ 5.69	10,000	$	5.69
	4,665,000	3.4	$ 3.17	3,575,200	$	3.00

During the year ended December 31, 2010, the Company recognized stock-based compensation expense of $4,595 (2009 - $1,430, 2008 – $2,349) 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:

	Year Ended December 31, 2010	Year Ended December 31, 2009	Year Ended December 31, 2008
Weighted average fair value of options granted during the period	$ 1.94	$ 1.44	$ 1.71
Risk-free interest rate	2.17%	2.24%	3.23%
Expected dividend yield	0%	0%	0%
Expected stock price volatility	77%	76%	67%
Expected option life in years	3.65	4.03	4.00

Option pricing models require the input of highly subjective assumptions. The expected option life considered such factors as the average length of time similar option grants in the past have remained outstanding prior to exercise, expiry or cancellation and the vesting period of the grants. Volatility was estimated based on historical price observations over the expected term. Changes in the subjective input assumptions can materially affect the estimated fair value of the options. The Company amortizes the fair value of stock options on a straight-line basis over the respective vesting period of the entire stock option award. As of December 31, 2010, the non-vested stock option expense not yet recognized was $1,229 (2009 - $2,483) which is expected to be recognized over the next 23 months.

On May 26th, 2010, the Board of Directors approved a re-pricing of 15,000 employee options with weighted average remaining contractual life of 2.6 years and option price of CAN $5.36. The re-priced options weighted contractual life will remain 2.6 years, while the options will have an exercise price of CAN $3.67 and a one year vesting period.

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 cancellation 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 2010, 358,200 options (2009 – nil, 2008 – 20,000) were cancelled for the exchange of 136,870 share appreciation rights (2009 – nil, 2008 – 10,332).

(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. During the year, 41,500 (2009 – 80,000, 2008 - nil) common shares were granted to employees of the Company valued at $84 (2009 - $371) expensed as stock based compensation.

SHARE CAPITAL (continued)

(g) Warrants

At December 31, 2010, the Company had outstanding warrants to purchase an aggregate 6,842,140 common shares as follows:

Exercise Price	Expiry Dates	Oustanding at December 31, 2009	Issued	Exercised	Expired	Oustanding at December 31, 2010
CAN $						
$1.90	February 25, 2014	1,068,270	-	(535,770)	-	532,500
$1.51	February 25, 2014	131,792	-	(106,500)	-	25,292
$1.90	February 26, 2014	522,207	-	(60,065)	-	462,142
$2.05	February 26, 2014	315,787	3,329,168	(1,350,509)	-	2,294,446
$3.60	October 7, 2011	3,076,250	-	(135,100)	-	2,941,150
$3.00	October 7, 2011	266,769	-	(169,276)	-	97,493
$3.60	October 26, 2011	649,914	-	(160,797)	-	489,117
		6,030,989	3,329,168	(2,518,017)	-	6,842,140

The warrants with an expiry date of February 26, 2014 consisting of agents warrants issued for placing debentures and warrants issued on conversion of debentures are eligible to be exercised “cashless” in which event no payment of the exercise price is required and the holder receives the number of shares based upon the intrinsic value of the warrants over the five day trading average prior to exercise. For the year ended December 31, 2010, 839,524 warrants (2009 - 122,207) were elected by the holder to be exercised “cashless” resulting in 464,268 (2009 - 46,426) shares being issued.

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

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

14. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	Year Ended December 31, 2010	Year Ended December 31, 2009	Year Ended December 31, 2008
Net changes in non-cash working capital			
Accounts receivable and prepaids	**$ (2,832)**	$ (1,264)	$ 52
Inventories	**(4,951)**	(2,043)	(662)
Due from related parties	**25**	(124)	109
Accounts payable and accrued liabilities	**4,343**	(217)	991
Income taxes payable	**2,715**	545	(781)
	$ (700)	$ (3,103)	$ (291)
Non-cash financing and investing activities:			
Reclamation included in mineral property, plant and equipment	**$ 359**	$ 135	$ (264)
Fair value of exercised options allocated to share capital	**3,020**	533	46
Fair value of shares issued under the share appreciation rights plan	**532**	-	21
Fair value of agent warrants issued on financings	**-**	1,001	82
Fair value of equity issued on acquisition of other mineral properties	**2,358**	200	-
Fair value of share bonus included in accounts payable	**-**	108	-
Fair value of exercised agent warrants allocated to share capital	**356**	236	-
Exercise of convertible debentures	**7,408**	1,058	-
Other cash disbursements:			
Interest paid on convertible debentures	**989**	794	-
Interest paid on promissory note	**39**	40	-
Monthly income tax instalments	**498**	1,869	740

15. SEGMENT DISCLOSURES

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

	December 31, 2010			
	Corporate	**Guanacevi**	**Guanajuato**	**Total**
Cash and cash equivalents	$ 56,964	$ 10,918	$ 155	$ 68,037
Short term investments	20,009	-	-	20,009
Marketable securities	81	-	-	81
Notes receivable	3,551	-	-	3,551
Accounts receivables and prepaids	1,540	5,284	3,475	10,299
Inventories	-	10,609	2,362	12,971
Due from related parties	218	-	-	218
Long term deposits	235	406	137	778
Redemption call option on debentures	-	-	-	-
Mineral property, plant and equipment	54	58,631	13,794	72,479
Revenue	-	55,676	30,834	86,510
Cost of Sales	-	28,860	12,654	41,514
Depreciation	69	7,387	7,991	15,447
Earnings (loss) before taxes	$ (13,072)	$ 19,429	$ 10,189	16,546

	December 31, 2009			
	Corporate	**Guanacevi**	**Guanjuato**	**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
Long term deposits	659	357	137	1,153
Redemption call option on debentures	2,693	-	-	2,693
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	$ (7,927)	$ 3,247	$ 6,847	2,167

16. 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. 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.

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, 2010	December 31, 2009	December 31, 2008
Canadian statutory tax rates	**28.50%**	30.00%	31.00%
Income tax charge/(benefit) computed at Canadian statutory rates	**$ 4,716**	$ 650	$ (5,263)
Foreign tax rates different from statutory rate	**393**	542	838
Stock-based compensation	**1,334**	540	728
Redemption call option on convertible debentures	**(200)**	(808)	-
Change in Mexico tax regime estimate	**-**	-	1,332
Change in valuation allowance	**2,303**	1,673	1,706
Other	**921**	1,496	1,660
Tax provision	**$ 9,467**	$ 4,093	$ 1,001

The tax effect of the temporary differences that gives rise to future tax as at December 31, 2010 and 2009 for Mexico subsidiaries is presented below:

Mexico operations	**December 31, 2010**	December 31, 2009
Future income tax assets:		
Tax loss carryforwards	**$ 80**	$ 1,365
Other	**-**	1,437
Future income tax liabilities:		
Mineral properties, plant and equipment	**$ (11,552)**	$ (8,781)
Other	**$ (2,685)**	$ (2,124)
Future income tax liabilities, net	**$ (14,157)**	$ (8,103)

As at December 31, 2010, the Company had available for deduction against future taxable income in Mexico non-capital losses of approximately $286 (2009 – $4,640). These losses, if unutilized, expire in 2019.

16. INCOME TAXES (continued)

The tax effect of the temporary differences that gives rise to future tax assets as at December 31, 2010 and December 31, 2009 for Canadian operations is presented below:

Canada operations	**December 31, 2010**	December 31, 2009
Future income tax assets:		
Tax loss carryforwards	**$ 9,146**	$ 6,449
Mineral properties, plant and equipment	**669**	588
Other	**273**	257
Total future income tax assets	**10,088**	7,294
Valuation allowance	**(10,088)**	(7,294)
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 $30,829 (2009 – CAN $22,208). These losses, if unutilized, have expiration years ranging from 2011 to 2029.

Minera Santa Cruz y Garibaldi SA de CV's, a subsidiary of Endeavour, received a $19.1 million assessment on October 12 th, 2010 by Mexican fiscal authorities for failure to provide the appropriate support for certain expense deductions in the 2006 tax return. During the audit process the Company retained a big four accounting firm and external counsel to expedite the audit process and to ensure the delivery of the appropriate documentation. Based on the advice of our tax advisors and legal counsel, it is the Company's view that it provided the appropriate documentation and support for the expenses and the tax assessment has no legal merit. As a result of a detailed review by the Company of its accounting records and available information to support the deductions taken, the Company has estimated a potential tax exposure of $80, plus an additional interest and penalties of $80, for which the Company has made a provision in the consolidated financial statements for the period ended December 31, 2010. The Company has commenced the appeal process.

The 2006 tax return of Refinadora Plata Guancevi SA de CV, a subsidiary of Endeavour, is currently being audited by the Mexican fiscal authorities. The Company was delayed in providing certain requested documentation and the Mexican fiscal authorities froze the subsidiary's bank accounts. In consulting with external legal counsel, the Company appealed the actions taken by the Mexican tax authorities through the federal circuit court which ruled that the bank freeze was unconstitutional. After the ruling, the court instructed the Mexican authorities to unfreeze the bank accounts, which occurred shortly after year end.

The bank freeze did not affect the Company's ability to carry on business, however the Company did not have access to $1.8 million during that time and the Mexican fiscal authorities' actions impacted the timely refund of value added tax. During the audit process the Company retained external legal counsel to ensure the delivery of the appropriate documentation to the Mexican fiscal authorities. As a result of a detailed review of the Company's 2006 financial information and delivery of appropriate requested documents to the Mexican fiscal authorities, the Company has estimated that there is no significant remaining potential tax exposure.

17. FINANCIAL INSTRUMENTS

(a) Financial Assets and Liabilities

The Company's financial instruments consist of cash and cash equivalents, short term investments, marketable securities receivables, notes receivable, accounts payable, accrued liabilities, and a promissory note payable. Cash and cash equivalents and short term investments 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, and promissory note are designated as other financial liabilities and recorded at amortized cost. Marketable securities and notes receivable 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 short term investments 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 and notes receivable are 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 and are classified within Level 1 of the fair value hierarchy.

In the prior years, the fair value of the notes receivable was determined by discounting the stream of future payments at the estimated prevailing market rates and were classified within Level 2 as of December 31, 2009. Prior to the successful restructuring of the asset backed commercial paper ("ABCP") in January 2009, the ABCP inputs were unobservable and therefore classified as Level 3 of the fair value hierarchy.

The Company had issued convertible debentures which were outstanding until September 2010 and which were designated as other financial liabilities and recorded at amortized cost. The fair values of the convertible debentures were determined as described in Note 12 and were classified within Level 2.

(b) 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, short term investments, notes receivable and value added tax receivable balance. Credit risk exposure on bank accounts and short term investments is limited through maintaining the Company's balances with high-credit quality financial institutions, maintaining investment policies, assessing institutional exposure and continual discussion with external advisors. The notes receivable credit risk exposure is limited by continual discussion with external advisors. Value added tax 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.. 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 after taking into account the Company's holdings of cash equivalents, short term investments, marketable securities and receivables. 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. Certain of the Company's operating expenses are incurred in Mexican pesos and Canadian dollars, therefore the fluctuation of the U.S. 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 was incurred in Canadian dollars. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks.

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

	December 31, 2010		December 31, 2009	
	Canadian Dollar	**Mexican Peso**	Canadian Dollar	Mexican Peso
Financial Assets	**$ 59,317**	**$ 18,346**	$ 24,025	$ 7,582
Financial Liabilities	**(1,304)**	**(6,640)**	(9,228)	(2,946)
Net Financial Assets	**$ 58,013**	**$ 11,706**	$ 14,797	$ 4,636

Of the financial assets listed above, $34,309 (2009 – $19,203) represents cash and cash equivalents held in Canadian dollars, and $9,949 (2009 - $2,426) represents cash held in Mexican Pesos. The remaining cash balance is held in U.S. dollars. The short term investments and ABCP notes are denominated in Canadian dollars.

As at December 31, 2010, with other variables unchanged, a 5% strengthening of the US dollar against the Canadian dollar would decrease net earnings by $2.8 million due to these financial assets and liabilities.

As at December 31, 2010, with other variables unchanged, a 5% strengthening of the US dollar against the Mexican peso would decrease net earnings by $0.6 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 promissory note is not subject to interest rate risk given the fixed rate of 10% per annum.

18. COMMITMENTS

The Company has operating lease commitments for office space for $283 annually until 2017, totalling $1.8 million. Commitments relating to the Company's mineral properties are disclosed in note 9.

19. 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, 2010, the additional effect of accounting for these stock options as a derivative liability reduces net earnings by $3,572 (2009 - $2,119), increases equity by $1,514 (2009 – decrease of $610) and increases the derivative liability by $2,058. The option derivative liability as of December 31, 2010 is $4,787 (2009 - $2,729).

Under U.S. GAAP, stock-based compensation of $3,523, $700 and $456 would be presented within general and administrative costs, cost of sales and exploration expense, respectively, in 2010, whereas the stock-based compensation expense is reported separately for Canadian GAAP (2009 - $1,238, $425 and $138, 2008 - $1,696, $586 and $67).

The total intrinsic value of options exercised during the year ended December 31, 2010 was $3,929 (2009 – $425, 2008 - $185). The total intrinsic value and weighted average contractual term of vested options at December 31, 2010 is $15,375 and 3.1 years, respectively, (2009 - $3,206 and 2 years).

(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 features at inception, while financing charges attributable to the liability component of the convertible debentures are included in the carrying value.

Under U.S. 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, in 2009, for U.S. GAAP purposes, the convertible debentures were presented on the consolidated balance sheet as a liability, an increase of $2,164.

In accordance with US GAAP, the convertible debentures underlying unit is denominated in a currency other than the Company's functional currency and is not considered to be indexed to the Company's own stock. Therefore, the conversion feature was 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 for the corresponding amount was recorded. For the year ended December 31, 2010, for US GAAP purposes a mark to market gain of $1,538 was recognized offset by $543 increase in accretion expense, while the derivative liability was $nil (December 31, 2009 - $21,926) as $20,388 was allocated to equity on conversion of the debentures. The convertible debenture liability was $nil as $4,562 was allocated to equity on conversion of the convertible debentures.The adjustment to gain on redemption call option decreases net income by $703.

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 was applied to warrants outstanding as of January 1, 2009 with the cumulative effect on adoption of $nil and $4,213 was allocated from equity to derivative liability on issuance of warrants in 2009. For the year ended December 31, 2010, the mark to market loss under US GAAP was $25,589 (2009 – $6,042), while $7,517 (2009 - $585) was allocated from equity to derivative liability on warrants granted on debenture conversions and $5,834 was allocated to equity on exercise of these warrants. The total fair value of the derivative liability for warrants denominated in a currency other than the Company's functional currency is $32,639 as at December 31, 2010 (2009 – $10,255).

The publicly traded warrants and warrants with similar characteristics were valued based on the quoted market value of these warrants as of December 31, 2010 and are classified in Level 1 of the fair value hierarchy. The non-publicly traded warrants have been valued using the Black-Scholes valuation model and are classified in Level 2 of the fair value hierarchy.

(d) Mineral property exploration

U.S. 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, 2010**	December 31, 2009	December 31, 2008
Net income (loss) per Canadian GAAP	**$ 7,079**	$ (1,926)	$ (18,004)
Mark-to-market loss on foreign issued options	**(2,512)**	(2,119)	-
Mark-to-market gain (loss) on convertible debentures	**1,538**	(16,271)	-
Mark-to-market gain (loss) on warrants with a foreign currency	**(25,589)**	(6,042)	-
Accretion convertible debentures	**(543)**	360	-
Foreign exchange loss on convertible debentures	**-**	(327)	-
Redemption option gain	**(703)**	(2,693)	
Net loss per US GAAP	**$ (20,730)**	$ (29,018)	$ (18,004)
Net comprehensive loss per U.S. GAAP	**$ (19,823)**	$ (28,481)	$ (18,512)
Basic and diluted loss per share per U.S. GAAP	**$ (0.32)**	$ (0.55)	$ (0.37)

Balance Sheets		**December 31, 2010**	December 31, 2009
Assets per Canadian GAAP		**$ 188,423**	$ 105,881
Adjustments related to:			
Convertible debentures redemption call option	19 (b)	**-**	(2,693)
Assets per U.S. GAAP		**$ 188,423**	$ 103,188
Liabilities per Canadian GAAP		**$ 29,410**	$ 24,500
Adjustments related to:			
Foreign issued options derivative liability	19 (a)	**4,787**	2,729
Convertible debentures	19 (b)	**-**	327
Accretion of bifurcated convertible debentures	19 (b)	**-**	(360)
Equity portion of convertible debentures	19 (b)	**-**	2,164
Convertible debentures embedded derivative liability	19 (b)	**-**	15,312
Warrants foreign currency derivative liability	19 (c)	**32,639**	10,255
Liabilities per U.S. GAAP		**$ 66,836**	$ 54,927
Shareholders' equity per Canadian GAAP		**$ 159,013**	$ 81,381
Adjustments related to			
Foreign issued options derivative liability on exercise	19 (a)	**(156)**	(610)
Equity portion of convertible debentures	19 (b)	**-**	(2,164)
Mark to market conversion of convertible debentures	19 (b)	**18,639**	959
Warrants foreign currency derivative liability	19 (c)	**(1,008)**	(4,213)
Accumulated statement of opeartion effect		**(54,901)**	(27,092)
Shareholders' equity per U.S. GAAP		**$ 121,587**	$ 48,261

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 2009. There was no impact on the Company's December 31, 2010 consolidated financial statements. Interest and penalties, if any, are recognized in general and administration expenses in the statement of operations.

The Company files income tax returns in Canada and Mexico. Years ranging from 2004 through 2010, 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:

The FASB has amended standards related to variable interest entities and financial assets. The standards eliminate the concept of a qualifying special purpose entity, establish new criteria for consolidation of variable interest rate entities, and create more stringent conditions for the treatment of transfers of financial assets. The statements were effective for the Company on January 1, 2010. The adoption of this standard had no effect on the consolidated financial statements.

The FASB has amended standards related to stock-based compensation. The amendments clarify that a share-based payment award with an exercise price denominated in the currency of a market in which a substantial portion of the entity's equity securities trades should not be considered to contain a condition that is not a market, performance or service condition. Therefore, such an award should not be classified as a liability if it otherwise qualifies as equity. The amendments are effective for fiscal years beginning on or after December 15, 2010, with early adoption permitted.

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 Ricardo Campoy
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 New York 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, 2010 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 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 2011, 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 40-F. 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

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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 an access ramp into the newly discovered North Porvenir ore-body. 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, silver production, reserves 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, the Company has been able to finance more and more of its acquisition, exploration, development and operating activities from production cash flows. The Company may continue to engage in equity, debt, convertible debt or other financings, on an as needed basis, in order to facilitate its growth.

OPERATING PERFORMANCE

2010 Financial Highlights (compared to 2009)

- Net earnings of $7.1 million ($0.11 per share) compared to a net loss of $1.9 million (-$0.04 per share)
- EBITDA rose 122% to $33.1 million
- Mine operating cash-flow increased 111% to $45.0 million
- Operating cash-flow jumped 167% to $32.7 million
- Revenues climbed 70% to $86.5 million
- Realized silver price up 27% to $19.62 per ounce sold
- Cash operating costs decreased 5% to $5.71 per oz silver payable (net of gold credits)
- Became debt free with conversion of $10.1 million debenture into 5.3 million units
- Year end Working capital of $102.2 million and cash and short term investments totalled $88.0 million

2010 Production Highlights (compared to 2009)

- Silver production climbed 26% to 3,285,634 oz
- Gold production increased 33% to 17,713 oz
- Silver-equivalent production rose 20% to 4.2 million oz (50:1 silver:gold ratio and no base metals)
- Completed plant expansion and ramped up mine production to 1,000 tonnes per day at Guanacevi
- Commenced the Lucero South mine ramp at Guanajuato in order to facilitate the 2011 mine and plant expansion to 1,000 tonnes per day

2010 Fourth Quarter Financial Highlights (compared to Q4, 2009)

- Net earnings of $5.6 million ($0.09 per share) compared to $3.1 million ($0.06 per share)
- EBITDA rose 19% to $14.6 million
- Mine operating cash-flow increased 35% to $17.2 million
- Operating cash-flow jumped 107% to $21.5 million
- Revenues climbed 17% to $28.5 million
- Realized silver price up 35% to $24.16 per silver ounce sold
- Cash costs decreased 5% to $4.72 per oz silver payable (net of gold credits)

2010 Fourth Quarter Production Highlights (compared to Q4, 2009)

- Silver production climbed 15% to 895,931 oz
- Gold production increased 6% to 4,871 oz
- Silver-equivalent production rose 13% to 1.14 million oz (50:1 silver:gold ratio and no base metals)
- Completed plant expansion to increase capacity to 1,000 tonnes per day at Guanacevi
- Obtained Board approval to expand the Guanajuato operations to 1,000 tonnes per day

2010 Exploration Highlights

- Reserves dipped by year end to 13.4 million due to accelerated mine production exceeding the 2010 forecast and mine development falling behind schedule
- Indicated resources rose 16% to 27.4 million oz silver and Inferred resources increased 62% to 29.7 million oz silver
- Drilled over 41,000 meters in the 148 drill holes testing multiple exploration targets in five separate mining districts to make new discoveries and expand silver resources
- Drilled 7,000 meters in 23 holes in the San Pedro area of Guanacevi resulting in two exciting new discoveries, Epsilon and La Blanca and expanded the Company's land position at Guanacevi with the addition of 3 properties totalling 25 hectares
- Drilled 18,000 meters in 61 holes in the Guanajuato district identifying three significant new veins, the Karina, Fernanda and Daniela veins, and expanded the Company's land position at Guanajuato with the addition of 4 properties totalling 243 hectares
- Drilled 10,000 meters in 34 holes at the San Juanico property in the Parral district to expand the NI 43-101 indicated resources to 1.63 million tonnes containing 2.6 million oz silver and inferred resources to 1.30 million tonnes containing 2.7 million ounces plus significant gold, lead and zinc resources.

Consolidated Production Results

2010 compared to 2009

In 2010, Endeavour achieved two important milestones in its silver mining operations: the Company recorded its sixth consecutive year of growing silver production, up 26% to 3,285,634 ounces (oz) silver; and cash costs declined for the third consecutive year, down 5% to $5.71 per oz silver.

The higher silver production was due mainly to increased plant throughput at both the Guanacevi and Guanajuato mines, with Guanacevi throughput up by 35% and Guanajuato throughput up by 26%. Gold production increased by 33% to 17,713 oz, also due to increased plant throughput. Plant throughput for 2010 was 507,010 tonnes at average grades of 267 grams per tonne (gpt) silver and 1.37 gpt gold as compared to 384,827 tonnes at average grades of 268 gpt silver and 1.33 gpt gold for 2009. The higher throughput was due to expansions at both operations. At Guanacevi, a plant expansion program completed during the year to 1,000 tonnes per day (tpd) allowed mine output to rise. At Guanajuato, the increased throughput was due to the new cone crusher installed in late 2009 that enabled increased production from Lucero and Bolanitos mines.

Consolidated silver grades were consistent with 2009 and gold grades were 3% higher, reflecting minor variations in the ores at both Guanacevi and Guanajuato. At Guanacevi, silver grades were slightly higher and gold grades were 8% lower while Guanajuato silver grades were 5% lower but gold grades were 13% higher. Consolidated silver and gold recoveries were down slightly as a result of mining more complex ores from Porvenir Dos at Guanacevi and mining lower grade ores from the Lucero and Bolanitos mines at Guanajuato. Recent metallurgical test work indicates that metal recoveries at both plants should improve with a slightly finer grind. Plant operations are currently being reviewed in order to engineer plan improvements to accomplish a finer grind.

Guanacevi Mines Production Results

2010 compared to 2009

Silver production for 2010 was 2,448,946 oz, an increase of 31% compared to 1,870,337 oz in 2009 and gold production was 6,036 oz, an increase of 24% compared to 4,877 oz. Plant throughput was 312,087 tonnes at average grades of 324 gpt silver and 0.74 gpt gold, as compared to 230,632 tonnes at average grades of 322 gpt silver and 0.80 gpt gold in 2009. The increased silver and gold production is attributable to the 35% increase in throughput offset by slight variations in grades and recoveries. The plant expansion was completed in the fourth quarter increasing daily capacity to 1,000 tpd. The expansion included the commissioning of a new crushing circuit, refurbishing the fifth ball mill, expanding the Merrill Crowe circuit with a new clarifer, acquiring new filter presses and refurbishing the CCD circuit with new rakes and gantries.

Silver grades increased by less than 1%, silver recoveries decreased by 4% and gold grades were 8% lower with gold recoveries 3% lower, reflecting differences in ore-types being processed.

Guanajuato Mines Production Results

2010 compared to 2009

Silver production for 2010 was 836,688 ounces, an increase of 15% compared to 728,181 oz in 2009 and gold production was 11,675 oz, an increase of 39% compared to 8,421 oz. Plant throughput was 194,923 tonnes at average grades of 177 gpt silver and 2.39 gpt gold as compared to 154,195 tonnes at average grades of 187 gpt silver and 2.13 gpt gold. The increased silver and gold production is attributable to a 26% increase in throughput because the cone crusher installed in late 2009 allowed the mill to operate at 600 tpd with slightly higher gold grades offset by lower silver grades and lower recoveries.

Silver grades were 5% lower and gold grades were 13% higher in 2010 compared to 2009 and silver and gold recoveries were both 3% lower primarily due to changes in ore-types being processed and processing more tonnes through the plant.

Comparative Table of Consolidated Mine Operations

Period	Plant T'put	Ore Grades		Recovered Ounces		Recoveries		Cash Cost	Direct Cost
	Tonnes	Ag(gpt)	Au(gpt)	Ag(oz)	Au(oz)	Ag(%)	Au(%)	$per oz	$per tonne
Production 2010									
Q1, 2010	112,963	270	1.34	766,210	3,775	78.3	78.7	6.39	79.45
Q2, 2010	123,825	267	1.32	826,439	4,460	77.6	84.9	5.94	86.69
Q3, 2010	126,599	265	1.45	797,054	4,607	73.8	77.8	5.93	81.35
Q4, 2010	143,623	267	1.37	895,931	4,871	72.6	76.7	4.72	80.86
YTD 2010	507,010	267	1.37	3,285,634	17,713	75.4	79.4	5.71	82.10
Production 2009									
Q1, 2009	85,731	271	1.02	572,785	2,335	78.8	86.7	7.56	74.69
Q2, 2009	90,338	259	1.16	584,486	2,768	77.2	85.0	6.95	79.46
Q3, 2009	93,276	271	1.42	661,903	3,604	79.6	84.6	5.19	78.91
Q4, 2009	115,482	270	1.62	779,344	4,591	77.8	76.2	4.96	79.07
Total	384,827	268	1.33	2,598,518	13,298	78.3	82.6	6.04	78.14
Production 2008									
Q1, 2008	78,157	304	0.71	504,669	1,433	66.2	79.8	10.01	84.75
Q2, 2008	86,391	257	0.77	517,077	1,705	72.8	83.0	9.62	75.96
Q3, 2008	96,721	270	0.93	625,094	2,465	75.4	84.9	9.55	80.11
Q4, 2008	90,927	288	0.98	696,075	2,416	82.2	88.4	7.43	81.25
Total	352,196	279	0.85	2,342,915	8,019	74.5	84.2	9.03	80.42
Q4, 2010 : Q4, 2009	24%	-1%	-15%	15%	6%	-7%	1%	-5%	2%
Q4, 2010 : Q3, 2010	13%	1%	-5%	12%	6%	-2%	-1%	-20%	-1%
YTD 2010 : YTD 2009	32%	0%	3%	26%	33%	-4%	-4%	-5%	5%

Comparative Table of Guanacevi Mine Operations

Period	Plant T'put Tonnes	Ore Grades Ag(gpt)	Ore Grades Au(gpt)	Recovered Ounces Ag(oz)	Recovered Ounces Au(oz)	Recoveries Ag(%)	Recoveries Au(%)	Cash Cost $ per oz	Direct Cost $per tonne
Production 2010 Year:									
Q1, 2010	69,522	333	0.74	574,796	1,277	77.2	77.2	8.11	87.97
Q2, 2010	75,701	332	0.80	622,385	1,602	77.0	82.3	8.47	100.61
Q3, 2010	75,039	326	0.77	585,422	1,545	74.4	83.2	8.55	94.71
Q4, 2010	91,825	308	0.65	666,343	1,612	73.3	84.0	8.42	84.53
YTD 2010	312,087	324	0.74	2,448,946	6,036	75.3	81.9	8.39	91.64
Production 2009 Year:									
Q1, 2009	51,073	326	0.56	409,476	795	79.3	88.1	7.81	81.41
Q2, 2009	53,936	311	0.64	415,775	952	77.1	86.2	9.21	96.86
Q3, 2009	54,791	317	0.69	457,609	1,109	79.3	89.8	8.32	90.82
Q4, 2009	70,832	332	1.17	587,477	2,021	77.7	75.9	7.00	89.68
Total	230,632	322	0.80	1,870,337	4,877	78.3	84.3	7.99	89.80
Production 2008 Year:									
Q1, 2008	68,651	322	0.60	458,624	1,012	64.5	75.9	8.61	75.47
Q2, 2008	65,276	287	0.55	419,245	883	69.2	78.7	8.92	71.51
Q3, 2008	63,979	321	0.58	465,661	976	70.7	81.3	9.66	83.68
Q4, 2008	57,750	346	0.58	514,867	917	79.4	87.7	7.37	84.00
Total	255,656	318	0.58	1,858,397	3,788	70.6	80.6	8.60	78.44
Q4, 2010 : Q4, 2009	30%	-7%	-44%	13%	-20%	-6%	11%	20%	-6%
Q4, 2010 : Q3, 2010	22%	-6%	-16%	14%	4%	-2%	1%	-2%	-11%
YTD 2010: YTD 2009	35%	0%	-8%	31%	24%	-4%	-3%	5%	2%

Comparative Table of Guanajuato Mine Operations

Period	Plant	Ore Grades		Recovered Ounces		Recoveries		Cash Cost	Direct Cost
	Tonnes	Ag(gpt)	Au(gpt)	Ag(oz)	Au(oz)	Ag(%)	Au(%)	$ per oz	$ per tonne
Production 2010 Year:									
Q1, 2010	43,441	168	2.29	191,414	2,498	81.6	79.5	1.23	65.81
Q2, 2010	48,124	166	2.14	204,054	2,858	79.4	86.3	(1.77)	64.81
Q3, 2010	51,560	177	2.45	211,632	3,060	72.1	75.3	(1.33)	61.91
Q4, 2010	51,798	195	2.66	229,588	3,259	70.7	73.6	(6.02)	74.37
YTD 2010	194,923	177	2.39	836,688	11,675	75.7	78.5	(2.14)	66.81
Production 2009 Year:									
Q1, 2009	34,658	189	1.70	163,309	1,540	77.4	83.3	6.90	64.75
Q2, 2009	36,402	183	1.93	168,711	1,816	77.5	84.3	1.38	53.68
Q3, 2009	38,485	206	2.45	204,294	2,495	80.2	82.3	(1.82)	61.95
Q4, 2009	44,650	171	2.34	191,867	2,570	78.2	76.5	(1.31)	62.24
Total	154,195	187	2.13	728,181	8,421	78.3	81.3	1.01	60.71
Production 2008 Year:									
Q1, 2008	9,506	171	1.54	46,045	421	88.1	87.7	24.58	151.80
Q2, 2008	21,115	164	1.44	97,832	822	88.1	87.7	12.75	89.70
Q3, 2008	32,742	170	1.62	159,433	1,489	88.3	87.2	9.22	73.12
Q4, 2008	33,177	188	1.67	181,208	1,499	90.6	88.9	7.90	76.47
Total	96,540	175	1.59	484,518	4,231	89.0	87.9	10.79	85.64
Q4, 2010 : Q4, 2009	16%	14%	14%	20%	27%	-10%	-4%	360%	19%
Q4, 2010 : Q3, 2010	0%	10%	9%	8%	7%	-2%	-2%	353%	20%
YTD 2010 : YTD 2009	26%	-5%	13%	15%	39%	-3%	-3%	-311%	10%

Cash Operating Costs and Direct Costs (Non-GAAP Measures)

Cash operating cost per oz and direct cost per tonne are non-GAAP measures 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 is therefore may not be comparable to similar measures presented by other issuers. The cash operating cost and direct cost per tonne are provided to investors and used by management as a measure of the Company's operating performance. The Company reports its direct cost per tonne of throughput as cost of sales net of change in inventories and cash operating cost per oz of silver produced as cost of sales, net of changes in inventories, changes in by-product inventories, gold credits and royalties.

Reconciliation of cash operating cost per oz and direct cost per tonne to cost of sales (2010):

Consolidated (in US $000s except ozs produced/payable, cash cost/oz and direct cost/tonne)					
	For the year ended	**For the three months ended**			
	31-Dec-10	**31-Dec-10**	**30-Sep-10**	**30-Jun-10**	**31-Mar-10**
Cost of Sales	$ 41,514	$ 11,223	$ 10,858	$ 10,267	$ 9,166
Add/(Subtract):					
Change in Inventories	109	391	(559)	468	(191)
Direct Costs	**41,623**	**11,614**	**10,299**	**10,735**	**8,975**
Add/(Subtract):					
Royalties	(1,212)	(322)	(147)	(515)	(228)
Change in By-Product Inventories	683	807	(1,075)	(70)	1,021
By-Product gold sales	(22,528)	(7,915)	(4,401)	(5,292)	(4,920)
Cash Operating Costs	**$ 18,566**	**$ 4,184**	**$ 4,676**	**$ 4,858**	**$ 4,848**
Throughput tonnes	507,010	143,623	126,599	123,825	112,963
Ozs Produced	3,285,634	895,931	797,054	826,439	766,210
Ozs Payable	3,252,778	886,973	789,080	818,176	758,549
Direct Cost per Tonne US$	**$ 82.10**	**$ 80.86**	**$ 81.35**	**$ 86.69**	**$ 79.45**
Cash Operating Cost Per Oz US$ *	**$ 5.71**	**$ 4.72**	**$ 5.93**	**$ 5.94**	**$ 6.39**

Guanacevi Mines (in US $000s except ozs produced/payable, cash cost/oz and direct cost/tonne)					
	For the year ended	**For the three months ended**			
	31-Dec-10	**31-Dec-10**	**30-Sep-10**	**30-Jun-10**	**31-Mar-10**
Cost of Sales	$ 28,860	$ 7,235	$ 8,163	$ 7,300	$ 6,162
Add/(Subtract):					
Change in Inventories	(259)	527	(1,056)	316	(46)
Direct Costs	**28,601**	**7,762**	**7,107**	**7,616**	**6,116**
Add/(Subtract):					
Royalties	(1,212)	(322)	(147)	(515)	(228)
Change in By-Product Inventories	676	585	(255)	63	283
By-Product gold sales	(7,727)	(2,472)	(1,751)	(1,948)	(1,556)
Cash Operating Costs	**$ 20,338**	**$ 5,553**	**$ 4,954**	**$ 5,216**	**$ 4,615**
Throughput tonnes	312,087	91,825	75,039	75,701	69,522
Ozs Produced	2,448,946	666,343	585,422	622,385	574,796
Ozs Payable	2,424,457	659,681	579,566	616,161	569,049
Direct Cost per Tonne US$	**$ 91.64**	**$ 84.53**	**$ 94.71**	**$ 100.61**	**$ 87.97**
Cash Operating Cost Per Oz US$ *	**$ 8.39**	**$ 8.42**	**$ 8.55**	**$ 8.47**	**$ 8.11**

Guanajuato Mines Project (in US $000s except ozs produced/payable, cash cost/oz and direct cost/tonne)					
	For the year ended	**For the three months ended**			
	31-Dec-10	**31-Dec-10**	**30-Sep-10**	**30-Jun-10**	**31-Mar-10**
Cost of Sales	$ 12,654	$ 3,988	$ 2,695	$ 2,967	$ 3,004
Add/(Subtract):					
Change in Inventories	368	(136)	497	152	(145)
Direct Costs	**13,022**	**3,852**	**3,192**	**3,119**	**2,859**
Add/(Subtract):					
Royalties	-	-	-	-	-
Change in By-Product Inventories	7	222	(820)	(133)	738
By-Product gold sales	(14,801)	(5,443)	(2,650)	(3,344)	(3,364)
Cash Operating Costs	**$ (1,772)**	**$ (1,369)**	**$ (278)**	**$ (358)**	**$ 233**
Throughput tonnes	194,923	51,798	51,560	48,124	43,441
Ozs Produced	836,688	229,588	211,632	204,054	191,414
Ozs Payable	828,321	227,292	209,514	202,015	189,500
Direct Cost per Tonne US$	**$ 66.81**	**$ 74.37**	**$ 61.91**	**$ 64.81**	**$ 65.81**
Cash Operating Cost Per Oz US$ *	**($2.14)**	**($6.02)**	**($1.33)**	**($1.77)**	**$ 1.23**

* Based on payable silver production attributable to cost of sales

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

Consolidated (in US $000s except ozs produced/payable, cash cost/oz and direct cost/tonne)					
	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):					
Change in Inventories	$ 594	$ (2,308)	$ 844	$ 1,538	$ 520
Direct Costs	**$ 30,072**	**$ 9,131**	**$ 7,360**	**$ 7,178**	**$ 6,403**
Add/(Subtract):					
Royalties	$ (820)	$ 27	$ (296)	$ (334)	$ (217)
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**
Throughput tonnes	384,827	115,482	93,276	90,338	85,731
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
Direct Cost per Tonne US$	**$ 78.14**	**$ 79.07**	**$ 78.91**	**$ 79.46**	**$ 74.69**
Cash Operating Cost Per Oz US$ *	**$ 6.04**	**$ 4.96**	**$ 5.19**	**$ 6.95**	**$ 7.56**

Guanacevi Mines (in US $000s except ozs produced/payable, cash cost/oz and direct cost/tonne)					
	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):					
Change in Inventories	$ 455	$ (1,790)	$ 68	$ 1,442	$ 735
Direct Costs	**$ 20,710**	**$ 6,352**	**$ 4,976**	**$ 5,224**	**$ 4,158**
Add/(Subtract):					
Royalties	$ (820)	$ 27	$ (296)	$ (334)	$ (217)
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**
Throughput tonnes	230,632	70,832	54,791	53,936	51,073
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
Direct Cost per Tonne US$	**$ 89.80**	**$ 89.68**	**$ 90.82**	**$ 96.86**	**$ 81.41**
Cash Operating Cost Per Oz US$ *	**$ 7.99**	**$ 7.00**	**$ 8.32**	**$ 9.21**	**$ 7.81**

Guanajuato Mines Project (in US $000s except ozs produced/payable, cash cost/oz and direct cost/tonne)					
	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):					
Change in Inventories	$ 138	$ (518)	$ 776	$ 96	$ (216)
Direct Costs	**$ 9,361**	**$ 2,779**	**$ 2,384**	**$ 1,954**	**$ 2,244**
Add/(Subtract):					
Royalties	$ -	$ -	$ -	$ -	$ -
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**
Throughput tonnes	154,195	44,650	38,485	36,402	34,658
Ozs Produced	728,181	191,867	204,294	168,711	163,309
Ozs Payable	720,899	189,949	202,251	167,024	161,675
Direct Cost per Tonne US$	**$ 60.71**	**$ 62.24**	**$ 61.95**	**$ 53.68**	**$ 64.75**
Cash Operating 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 and direct cost per tonne to cost of sales (2008):

Consolidated (in US $000s except ozs produced/payable, cash cost/oz and direct cost/tonne)					
	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):					
Change in Inventories	$ 520	$ 162	$ 100	$ 201	$ 57
Direct Costs	**$ 28,322**	**$ 7,388**	**$ 7,748**	**$ 6,562**	**$ 6,624**
Add/(Subtract):					
Royalties	$ (807)	$ (264)	$ (77)	$ (198)	$ (268)
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**
Throughput tonnes	352,196	90,927	96,721	86,391	78,157
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
Direct Cost per Tonne US$	**$ 80.42**	**$ 81.25**	**$ 80.11**	**$ 75.96**	**$ 84.75**
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, cash cost/oz and direct cost/tonne)					
	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):					
Change in Inventories	$ 104	$ (132)	$ (22)	$ 201	$ 57
Direct Costs	**$ 20,054**	**$ 4,851**	**$ 5,354**	**$ 4,668**	**$ 5,181**
Add/(Subtract):					
Royalties	$ (807)	$ (264)	$ (77)	$ (198)	$ (268)
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**
Throughput tonnes	255,656	57,750	63,979	65,276	68,651
Ozs Produced	1,858,937	515,407	465,661	419,245	458,624
Ozs Payable	1,840,348	510,253	461,004	415,053	454,038
Direct Cost per Tonne US$	**$ 78.44**	**$ 84.00**	**$ 83.68**	**$ 71.51**	**$ 75.47**
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, cash cost/oz and direct cost/tonne)					
	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):					
Change in Inventories	$ 416	$ 294	$ 122	$ -	$ -
Direct Costs	**$ 8,268**	**$ 2,537**	**$ 2,394**	**$ 1,894**	**$ 1,443**
Add/(Subtract):					
Royalties	$ -	$ -	$ -	$ -	$ -
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**
Throughput tonnes	96,540	33,177	32,742	21,115	9,506
Ozs Produced	484,518	181,208	159,433	97,832	46,045
Ozs Payable	460,292	172,148	151,461	92,940	43,743
Direct Cost per Tonne US$	**$ 85.64**	**$ 76.47**	**$ 73.12**	**$ 89.70**	**$ 151.80**
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 2010 exploration was focused on drilling (41,364 meters in 148 holes), sampling and mapping of three prospective targets at the two operating mines (Guanacevi, Guanajuato) and four exploration projects (Parral, San Sebastian, Arroyo Seco and El Toro) in Mexico.

At Guanacevi, mapping and sampling of numerous mineralized silver-gold vein structures continued in 2010, while drilling started on the Epsilon and La Blanca areas, with very encouraging results. Endeavour acquired three new properties in the San Pedro area of Guanacevi in 2010 and identified three new high grade, silver-gold veins. Two exciting new finds, Epsilon and La Blanca, are in the vicinity of historic high grade silver mines along the western side of San Pedro, and two more, San Joachin and Santa Isabel, lie along strike to north of historic high grade silver mines that occupy the east-bounding faults of the Guanacevi horst block. In 2010, the Company drilled 7,000 meters in 23 holes in the San Pedro area resulting in the Epsion and La Blanca finds. Drill results announced included 3,319 gpt silver and 7.1 gpt gold over a 2.0 meter true width in the Epsilon area (hole EPS1-2) and 3,000 gpt silver and 7.7 gpt gold over a 2.1 meters true width in the La Blanca area (hole BC-03). An aggressive drilling program on several mineralized veins is planned for 2011.

At Guanajuato, exploration drilling south of the Bolanitos mine connected the Lucero Extension and Lucero South mineralized zones, thereby extending the high grade, silver-gold mineralization in the Lucero vein a full 800 meters in length. The Company also discovered three new high grade silver-gold veins called Karina, Fernanda and Daniela located in the footwall of the Lucero vein. A total of 61 core holes were drilled during the year totalling 18,000 meters in the district. Recent drill results include 158 gpt silver and 6.7 gpt gold over a 1.8 meters true width in the Daniela vein (hole KA-27) and 367 gpt silver and 1.9 gpt gold over a 1.8 meters true width in the Karina vein (hole KA-29). Like Guanacevi, Endeavour continued to expand its land position at Guanajuato in 2010 with the addition of four properties totalling 243 hectares. Two drills will continue to delineate multiple mineralized veins in 2011.

In 2010, the Company drilled 10,000 meters in 34 holes at the San Juanico property in order to extend the known silver-gold-lead-zinc mineralization from Endeavour's adjacent El Cometa property. A new silver-gold-copper-lead-zinc resource was outlined, resulting in a significant expansion of the Parral Project indicated resource to 1.63 million tonnes containing 2.6 million ounces of silver and inferred resources to 1.30 million tonnes containing 2.7 million ounces of silver. The Company is carrying out a preliminary economic assessment, in order to evaluate the next phase of work for the project.

A Phase 1 mapping and sampling program was completed at the San Sebastian project in Jalisco and a Phase 2 drilling program will be carried out in 2011.

A small exploration program at Arroyo Seco was completed including 12 drill holes for a total of 1,241 meters. The Company completed a technical report and is evaluating its alternatives for the property.

At El Toro, mapping, sampling and trenching were carried out to identify targets, and a program of 12 diamond drill holes were completed, indentifying significant structures, but carrying low metal values.

RESERVES AND RESOURCES

The updated NI 43-101 reserve and resource estimates to December 31, 2010 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, the Parral Exploration project in Chihuahua State and the Arroyo Seco Exploration project in the Michoacan State.

The Company retained Micon International Ltd ("Micon"), to audit the updated reserves and resources to December 31, 2010 for the Guanacevi project. The Qualified Person for reporting the reserves is Robert J. Leader, P.Eng. an associate with 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, M.Sc,, MAusIMM also Micon employees.

The Company retained Micon, to audit the updated reserves and resources to December 31, 2010 for the Guanajuato project. The Qualified Person for reporting the Guanajuato reserves is Robert J. Leader, P.Eng. an associate with 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 Dibya Kanti Mukhopadhyay, M.Sc,, MAusIMM also Micon employees.

The Company retained Micon, to audit the updated resources to December 31, 2010, 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, Charley Z. Murahwi, M.Sc., P.Geo, MAusIMM and Dibya Kanti Mukhopadhyay, M.Sc., MAusIMM., who are Micon employees.

The Qualified Persons for reporting the Arroyo Seco resources are David St Clair Dunn, P.Geo, who is a geological consultant and Barry Devlin, P.Geo who is the Company's Vice President of Exploration.

The reserve and resource statements for the Guanacevi, Guanajuato, Parral and Arroyo Seco 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 1, 2011 and March 21, 2011.

Reserves and Resources (as of December 31, 2010)

Reserves Proven & Probable					
Description	**Tonnes**	**Ag g/t**	**Au g/t**	**Ag oz**	**Au oz**
Proven					
Guanacevi	576,000	313	0.62	5,796,000	11,400
Guanajuato	141,000	189	2.50	856,000	11,300
Total Proven	717,000	289	0.98	6,652,000	22,700
Probable					
Guanacevi	815,800	237	0.40	6,219,000	10,500
Guanajuato	100,000	158	2.20	508,000	7,100
Total Probable	915,800	228	0.60	6,727,000	17,600
Total Proven & Probable	**1,632,800**	255	0.77	**13,379,000**	**40,300**

Resources Indicated					
Description	**Tonnes**	**Ag g/t**	**Au g/t**	**Ag oz**	**Au oz**
Indicated					
Guanacevi	1,653,700	258	0.56	13,719,000	29,600
Guanajuato	1,443,000	163	2.18	7,554,000	101,100
Total Indicated	3,096,700	214	1.31	21,273,000	130,700
Total Indicated	**3,096,700**	**214**	**1.31**	**21,273,000**	**130,700**

Resources Inferred					
Description	**Tonnes**	**Ag g/t**	**Au g/t**	**Ag oz**	**Au oz**
Guanacevi	1,426,000	261	0.60	11,982,000	27,500
Guanajuato	1,475,000	155	2.11	7,345,000	100,000
Total Inferred	**2,901,000**	**207**	**1.37**	**19,327,000**	**127,500**

Silver-Gold-Lead-Zinc Resources (as of December 31, 2010)

Description	Tonnes	Ag g/t	Au g/t	Ag oz	Au oz	Pb %	Zn%
Resources Indicated							
Guanacevi	655,200	166	0.21	3,497,000	4,500	0.61	1.02
Parral	1,631,000	49	0.90	2,590,000	47,200	2.87	2.86
Total Indicated	**2,286,200**	**83**	**0.70**	**6,087,000**	**51,700**	**2.22**	**2.33**

Description	Tonnes	Ag g/t	Au g/t	Ag oz	Au oz	Pb %	Zn%
Resources Inferred							
Guanacevi	644,100	125	0.14	2,582,000	3,000	1.15	2.13
Parral	1,302,900	63	0.88	2,659,000	36,900	2.55	2.28
Arroyo Seco	738,200	220	0.07	5,221,000	1,700	0.65	0.18
Total Indicated	**2,685,200**	**121**	**0.48**	**10,462,000**	**41,600**	**1.69**	**1.67**

Notes:

1. Reserve cut-off at Guanacevi is 122 g/t Ag
2. Reserve cut-off at Guanajuato is 102 g/t Ag
3. Mining width is 1.5 meters
4. Dilution is 15% after it has been diluted to a minimum mining width if required
5. Resource cut-off for the Guanacevi and Guanajuato projects is 100 Ag eq
6. Resource Silver equivalent is 50:1 for Silver to Gold
7. Reserve Silver equivalent is 62:1 for Silver to Gold which is the three year trailing average ratio as required in the reserve estimation
8. At the Parral project a cut-off using NSR of $40 is used with the prices listed below
9. The cut-off used for Arroyo Seco was 100 g/t Ag

Net Smelter Return (NSR) Cut-off Parameters for the Parral Project

Description	Parameter
Gold Price	US $1,000 per oz
Silver Price	US $16 per oz
Lead Price	US $0.65 per lb
Zinc Price	US $0.65 per lb
Gold Recovery (Overall)	75%
Silver Recovery (Overall)	71%
Lead Recovery (Overall)	80%
Zinc Recovery (Overall)	74%
Smelter Terms	Based on generic contract

CONSOLIDATED FINANCIAL RESULTS

Selected Annual Information

In thousand on dollars except for per share amounts

	Year Ended December 31, 2010	Year Ended December 31, 2009	Year Ended December 31, 2008
Revenue	$ 86,510	$ 50,769	$ 39,302
Net income (loss):			
(i) Total	$ 7,079	$ (1,926)	$ (18,004)
(ii) Basic per share	$ 0.11	$ (0.04)	$ (0.37)
(iii) Diluted per share	$ 0.10	$ (0.04)	$ (0.37)
Dividends per share	$ -	$ -	$ -
	December 31, 2010	December 31, 2009	December 31, 2008
Total assets	$ 188,423	$ 105,881	$ 67,292

Review of Consolidated Financial Results

Year ended December 31, 2010 compared with the year ended December 31, 2009

For the year ended December 31, 2010, the Company's Mine Operating Earnings were $29.6 million (2009: $10.0 million) on Sales of $86.5 million (2009: $50.8 million) with Cost of Sales of $41.5 million (2009: $29.5 million) and Depreciation and Depletion of $15.4 million (2009: $11.3 million).

Operating Earnings were $14.0 million (2009: $0.01 million) after Exploration costs of $4.3 million (2009: $2.4 million), General and Administrative costs of $5.5 million (2009: $4.3 million), Accretion of Convertible Debentures of $1.1 million (2009: $1.5 million) and Stock Based Compensation costs of $4.7 million (2009: $1.8 million).

Earnings Before Taxes were $16.5 million (2009: $2.2 million) after Foreign Exchange Gain of $1.1 million (2009: Foreign Exchange Loss of $1.0 million), $0.2 million Gain on Marketable Securities (2009: $0.02 million), a Mark to Market Gain on redemption call option of $0.7 million (2009: $2.7 million), which relates to the change in fair value of the redemption call option of the convertible debt prior to its conversion, and Investment and Other Income of $0.5 million (2009: $0.5 million). The Company realized Net Earnings for the period of $7.1 million (2009: Net Loss of $1.9 million) after an Income Tax Provision of $9.4 million (2009: $4.1 million).

Sales of $86.5 million for the period represent a 70% increase over the $50.8 million for the same period in 2009 due to increased production as well as increased realized silver and gold prices during the year. During the period, the Company sold 3,260,729 oz silver and 18,192 oz gold, for realized prices of $19.62 and $1,238 per oz respectively as compared to sales of 2,497,517 oz silver and 11,831 oz gold for realized prices of $15.49 and $1,020 per oz respectively in the same period of 2009. The realized prices of $19.62 per oz for silver and $1,238 per oz for gold are 3% lower and 1% higher than the average 2010 spot prices of $20.19 per oz and $1,224 per oz respectively due to the timing of the sales. The Company also accumulated 136,311 oz silver and 95 oz gold concentrate finished goods at December 31, 2010 as compared to 146,859 oz silver and 1,730 oz gold at December 31, 2009. The cost allocated to these Finished Goods is $2.4 million compared to $1.8 million at December 31, 2009.

Cost of Sales for the period was $41.5 million, an increase of 41% over the Cost of Sales of $29.5 million for the same period of 2009. The 41% increase in the cost of sales is primarily a result of the Company's rising production, as throughput increased 32%, while the Company experienced added cost pressures related to increased labour, pumping and power costs at Guanacevi as the North Porvenir mine continues to depth. Depreciation and Depletion was $15.4 million, an increase of 36% compared to $11.3 million for 2009, primarily due to increased production and increased capital asset balances due to capital investments made during 2009 and 2010.

Exploration expenses increased to $4.3 million from $2.4 million in 2009 reflecting the Company's increase in exploration activities during the period. In early 2009, exploration activities were curtailed to conserve cash and focus on mine development and capital expenditures whereas for 2010 the Company pursued a more aggressive exploration program. General and Administrative expenses increased by 28% to $5.5 million for the period as compared to $4.3 million in 2009 primarily due to an increase in the foreign exchange translation of Canadian dollar denominated expenses as well as additional legal cost associated with the bid for Cream Minerals Ltd and an expanded insurance program. The Company recognized $1.1 million of accretion expense on the carrying value of outstanding convertible debentures compared to $1.5 million in 2009. The decrease in expense is due to the debentures being outstanding for less time in 2010 with a decreased balance outstanding due to conversions during the year. By September 15, 2010 all debentures were fully converted. Stock-based compensation for 2010 was $4.7 million compared to $1.8 million in 2009. The increase is primarily due to a large number of non-vested shares being cancelled in 2009 and the 2010 options being granted at a higher exercise price, which increases the valuation under the Black Scholes option pricing model.

The Company experienced a Foreign Exchange Gain of $1.1 million as compared to a Loss of $1.0 million for the same period in 2009. The $1.1 gain is primarily due to the strengthening of the Canadian Dollar against the US Dollar resulting in higher valuations on the Canadian Dollar cash accounts, which had significantly higher balances during 2010.

There was a Mark to Market Gain on Redemption Call option of $0.7 million (2009: $2.7 million) relating to the Company's redemption call option on the convertible debt. The 2010 amount represents the increase in the estimated value of the redemption call option from January 1st to the final conversions on September 15th based on market conditions and the balance outstanding during the period and the amount for 2009 was for the entire year and was based on a larger number of debentures outstanding. Investment and Other income were consistent with $0.5 million in 2010 and 2009. There was an Income Tax Provision of $9.4 million as compared to $4.1 million for 2009. The change in the income tax provision is due to the increased profitability of the Company. Income taxes are primarily incurred by the Company's Mexican subsidiaries.

Fourth quarter 2010 compared with fourth quarter 2009

For the three months ended December 31, 2010, the Company's Mine Operating Earnings were $12.1 million (2009: $8.2 million) on Sales of $28.4 million (2009: $24.2 million) with Cost of Sales of $11.2 million (2009: $11.4 million) and Depreciation and Depletion of $5.1 million (2009: $4.6 million).

Operating Earnings were $8.2 million (2009: $4.4 million) after Exploration costs of $0.9 million (2009: $1.2 million), General and Administrative costs of $2.0 million (2009: $1.3 million), Accretion of Convertible Debentures of $Nil (2009: $0.4 million) and Stock Based Compensation costs of $1.0 million (2009: $0.9 million).

Earnings Before Taxes were $9.4 million (2009: $7.3 million) after Foreign Exchange Gain of $1.0 million (2009: Loss of $0.1 million), a Mark to Market Gain on redemption call option of $Nil (2009: $2.7 million), which relates to the redemption call option of the convertible debt, and Investment and Other Income of $0.2 million (2009: $0.3 million). The Company realized Net Earnings for the period of $5.6 million (2009: $1.3 million) after an Income Tax Provision of $3.8 million (2009: $4.1 million).

Sales of $28.4 million for the period represent a 17% increase over the $24.2 million for the same period in 2009 due to increased production as well as increased realized silver and gold prices during the period. During the quarter, the Company sold 851,094 oz silver and 5,799 oz gold, for realized prices of $24.16 and $1,365 per oz respectively as compared to sales of 1,009,035 oz silver and 5,539 oz gold for realized prices of $17.95 and $1,108 per oz respectively in the same period of 2009. The Q4 2010 realized prices of $24.16 per oz for silver was 8% lower than the quarterly average spot price of $26.42 per oz and the realized price for gold of $1,365 per oz was less than 1% lower than the quarterly average spot price of $1,367 per oz due to the timing of the sales.

Cost of Sales for the quarter was $11.2 million, a decrease of 2% over the Cost of Sales of $11.4 million for the same period in 2009. The 2% decrease in the cost of sales is primarily a result of improved productivity at the Guanacevi and Guanajuato mines. Depreciation and Depletion was $5.1 million, an increase of 11% compared to $4.6 million for the same period in 2009, primarily due to increased production and increased capital asset balances due to capital investments made during 2009 and 2010.

Exploration expenses decreased to $0.9 million in Q4, 2010 from $1.2 million in Q4, 2009 due to the timing of activities. General and Administrative expenses increased by 54% to $2.0 million for the quarter as compared to $1.3 million in the same period in 2009 primarily due to an increase in the foreign exchange translation of Canadian dollar denominated expenses as well as additional legal costs associated with the bid for Cream Minerals Ltd and higher insurance costs. The Company recognized $Nil on accretion of convertible debentures compared to $0.4 million in 2009. The absence of accretion expense in Q4 2010 is a result of all convertible debentures being converted by September 15, 2010. Stock-based compensation for the fourth quarter remained consistent with the same period in 2009 with $1.0 million recognized in the last quarter of both years.

The Company experienced a Foreign Exchange Gain of $1.0 million as compared to a Foreign Exchange Loss of $0.1 million for the same period in 2009. The Q4, 2010 gain is primarily due to the weakening of the US Dollar against the Canadian Dollar resulting in higher valuations on the Canadian Dollar cash amounts, which had significantly higher balances at the end of 2010 than 2009.

There was a Mark to Market Gain on Redemption Call option of $Nil (2009: $2.7 million) relating to the Company's redemption call option on the convertible debt. The 2009 amount represented the increase in the estimated value of the call option based on the market conditions and the redemption options on the convertible debt, was deemed to have no material fair value prior to the beginning of Q4 2009. As the convertible debt was not outstanding in Q4 2010 no amount was incurred in the current quarter. Investment and other income decreased slightly to $0.2 million in 2010 from $0.3 million in 2009 primarily as a result of decreased interest income due to lower cash balances during the early part of Q4 2010 compared to Q4 2009. There was an Income Tax Provision of $3.8 million as compared to $4.1 million in Q4, 2009.

Summary of Quarterly Results

(in US$000s except per share amounts)	Dec. 31, 2010 Period End				Dec. 31, 2009 Period End			
	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31
Total Revenues	$ 28,475	$ 20,091	$ 19,692	$ 18,252	$ 24,250	$ 9,796	$ 8,236	$ 8,487
Cost of Sales	11,223	10,858	10,267	9,166	11,439	6,516	5,640	5,883
Depreciation, Depletion & Accretion	5,141	3,977	3,028	3,301	4,563	1,997	2,414	2,290
Mine Operating Earnings / (Loss)*	$ 12,111	$ 5,256	$ 6,397	$ 5,785	$ 8,248	$ 1,283	$ 182	$ 314
Net income (loss):								
(i) Total	$ 5,644	$ 127	$ (412)	$ 1,720	$ 3,133	$ (1,487)	$ (1,832)	$ (1,740)
(ii) Basic per share	$ 0.09	$ 0.00	$ (0.01)	$ 0.03	$ 0.06	$ (0.03)	$ (0.04)	$ (0.03)
(iii) Diluted per share	$ 0.08	$ 0.00	$ (0.01)	$ 0.03	$ 0.06	$ (0.03)	$ (0.04)	$ (0.03)

* 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 2009, the Company's decrease in production compared to the prior quarter was offset by improved silver and gold prices. 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 Q4, 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.

In the 1st quarter of 2010, the Company continued to experience an increase in sales over previous quarters, with the exception of Q4, 2009 where sales reflected the realization of the sale of a large finished goods balance produced in Q3, 2009. Silver production experienced a 2% decrease from Q4, 2009 but was a significant increase compared to prior periods.

In the 2nd quarter of 2010, the Company continued to experience an increase in sales over the previous quarter, with the Company achieving the highest quarterly production at that time with a robust silver price. Silver production experienced a 41% increase from the same period in 2009 and an 8% increase from Q1, 2010. The Company experienced a $0.4 million net loss during the quarter as compared to net income of $1.7 million in the first quarter of 2010 primarily due to the $1.0 million in additional stock-based compensation, $0.5 million in additional exploration expenditures and a $0.5 million foreign exchange loss experienced during the quarter.

In the 3rd quarter of 2010, the Company experienced increased sales over the previous quarter. Although the consolidated production was slightly lower than the previous quarter the Company sold more silver ounces in Q3 than Q2 and silver and gold prices remained robust. The Company experienced net income of $0.1 million as compared to a net loss of $0.4 million in the previous quarter, primarily due to reductions in exploration and stock-based compensation expenses totalling $0.5 million.

In the 4th quarter of 2010, the Company once again realized increased sales over the previous quarter and achieved record production, while silver and gold prices remained robust. Due to the additional sales and increased silver and gold prices, the Company had net income of $5.6 million as compared to a net income of $0.1 million in the previous quarter.

Transactions with Related Parties

The Company shares common administrative services and office space with Canarc Resource Corp., Caza Gold Corp., Aztec Metals Corp. ("Aztec") and Parallel Resources Ltd, who are related party companies by virtue of having common directors, from time to time Endeavour will incur third-party costs on behalf of the related parties on a full cost recovery basis. The Company has $104,000 receivable related to administration costs outstanding as of December 31, 2010. (December 31, 2009 – $133,000).

During the year ended December 31, 2010, the Company paid $388,000 (2009 - $228,000) for legal services to Koffman Kalef LLP, a firm in which the Company's Corporate Secretary is a partner. The Company has $39,000 payable related to legal costs outstanding as of December 31, 2010 (December 31, 2009 $5,000)

The Company has $114,000 receivable from Aztec related to 2008 property tax payments and the initial Rio Chico option payment outstanding as of December 31, 2010 (December 31, 2009 - $110,000).

Update on Use of Proceeds from Recent Financings

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.

Planned expenditures for mine development were to be funded first from the financing proceeds and subsequently by operating cash flow and as of Q1, 2010 the allocated amounts were fully utilized and any additional expenditures have been financed from operating cash flows. The expenditures on the plant refurbishment and equipment at Guanacevi were higher than the planned expenditures by $724,295 as at December 31, 2010, with all budgeted work now completed. Expenditures have been higher than budgeted for the crusher and leach-ccd and the work on the electrical substation is still ongoing. The estimated cost for the crusher was $800,000 but expenditures have totalled $1.6 million. The cost overruns for the crusher are primarily due to a longer than anticipated time frame for completion, additional removal and fill costs for the foundation, additional geotechnical support costs and higher than anticipated costs for the hilficher walk. The estimated cost for the leach-ccd was $1.36 million but expenditures have totalled $1.6 million. The cost overruns for the leach-ccd are due to the replacement requiring a slightly longer time frame and there was more material than estimated that required extraction from the tanks. The electrical substation came in $430,000 under budget with an original budget of $762,000 and actual costs of $332,000. The miscellaneous equipment planned for Guanajuato has been fully purchased and is under budget by $210,000 due to lower than anticipated costs. The planned exploration drilling for the Porvenir Cuatro, Santa Fe, Noche Buena and Porvenir mine areas of Guanacevi and the South Bolanitos, North Cebada and North Bolanitos areas of Guanajuato have been completed with no material variance, with the exception of the exploration in the Porvenir Mine area where management decided to expand the program. As of December 31, 2010 all of the allocated proceeds have been utilized.

Use of proceeds	Expected (US$)	Actual (US$)	Variance (US$)
Mine Development - Guanacevi	$ 3,000,000	$ 3,000,000	$ -
Mine Development - Guanajuato	1,000,000	1,000,000	-
Plant Refurbishment & equipment – Guanacevi & Guanajuato	3,000,000	3,724,295	(724,295)
Miscellaneous Equipment - Guanajuato	1,000,000	790,000	210,000
Exploration drilling – Guanacevi (Porvenir Cuatro)	600,000	643,160	(43,160)
Exploration drilling – Guanacevi (Santa Fe)	200,000	206,975	(6,975)
Exploration drilling – Guanacevi (Noche Buena)	600,000	620,927	(20,927)
Exploration drilling – Guanacevi (Porvenir Mine)	600,000	831,725	231,725
Exploration drilling – Guanajuato (South Bolanitos)	800,000	806,573	(6,573)
Exploration drilling – Guanajuato (North Cebada)	900,000	940,826	(40,826)
Exploration drilling – Guanajuato (North Bolanitos)	300,000	326,197	26,197
Total	**$ 12,000,000**	**$ 12,890,678**	**$ 890,678**

On December 1, 2010, the Company received net proceeds of Cdn$50.1 million from a prospectus offering of units. Based on the December 1, 2010 noon exchange rate reported by the Bank of Canada of Cdn$1.00 = US$0.9843, this amount was equivalent to US$49.3 million. As disclosed in the Company's short form prospectus dated November 24, 2010, US$35 million of the net proceeds from this offering were intended to be used for mine development and plant expansions at the Guanacevi and Guanajuato Mines projects, exploration and potential acquisitions as set out in the table below, with the balance of US$14.3 million to be used for working capital. As of December 31, 2010 none of the allocated expenditures have been made as they are budgeted for 2011 or beyond.

Use of proceeds	Expected (US$)	Actual (US$)	Variance (US$)
Mine Development – Guanacevi & Guanajuato	$ 11,000,000	$ -	$ -
Plant expansion – Guanacevi & Guanajuato	7,000,000	-	-
Exploration	7,000,000	-	-
Potential acquisitions	10,000,000	-	-
Total	**$ 35,000,000**	**$ -**	**$ -**

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents increased by $41.3 million from $26.7 million at December 31, 2009 to $68.0 million at December 31, 2010. The Company had working capital of $102.2 million at December 31, 2010 (December 31, 2009 - $38.8 million). The increase in cash and cash equivalents of $41.3 million is primarily due to the $49.3 million raised on the December 2010 prospectus offering, $32.7 million provided from operations, $7.9 million received on the exercise of stock options and share purchase warrants and net proceeds from investments in marketable securities of $2.2 million offset by $30.2 million used for capital investments made in property, plant and equipment, $20.0 million invested in short-term investments and $1.0 million paid in interest. The $63.4 million increase in working capital is primarily a result of the increases in cash of $41.3 million, short term investments of $20.0 million, notes receivable of $1.1 million, accounts receivable and prepaids of $2.8 million and inventory of $6.9 million offset by a decrease in marketable securities of $2.0 million and increases in accounts payable of $4.2 million and income tax payable of $2.7 million.

Operating activities provided $32.7 million during 2010 compared to providing $12.2 million during 2009. The significant non-cash adjustments to net income of $7.1 million were for depreciation, depletion of $15.4 million, stock-based compensation of $4.7 million, accretion charge on convertible debentures of $1.1 million, a future income tax expense of $6.1 million, a mark to market gain on redemption call option of $0.7 million and an increase in non-cash working capital of $0.7 million. The increase in non-cash working capital is primarily due to increased accounts receivable and prepaids and increased inventories offset by increased accounts payable and accrued liabilities and income taxes payable.

Investing activities during the year used $47.6 million as compared to $19.1 million in 2009 with investments in property, plant and equipment totalling $30.2 million compared to $17.1 million in 2009 and $20.0 million invested in short term investments compared to $Nil in 2009. During 2010 there was $1.0 million invested in marketable securities with $3.2 million in proceeds received on sales as compared to $2.4 million invested and proceeds received of $0.6 million in 2009. The Company also received $0.4 million during the 2010 year on the return of property bonds on non-essential properties.

The Company invested a total of $32.9 million in property, plant and equipment during 2010, of which $30.2 million was paid in cash, $2.4 million was settled through common shares and $0.3 million was deferred to property costs relating to the increase in the asset retirement obligation. Approximately $19.4 million was invested at Guanacevi with $10.3 million spent on mine development, $6.5 million spent on the plant, including $1.2 million spent on the tailings facility and $4.3 million spent on the plant expansion project which includes the upgrade to the crushing circuit, $2.3 million on mine equipment (primarily pumps), $0.2 million in vehicles and $0.1 million on building upgrades and office equipment. Approximately $10.6 million was invested at Guanajuato with $8.3 million spent on mine development, $0.3 million on various plant projects, $1.6 million on mine equipment, $0.1 million spent on vehicles and $0.3 million spent on building upgrades and office equipment. There was an additional $0.2 million spent on corporate assets primarily on exploration vehicles and software. The $2.4 million settled through the issuance of common shares was for property acquisition costs incurred primarily for the acquisition of the San Pedro and Porvenir Cuatro properties.

Financing activities during the 2010 year generated $56.3 million as compared to $30.0 million during 2009. The primary source of financing in 2010 was a prospectus offering completed on December 1, 2010 where a total of 8,710,000 common shares were issued at CAN $6.15 per common share for gross proceeds of CAN $53.6 million. After payment of a 5% cash commission to the underwriters and other share issuance costs the Company received net proceeds of approximately $49.3 million. During 2010 there was $4.1 million realized from the exercise of stock options, $3.9 million realized from the exercise of share purchase warrants and $1.0 million interest paid on the Convertible Debentures. During 2009, the primary financing activities were the completion of a convertible debt financing for $10.0 million, net of issue costs, and equity issued through a short form prospectus and a private placement generating $19.4 million.

As of August 26, 2010, the Company's share price was greater than CAN $2.85 per share, therefore the Company provided redemption notice to all debenture holders providing ten business days to convert all outstanding debentures. At the time of notice there were 7,874 debentures remaining and subsequently were all converted for 4,144,189 common shares and 2,072,079 warrants. During fiscal 2010 a total of 6,658,382 common shares and 3,329,168 warrants were issued on conversion of convertible debentures. See "Convertible Debentures".

As at December 31, 2010, the Company's issued share capital was $183.3 million representing 80,720,420 common shares compared to $112.2 million representing 60,626,203 common shares at December 31, 2009. Of the 20,094,217 common shares issued during the period, 8,710,000 were issued on public offering, 6,658,382 were issued upon conversion of convertible debentures, 1,762,500 were issued upon stock option exercises, 2,142,761 were issued on exercise of warrants, 642,204 were issued on the acquisition of a mineral property, 41,500 were issued under the Company's stock bonus plan and 136,870 were issued upon the exercise of stock options as share appreciation rights.

As at December 31, 2010, the Company had 4,665,000 options to purchase common shares outstanding with a weighted average exercise price of CAN $3.17 and had 6,842,140 share purchase warrants outstanding with a weighted average exercise price of CAN $2.82.

At December 31, 2010 the Company held certain Notes with a market value of $3.6 million 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 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. See "Investment in Notes Receivable" for further detail.

Contingencies

Minera Santa Cruz y Garibaldi SA de CV, a subsidiary of Endeavour, received a $19.1 million assessment on October 12 th, 2010 by Mexican fiscal authorities for failure to provide the appropriate support for certain expense deductions in the 2006 tax return. During the audit process the Company retained a big four accounting firm and external counsel to expedite the audit process and to ensure the delivery of the appropriate documentation. Based on the advice of our tax advisors and legal counsel, it is the Company's view that it provided the appropriate documentation and support for the expenses and the tax assessment has no legal merit. As a result of a detailed review by the Company of its accounting records and available information to support the deductions taken, the Company has estimated a potential tax exposure of $80,000, plus an estimated additional interest and penalties of $80,000, for which the Company has made a provision in the consolidated financial statements for the period ended December 31st 2010. The Company has commenced the appeal process.

The 2006 tax return of Refinadora Plata Guancevi SA de CV, a subsidiary of Endeavour, is currently being audited by the Mexican fiscal authorities. The Company was delayed in providing certain requested documentation and the Mexican fiscal authorities froze the subsidiary's bank accounts. In consulting with external legal counsel, the Company appealed the actions taken by the Mexican tax authorities through the federal circuit court which ruled that the bank freeze was unconstitutional. After the ruling, the court instructed the Mexican authorities to unfreeze the bank accounts, which occurred shortly after year end.

The bank freeze did not affect the Company's ability to carry on business, however the Company did not have access to $1.8 million during that time and the Mexican fiscal authorities' actions impacted the timely refund of value added tax.

During the audit process the Company retained external legal counsel to ensure the delivery of the appropriate documentation to the Mexican fiscal authorities. As a result of a detailed review of the Company's 2006 financial information and delivery of appropriate requested documents to the Mexican fiscal authorities, the Company has estimated that there is no significant remaining potential tax exposure.

Capital Requirements

The Company plans to invest a total of $36.7 million on capital projects in 2011 at the Guanacevi and Guanajuato operations, with the focus on expanding the Guanajuato plant to 1,000 tpd acquiring additional mining equipment for Guanajuato, installing a dry stack tailings plant at Guanacevi and carrying out additional drilling at both mines.

At Guanacevi, a total of $21.8 million is planned for the continued expansion and improvement of operations. $8.1 million is planned to develop the Santa Cruz and Porvenir Cuatro ore-bodies and extend access into the North Porvenir ore-body, $6.0 million is planned for a tailings filtration plant and continued upgrade of the plant circuit, and $7.2 million for underground mine equipment, primarily related pump station expansions to facilitate the continued underground expansion and a power station upgrade. The remaining balance of $0.5 million is planned for various support infrastructure at Guanacevi.

At Guanajuato, a total of $14.9 million is planned for the continued expansion and improvement of operations. $6.5 million in planned to further develop the Lucero, Karina and Bolanitos veins. $5.2 million is planned for the expansion of the plant from its current capacity of 600 tpd to 1000 tpd. The plant expansion is expected to be completed in Q3 2011. To facilitate the expanded capacity of the plant, an additional $2.6 million is planned on underground equipment and $0.6 million is planned for other infrastructure support at Guanajuato.

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, short term investments, marketable securities, receivables, notes receivable, accounts payable, accrued liabilities, and a promissory note payable. Cash and cash equivalents and short term investments 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, and promissory note are designated as other financial liabilities and recorded at amortized cost. Marketable securities and notes receivable 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 short term investments 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 and notes receivable are 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.

In the prior years, the fair value of the notes receivable was determined by discounting the stream of future payments at the estimated prevailing market rates and were classified within Level 2 as of December 31, 2009.

Prior to the successful restructuring of the asset backed commercial paper in January 2009, the asset backed commercial paper inputs were unobservable and therefore classified as Level 3 of the fair value hierarchy.

The Company had issued convertible debentures which were outstanding until September 2010 and which were designated as other financial liabilities and recorded at amortized cost. The fair values of the convertible debentures were determined as described on page 25 and were classified within Level 2 while outstanding.

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, short-term investments, notes receivable and IVA receivable balance. Credit risk exposure on bank accounts and short term investments is limited through maintaining the Company's balances with high-credit quality financial institutions, maintaining investment policies, assessing institutional exposure and continual discussion with external advisors. The notes receivable credit risk exposure is limited by 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. The Company's policy is to invest cash at floating rates of interest, which cash reserves are to be maintained in cash equivalents in order to maintain liquidity after taking into account the Company's holdings of cash equivalents, short term investments, marketable securities and receivables. 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.

Market Risk
The significant market risk exposures to which the Company's financial instruments are subject to are foreign exchange risk, interest rate risk and commodity price risk.

Foreign Currency Risk
The Company's operations in Mexico and Canada make it 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 was incurred in Canadian dollars. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks.

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 promissory note is not subject to interest rate risk given the fixed rate of 10% per annum.

Investment in Notes Receivable (Previously "Asset Backed Commercial Paper")

At December 31, 2010 the Company held Canadian dollar denominated restructured Asset Backed Commercial Paper Notes (the "Notes") that were obtained in February 2009 from the restructuring of Canadian Asset Backed Commercial Paper ("ABCP").

$ 000's			CAN $	**Dec 31, 2010**	Dec 31, 2009
Notes	Maturity Dates	Interest Rate	Face Amount	**Market Value**	Market Value
MAV II Class A-1	July 15, 2056	BA - 0.5%	$ 3,219	**$ 2,334**	$ 1,629
MAV II Class A-2	July 15, 2056	BA - 0.5%	1,093	**705**	525
MAV II Class B	July 15, 2056	BA - 0.5%	198	**84**	-
MAV II Class C	July 15, 2056	BA + 20.0%	140	**15**	-
IA Tracking Class 15		BA - 0.5%	464	**413**	322
			$ 5,114	**$ 3,551**	$ 2,476

During the first quarter of 2010, the trade activity of the MAV II trust and the IA tracking note class 15 significantly increased providing a more liquid market, permitting the Company to estimate the value of the Notes based on current market activity bids. Effective January 1, 2010, the Company marks to market the Notes based on trade market bids. The mark to market of the Notes results in a gain of $1,075,000 during the year ended December 31, 2010. The Notes are classified as Level 1 of the fair value hierarchy, a change from December 31, 2009 where the Notes were classified within the Level 2 fair value hierarchy, as the Company then used inputs other than quoted market prices included in Level 1 that were either directly or indirectly observable for the asset in estimating fair value.

In 2009, the Company estimated the value using a basic discounted cash flow model assuming principal would be repaid between 2013 and 2016, interest earned at banker acceptance less 50 bps, and a 12% discount rate. This resulted in an estimated fair value of $2,476,000 at December 31, 2009.

In 2008, the Company assessed the estimated fair value of its ABCP and based on the available information at the time regarding market conditions, the underlying assets and the indicative values contained in the report issued by JP Morgan, recorded an additional impairment charge of $1,394,000. The Company estimated the value using a basic discounted cash flow model assuming principal would be repaid between 2013 and 2016, interest earned at banker acceptance less 50 bps, using a 12% discount rate. This impairment charge resulted in an estimated fair value of $2,115,000 and a total impairment charge to the original investment of $2,721,000 as a $1,327,000 impairment charge was taken in 2007.

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 fair value fluctuations and any related foreign exchange gains or losses recognized in other comprehensive income, unless such gains or losses 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 $13,993,000 in 10% subordinated unsecured convertible redeemable debentures (the "Debentures") maturing February 2014. The interest was 10% annually, paid quarterly in arrears. At any time, each Debenture could be converted by the holder into one unit consisting of one common share of the Company and one half of one 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 would have become issuable following the occurrence of certain corporate acts or events. Each full share purchase warrant entitles the holder to purchase one common share at an exercise price of CAN $2.05 per share. Subsequent to August 26, 2010, each Debenture could be redeemed by the Company for cash, plus a redemption fee of 7%, provided that the closing share price is greater than CAN $2.85 per share.

As the Debentures include both cash payment and equity conversion features, the gross proceeds were allocated between liability and equity elements. The liability element was designated as other liabilities and was 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 were deferred and amortized over their expected term.

As of August 26, 2010, the Company's share price was greater than CAN $2.85 per share, therefore the Company provided redemption notice to all debenture holders providing ten business days to convert all outstanding Debentures. At the time of notice there were 7,874 Debentures remaining and subsequently were all converted for 4,144,189 common shares and 2,072,079 warrants. During fiscal 2010 a total of 6,658,382 common shares and 3,329,168 warrants were issued on conversion of the Debentures.

As at August 26, 2010, the redemption option was valued at $2,233,500 using a binomial lattice model with a volatility estimate of 65%, risk free rate of 1.8% and estimated borrowing rate of 11.2% over the life of the Debentures (December 31, 2009 - $2,693,000). The redemption option was designated as held for trading and market fluctuations were charged to operations. For the period ended December 31, 2010 a gain of $703,280 (September 30, 2009 - $Nil) was recorded, while on conversion of Debentures $3,396,280 (September 30, 2009 - $Nil) was allocated to equity.

	CAN $	US $
Liability portion of convertible debentures		
Opening balance at 12/31/09	8,549	8,149
Opening accrued interest	267	254
Accretion expense	1,126	1,088
Interest accrued	-	-
Interest paid	(1,010)	(989)
Conversion into common shares	(8,932)	(8,640)
Foreign exchange (gain)/loss on revaluation	-	138
Closing balance of liability portion	**$ -**	**$ -**
Equity portion of convertible debentures		
Opening balance at 12/31/09	2,699	2,164
Conversion into common shares	(2,699)	(2,164)
Closing balance of equity portion	**$ -**	**$ -**
Redemption call option on convertible debentures		
Opening balance at 12/31/09	2,825	2,693
Mark to market gain (loss) on redemption call option	687	703
Conversion into common shares	(3,512)	(3,396)
Closing balance of redemption call option on debentures	**$ -**	**$ -**

Contractual Obligations

The Company had the following contractual obligations at December 31, 2010:

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	$ 1,840	$ 261	$ 551	$ 572	$ 456
Promissory Note	301	243	58	-	-
Other Long-Term Liabilities	2,242	-	758	-	1,484
Total	$ 4,383	$ 504	$ 1,367	$ 572	$ 1,940

Outstanding Share Data

As of March 15, 2011, the Company had the following items issued and outstanding:

- 81,657,937 common shares
- options to purchase 4,070,000 common shares with a weighted average exercise price of CAN$3.20 per share expiring between June 15, 2011 and June 14, 2017.
- 6,335,267 share purchase warrants with a weighted average exercise price of CAN$2.80 per share expiring between October 7, 2011 and February 26, 2014.

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.

ANNUAL OUTLOOK

Financial

In 2011, Endeavour anticipates its financial performance will reflect significantly higher anticipated silver and gold bullion prices, further increases in production, the augmentation of reserves and resources and a further reduction in cash costs. Cash operating costs should continue to trend downward as a result of economies of scale with the planned expansions, however, this benefit will be partly offset by continued increases in some operating costs.

Production

Similar to 2010, the first two quarters of silver production in 2011 are scheduled to be relatively flat, as we focus on mine development and plant expansion capital programs. Silver production is expected to rise again in the third quarter, as the expansion at Guanajuato is completed.

The Guanacevi mines are scheduled to produce 1,000 tonnes per day (tpd) for the entire year. Guanacevi currently draws 80% of its ore production from the Porvenir Mine and the balance will be from Porvenir Dos, Porvenir Cuatro and Santa Cruz.

At Guanajuato, the Lucero vein now contributes 80% of ore production with the balance coming from Cebada and Bolanitos. The 2011 expansion of the Guanajuato plant is anticipated to increase capacity from 600 tpd to 1,000 tpd, with completion expected in Q3, 2011. The added plant capacity should be met with increased production from the Bolanitos and Lucero veins and initial productions from our 2010 discoveries at Karina and Fernanda.

Exploration

In 2011 Endeavour plans to push ahead on its exploration programs at several projects. The Company is presently undertaking an aggressive $9.2 million, 47,000 meter, 175-hole exploration drill program to test multiple exploration targets within three of the mining districts and the newly-acquired properties.

At Guanacevi, a total of 10,000 meters of diamond drilling is planned to test several newly discovered veins in the San Pedro area.

At Guanajuato, drilling will continue at Karina, Fernanda and Daniela and other prospective areas, with 14,500 meters planned.

Endeavour will also commence drilling on the San Sebastian properties acquired last year in Jalisco state, Mexico. Surface sampling has identified numerous high-grade silver and gold mineralized zones at San Sebastian that will be tested in 2011. A 6,500 meter program is planned for 2011.

SUBSEQUENT EVENTS

On March 14, 2011, the Company transferred the listing of its common shares from NYSEAmex Equities exchange to the New York Stock Exchange (NYSE).

CHANGES IN ACCOUNTING POLICIES & CRITICAL ACCOUNTING ESTIMATES

Changes in Accounting Policies

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. See further discussion under"International Financial Reporting Standards" on page 41.

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 of 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 on page 25. 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 13(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.

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.

Foreign Exchange Rate Fluctuations
Operations in Mexico and Canada are subject to foreign currency exchange fluctuations. The Company raises its funds through equity issuances which are priced in Canadian dollars, and the majority of the exploration costs of the Company are denominated in United States dollars and Mexican pesos. The Company may suffer losses due to adverse foreign currency fluctuations.

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.

Mining Operations
The capital costs required by the Company's projects may be significantly higher than anticipated. Capital and operating costs, production and economic returns, and other estimates contained in the Company's current technical reports, may differ significantly from those provided for in future studies and estimates and from management guidance, and there can be no assurance that the Company's actual capital and operating costs will not be higher than currently anticipated. In addition, delays to construction and exploration schedules may negatively impact the net present value and internal rates of return of the Company's mineral properties as set forth in the applicable technical report. Similarly, there can be no assurance that historical rates of production, grades of ore processed, rates of recoveries or mining cash costs will not experience fluctuations or differ significantly from current levels over the course of the mining operations conducted by the Company.

In addition, there can be no assurance that the Company will be able to continue to extend the production from its current operations through exploration and drilling programs.

Infrastructure
Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important determinants, which affect capital and operating costs. The lack of availability on acceptable terms or the delay in the availability of any one or more of these items could prevent or delay exploitation or development of the Company's projects. If adequate infrastructure is not available in a timely manner, there can be no assurance that the exploitation or development of the Company's projects will be commenced or completed on a timely basis, if at all; the resulting operations will achieve the anticipated production volume, or the construction costs and ongoing operating costs associated with the exploitation and/or development of the Company's advanced projects will not be higher than anticipated. In addition, unusual or infrequent weather phenomena, sabotage, government or other interference in the maintenance or provision of such infrastructure could adversely affect the Company's operations and profitability.

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.

Replacement of Reserves and Resources
The Guanacevi and Guanajuato mines are the Company's current sources of production. Current life-of-mine plans provide for a defined production life for mining at the Company's mines. If the Company's mineral reserves and resources are not replaced either by the development or discovery of additional reserves and/or extension of the life-of-mine at its current operating mines or through the acquisition or development of an additional producing mine, this could have an adverse impact on the Company's future cash flows, earnings, results of operations and financial condition, including as a result of requirements to expend funds for reclamation and decommissioning.

Acquisition Strategy
As part of the Company's business strategy, it has sought and will continue to seek new mining and development opportunities in the mining industry. In pursuit of such opportunities, it may fail to select appropriate acquisition candidates, negotiate appropriate acquisition terms, conduct sufficient due diligence to determine all related liabilities or to negotiate favourable financing terms. The Company may encounter difficulties in transitioning the business, including issues with the integration of the acquired businesses or its personnel into the Company. The Company cannot assure that it can complete any acquisition or business arrangement that it pursues, or is pursuing, on favourable terms, or that any acquisitions or business arrangements completed will ultimately benefit its business.

Integration of New Acquisitions
The Company's success at completing any acquisitions will depend on a number of factors, including, but not limited to: identifying acquisitions which fit the Company's strategy; negotiating acceptable terms with the seller of the business or property to be acquired; and obtaining approval from regulatory authorities in the jurisdictions of the business or property to be acquired.

If the Company does make further acquisitions, any positive effect on the Company's results will depend on a variety of factors, including, but not limited to: assimilating the operations of an acquired business or property in a timely and efficient manner; maintaining the Company's financial and strategic focus while integrating the acquired business or property; implementing uniform standards, controls, procedures and policies at the acquired business, as appropriate; and to the extent that the Company makes an acquisition outside of markets in which it has previously operated, conducting and managing operations in a new operating environment and under a new regulatory regime where it has no direct experience.

Acquiring additional businesses or properties could place increased pressure on the Company's cash flow if such acquisitions involve cash consideration or the assumption of obligations requiring cash payments. The integration of the Company's existing operations with any acquired business will require significant expenditures of time, attention and funds. Achievement of the benefits expected from consolidation would require the Company to incur significant costs in connection with, among other things, implementing financial and planning systems. The Company may not be able to integrate the operations of a recently acquired business or restructure the Company's previously existing business operations without encountering difficulties and delays. In addition, this integration may require significant attention from the Company's management team, which may detract attention from the Company's day-to-day operations. Over the short-term, difficulties associated with integration could have a material adverse effect on the Company's business, operating results, financial condition and the price of the Company's common shares. In addition, the acquisition of mineral properties may subject the Company to unforeseen liabilities, including environmental liabilities.

Foreign Operations

The Company's operations are currently conducted through subsidiaries principally in Mexico and, as such, its operations are exposed to various levels of political, economic and other risks and uncertainties which could result in work stoppages, blockades of the Company's mining operations and appropriation of assets. Some of the Company's operations are located in areas where Mexican drug cartels operate. These risks and uncertainties vary from region to region and include, but are not limited to, terrorism; hostage taking; local drug gang activities; military repression; expropriation; extreme fluctuations in currency exchange rates; high rates of inflation; labour unrest; the risks of war or civil unrest; renegotiation or nullification of existing concessions, licenses, permits and contracts; illegal mining; changes in taxation policies; restrictions on foreign exchange and repatriation; and changing political conditions, currency controls and governmental regulations that favour or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction.

Local opposition to mine development projects could arise in Mexico, and such opposition could be violent. There can be no assurance that such local opposition will not arise with respect to the Company's Mexican operations. If the Company were to experience resistance or unrest in connection with its Mexican operations, it could have a material adverse effect on its operations and profitability.

To the extent the Company acquires mineral properties in jurisdictions other than Mexico, it may be subject to similar and additional risks with respect to its operations in those jurisdictions.

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.

Mexican Tax Assessments
As disclosed under "Contingencies", one of the Company's subsidiaries in Mexico has received a tax assessment from Mexican fiscal authorities while another subsidiary's 2006 tax return is currently being audited by Mexican fiscal authorities. While the Company is of the view that the tax assessment has no legal merit and is contesting this, there is no assurance that the Company will be successful or that the Company will not have to pay the full amount of the assessment plus interest and penalties. In the event the Company is unsuccessful, this could negatively impact the Company's financial position and create difficulties for the Company in the future in dealing with Mexican fiscal authorities. As a result of a detailed review of the Company's 2006 financial information and delivery of appropriate requested documents to the Mexican fiscal authorities, the Company has estimated that there is no significant potential tax exposure.

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.

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 policies and practices are described in more detail in the notes to our annual consolidated financial statements for the year ended December 31, 2010. 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;
- 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 rateably 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 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

Financial Instruments
The Company currently has an investment in asset-backed commercial paper ("ABCP"). There can be no assurances that the value of the ABCP will not experience fluctuations in value.

From time to time, the Company may use certain financial instruments to manage the risks associated with changes in silver prices, interest rates and foreign currency exchange rates. The use of financial instruments involves certain inherent risks including, among other things: (i) credit risk, the risk of default on amounts owing to the Company by the counterparties with which Company has entered into such transaction; (ii) market liquidity risk, the risk that the Company has entered into a position that cannot be closed out quickly, either by liquidating such financial instrument or by establishing an offsetting position; (iii) unrealized mark-to-market risk, the risk that, in respect of certain financial instruments, an adverse change in market prices for commodities, currencies or interest rates will result in the Company incurring an unrealized mark-to-market loss in respect of such derivative products.

Conversion to IFRS
The Company's conversion to International Financial Reporting Standards ("IFRS") may materially impact the Company's reported financial position and results of operations. The conversion to IFRS may affect the Company's accounting policies, information technology systems, internal controls and disclosure controls and procedures.

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 applicable 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, 2010. 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, 2010, 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, 2010.

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 that 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 Company developed a conversion plan consisting of four key stages including; project planning and preliminary assessment, detailed assessment, design and implementation. The project planning and preliminary assessment stage has been completed. The preliminary 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 Company has completed the design stage which includes completing an assessment 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 proceeded concurrently with the detailed assessment and design stages including 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 data 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 following table provides a summary of the key activities involved and the status of these activities:

Key Activities	Status
Financial Reporting	
- Identify key differences between IFRS and Canadian GAAP	- Key differences between IFRS and Canadian GAAP are identified
- Analyze and select IFRS 1 elections available upon adoption	- IFRS 1 elections have been analyzed and elections have been selected
- Analyze IFRS accounting policies where alternatives are permitted and select appropriate alternative	- Policy positions for key accounting differences have been completed
- Quantify key differences for opening balance sheet	- Quantification of key differences for the opening balance sheet are near complete
- Prepare IFRS 1 reconciliations	- IFRS 1 reconciliations are near complete
- Prepare IFRS consolidated financial statements with prior year comparative information	- Draft skeleton IFRS consolidated financial statements are in progress - In December 2010, a presentation on the IFRS transition was presented to the Board of Directors by management. The presentation summarized key accounting policy choices relevant to the Company and significant differences identified up to the date of the meeting.
Financial Information Systems	
- Create solution to capture IFRS information during 2010 while still reporting under Canadian GAAP	- Solutions have been implemented for some of the areas with key differences with the remaining areas still in progress
- Analyze information systems to determine changes required to capture IFRS information from January 2011 onward	- Sufficient information systems are thought to be in place
Training	
- Provide technical training to key finance personnel	- Key finance personnel have been and continue to be provided with training at various seminars and current published materials
- Provide technical training to accounting personnel at all site locations	- Key accounting personnel have also been attending IFRS seminars and specific training is ongoing
Business Activities	
- Assess impact of conversion on budgeting, forecasts and compensation arrangements	- It is anticipated that there will be a minimal impact on these business activities but continuing re-assessment is be performed as the transition process progresses
Control Environment	
- Maintain effective controls over the IFRS conversion process	- Key finance personnel meet regularly to ensure effective controls over the process are maintained
- Revise internal controls for changes in processes as a result of the transition to IFRS	- Further information needs to be gathered for the assessment of changes to internal controls for any changes in processes
- Approval by Audit Committee	- Approval is pending

Application of IFRS 1 transitional exemptions and identified GAAP differences
The Company has identified the key areas noted below where changes in accounting policy are expected on the transition from Canadian GAAP to IFRS. These areas do not necessarily represent a final list of changes. As we progress through the final steps of the implementation stage, the differences and impacts described below are subject to change, upon review by the Company's Audit Committee and external auditors.

First-time adoption of IFRS
The Company's adoption of IFRS will require the application of "First-time adoption of International Financial Reporting Standards" ("IFRS 1") which generally requires that all IFRS standards and interpretations be accounted for on a retrospective basis. IFRS 1 provides for certain optional exemptions and specific mandatory exemptions. The following represents the optional exemptions that the Company expects to apply:

Share-based payments – IFRS 1 allows that full retrospective application may be avoided for certain share-based instruments depending on the grant date, vesting terms and settlement of any real liabilities. A first-time adopter can elect to not apply IFRS 2 to share-based payments granted after November 7, 2002 that vested before the later of (a) the date of transition to IFRS and (b) January 1, 2005. The Company plans to elect this exemption and will apply IFRS2 to only unvested stock options as at January 1, 2010 being the transition date..

Business Combinations – IFRS 1 allows that a first-time adopter may elect not to apply IFRS 3 Business Combinations retrospectively to business combinations prior to the date of transition avoiding the requirement to restate prior business combinations. The Company plans to elect this exemption and as such expects no difference between Canadian GAAP and IFRS on transition for differences in business combination accounting.

Cumulative Translation Differences – IFRS 1 allows that a first-time adopter may elect to deem all cumulative translation differences to be zero at the date of transition. The Company plans to elect this exemption and as such expects that the cumulative translation amount of $212,000 included in other comprehensive income will be reallocated to deficit.

Borrowing Costs – Borrowing costs related to the acquisition, construction or production of qualifying assets must be capitalized under IAS 23(R). This is effective for fiscal years beginning on or after January 1, 2009, with earlier application permitted. IFRS 1 allows the effective date to be the date of transition to IFRS rather than January 1, 2009. The Company plans to elect this exemption and as such expects no difference between Canadian GAAP and IFRS on transition.

Decommissioning liabilities – IFRS requires specified changes in a decommissioning or similar liability to be added or deducted from the cost of the asset to which it relates. The adjusted depreciable amount is then depreciated prospectively over its remaining useful life. IFRS 1 allows a first time adopter to not comply fully with these accounting requirements for changes in such liabilities that occurred before the date of transition and instead apply a simplified method which is set out in IFRS 1. The Company plans to elect this exemption.

Fair value as deemed cost – The Company may elect among two options when measuring the value of its assets under IFRS. It may elect, on an asset by asset basis, to use either historical cost as measured under retrospective application of IFRS or fair value of an assets at opening balance sheet date. The Company expects to use historical cost for its assets.

Reconciliation to previously reported financial statements

The following tables provide a reconciliation between the amounts previously reported under Canadian GAAP and those anticipated to be reported in accordance with IFRS and related transitional requirements, based on our analysis to date. A summary of each of the noted changes is included in the notes following the reconciliations of the following Consolidated Balance Sheets and Consolidated Statements of Operations and Comprehensive Income for the dates noted below. The anticipated effects of transition from GAAP to IFRS on the cash flow are not material; therefore a reconciliation of cash flows has not been presented. The reconciliations and related adjustments have not been audited by the Company's external auditor.

Transitional Consolidated Statement of Financial Position Reconciliation – January 1, 2010
Consolidated Statement of Financial Position Reconciliation – December 31, 2010
Consolidated Statement of Comprehensive Income Reconciliation – December 31, 2010

The January 1, 2010 Canadian GAAP Consolidated Balance Sheet has been reconciled to IFRS (unaudited) as follows:

	Ref	January 1 2010	Effect of Transition to IFRS	**January 1 2010**
		CAN GAAP		**IFRS**
ASSETS				
Current assets				
Cash and cash equivalents		$ 26,702	$ -	**$ 26,702**
Marketable securities		2,045		**2,045**
Notes receivable		2,476		**2,476**
Accounts receivable and prepaids		7,467		**7,467**
Inventories	e)	6,100	(68)	**6,032**
Due from related parties		243		**243**
Total current assets		45,033	(68)	**44,965**
Long term deposits		1,153		**1,153**
Long term investments		-		**-**
Redemption call option on covertible debentures		2,693	(2,693)	**-**
Mineral property, plant and equipment	b) e)	57,002	(1,577)	**55,425**
Total assets		$ 105,881	$ (4,338)	**$ 101,543**
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Accounts payable and accrued liabilities		$ 5,230	$ -	**$ 5,230**
Current portion of promissory note		231		**231**
Accrued interest on convertible debentures		254		**254**
Income taxes payable		545		**545**
Total current liabilities		6,260	-	**6,260**
Promissory note		248		**248**
Provision for reclamation and rehabilitation	b)	1,740	278	**2,018**
Future income tax liability	e)	8,103	(158)	**7,945**
Liability portion of convertible debentures	f)	8,149	(4,483)	**3,666**
Convertible debenture derivative liability	f)	-	21,926	**21,926**
Warrant Derivative Liability	d)	-	7,823	**7,823**
Total liabilities		24,500	25,386	**49,886**
Shareholders' equity				
Common shares, unlimited shares authorized, no par value, issued and outstanding 60,626,203		112,173	(2,760)	**109,413**
Equity portion of convertible debentures		2,164	(2,164)	**-**
Contributed surplus	a) d)	12,948	(5,629)	**7,319**
Accumulated comprehensive income	c)	749	(212)	**537**
Deficit		(46,653)	(18,959)	**(65,612)**
Total shareholders' equity		81,381	(29,724)	**51,657**
		$ 105,881	$ (4,338)	**$ 101,543**

The December 31, 2010 Canadian GAAP Consolidated Balance Sheet has been reconciled to IFRS (unaudited) as follows:

	Ref	December 31 2010	Effect of Transition to IFRS	**December 31 2010**
		CAN GAAP		**IFRS**
ASSETS				
Current assets				
Cash and cash equivalents		$ 68,037	$ -	**$ 68,037**
Short term investments		20,009		**20,009**
Marketable securities		81		**81**
Notes receivable		3,551		**3,551**
Accounts receivable and prepaids		10,299		**10,299**
Inventories	e)	12,971	(88)	**12,883**
Due from related parties		218		**218**
Total current assets		115,166	(88)	**115,078**
Long term deposits		778		**778**
Redemption call option on covertible debentures		-		**-**
Mineral property, plant and equipment	b) e)	72,479	(1,238)	**71,241**
Total assets		$ 188,423	$ (1,326)	**$ 187,097**
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Accounts payable and accrued liabilities		$ 9,464		**$ 9,464**
Current portion of promissory note		231		**231**
Accrued interest on convertible debentures		-		**-**
Income taxes payable		3,260		**3,260**
Total current liabilities		12,955	-	**12,955**
Promissory note		56		**56**
Provision for reclamation and rehabilitatioin	b)	2,242	282	**2,524**
Future income tax liability	e)	14,157	64	**14,221**
Liability portion of convertible debentures		-	-	**-**
Convertible debenture derivative liability		-	-	**-**
Warrant derivative liability	d)	-	29,348	**29,348**
Total liabilities		29,410	29,694	**59,104**
Shareholders' equity				
Common shares, unlimited shares authorized, no par value, issued and outstanding 61,705,456	f)	183,296	22,566	**205,862**
Equity portion of convertible debentures		-		**-**
Contributed surplus	a) d)	13,635	(5,842)	**7,793**
Accumulated comprehensive income	c)	1,656	(212)	**1,444**
Opening deficit		(46,653)	(18,812)	**(65,465)**
2010 net earnings		7,079	(28,720)	**(21,641)**
Total shareholders' equity		159,013	(31,020)	**127,993**
		$ 188,423	$ (1,326)	**$ 187,097**

The Canadian GAAP consolidated statement of operations and comprehensive income for the year ended December 31, 2010 has been reconciled to IFRS (unaudited) as follows:

	Ref	December 31 2010	Effect of Transition to IFRS	**December 31 2010**
		CAN GAAP		**IFRS**
Revenue		$ 86,510	$ -	**$ 86,510**
Cost of sales:				
Production costs	g)	41,514	(518)	**40,996**
Royalties	f)	-	1,212	**1,212**
Amortization and depletion	b) e) g)	15,447	(427)	**15,020**
		56,961	267	**57,228**
Mine operating earnings		29,549	(267)	**29,282**
Expenses:				
Exploration	a)	4,283	436	**4,719**
General and administrative	a) g)	5,485	3,513	**8,998**
		9,768	3,949	**13,717**
Income from operations		19,781	(4,216)	**15,565**
Other income (expense):				
Finance costs	b) g)	-	(1,714)	**(1,714)**
Mark-to-market gain on redemption call option	f)	703	(703)	**-**
Mark-to-market gain (loss) on derivative liabilities	d) f)	-	(27,632)	**(27,632)**
Accretion of convertible debentures	g)	(1,088)	1,088	**-**
Stock-based compensation	a)	(4,679)	4,679	**-**
Foreign Exchange		1,156	89	**1,245**
Gain (loss) on sale of marketable securities		195		**195**
Investment and other income		478		**478**
		(3,235)	(24,193)	**(27,428)**
Income before income taxes		16,546	(28,409)	**(11,863)**
Income tax expense:				
Current income tax expense		3,786		**3,786**
Deferred income tax expense	e)	5,681	311	**5,992**
		9,467	311	**9,778**
Net income (loss) for the period		7,079	(28,720)	**(21,641)**
Other comprehensive income, net of tax				
Unrealized gain (loss) on marketable securities		22	**-**	**22**
Unrealized foreign exchange gain/ (loss) on notes receivable		953	**-**	**953**
Unrealized foreign exchange gain/ (loss) on available for sale assets		127	**-**	**127**
Reclassification adjustment for loss (gain) included in net income		(195)	**-**	**(195)**
		907	**-**	**907**
Comprehensive income (loss) for the period		7,986	(28,720)	(20,734)
Basic earnings per share based on net earnings		$ 0.11	$ (0.44)	$ (0.33)
Weighted average number of shares outstanding		65,646,786	65,646,786	**65,646,786**

Adjustments on transition to IFRS:
The following is a summary of the significant accounting differences considered as part of the IFRS transition project and, where appropriate, the preliminary quantification of the adjustments required as of the transition date and for the comparative period. Completion of the final stages of our project may result in the identification of other adjustments or changes to the amounts presented, and such changes may be material.

Functional currency and foreign exchange translation
Canadian GAAP requires an entity to determine whether a subsidiary is an integrated or self sustaining entity based on the functional currency of the parent company. This determination dictates the method of foreign exchange translation for the consolidated financial statements. Under IFRS an entity is required to assess its functional currency independently for each entity within a consolidated group. The Company has completed its assessment and has determined that there is no change to the functional currency of its entities and as such anticipates no impact to financial reporting.

Componentization of mineral property, plant and equipment
IFRS requires entities to componentize all long lived assets and record amortization on a component-by-component basis whereas under Canadian GAAP the concept of componentization may not be applied on as rigorous a basis as under IFRS therefore differences in practice may arise. The Company is currently completing an assessment on all long-lived assets in order to determine if a material difference exists between the application of componentization under Canadian GAAP and that to be applied under IFRS. At this time the Company anticipates no material impact.

Asset impairment
Both Canadian GAAP and IFRS require an entity to undertake quantitative impairment testing where there is an indication of impairment. Further there is a requirement under IFRS for the Company to assess whether indicators of impairment exist at the date of transition to IFRS.

Unlike Canadian GAAP, IFRS requires impairment charges to be reversed if circumstances leading to the impairment no longer exist. The Company has no historic impairment charges which could be reversed as of the transition date.

As at the transition date, there were no indications of impairment under IFRS identified by management, therefore no formal quantitative impairment was undertaken.

Adjustments on transition to IFRS:

(a) Share-based payment transactions

On transition to IFRS the Company has elected to change its accounting policy for the treatment of amounts recorded in contributed surplus which relate to stock options which expire unexercised. Under IFRS amounts recorded for expired unexercised stock options will be transferred to deficit on the date of expiry. Previously the Company's Canadian GAAP policy was to leave such amounts in contributed surplus.

Impact on Consolidated Balance Sheets (Unaudited)

	December 31 2010	January 1 2010
Contributed surplus	$ (5,724)	$ (5,577)
Adjustment to deficit	$ 5,724	$ 5,577

A further difference is that IFRS 2 requires that forfeiture estimates are recognized in the period they are estimated and are revised for actual forfeitures in subsequent periods, whereas under the Company's Canadian GAAP policy forfeitures of awards have been recognized as they occur. On application of the IFRS 1 exemption noted previously, this change in accounting was applied only to unvested awards as of the transition date.

Impact on Consolidated Balance Sheets (Unaudited)

	December 31 2010	January 1 2010
Contributed surplus	$ (118)	$ (52)
Adjustment to deficit	$ 118	$ 52

Impact on Consolidated Statements of Operations and Comprehensive Income (Unaudited)

	December 31 2010
Stock-based compensation	$ (66)
Adjustment to comprehensive loss	$ (66)

(b) Provision for reclamation and rehabilitation

The primary differences between IFRS and Canadian GAAP for reclamation and rehabilitation provisions include the basis of estimation for undiscounted cash flows, the discount rate, frequency of liability remeasurement and the recognition of a liability when a constructive obligation exists. Canadian GAAP requires a liability to be recognized when there is a legal obligation whereas IFRS expands the recognition principle by requiring that a liability be recorded if there is a legal or constructive obligation.

Canadian GAAP requires the estimate of undiscounted cash flows to be based on the amount that a third party would demand to assume the obligation, whereas IFRS focuses on management's best estimate of the expenditures required to settle the obligation. Under Canadian GAAP the discount rate used to determine the present value of the liability is the credit-adjusted risk free rate for the entity whereas IFRS requires the use of a discount rate that reflects the risks specific to the liability. Under Canadian GAAP the Company's provision for reclamation and rehabilitation is re-measured when there is a change in the amount or timing of cash flows required to settle the obligation whereas IFRS requires the re-measurement at each reporting date.

On consideration of the differences noted in the above paragraph management has determined that an adjustment is required to reflect the impact of applying a discount rate specific to the liability. The adjustment to the provision for the change in discount rate was recorded against mineral property, plant and equipment in accordance with the IFRS 1 exemption described above.

Impact on Consolidated Balance Sheets (Unaudited)

	December 31 2010	January 1 2010
Property, plant and equipment	$ 275	$ 278
Asset retirement obligation	282	278
Adjustment to deficit	$ (7)	$ -

Impact on Consolidated Statements of Operations and Comprehensive Income (Unaudited)

		December 31 2010
Depreciation and depletion	$	(43)
Finance costs		43
Adjustment to comprehensive loss	$	-

(c) Cumulative translation differences

At the date of transition under Canadian GAAP there was a cumulative translation adjustment relating to the Company's change in functional currency in 2007. The Company has chosen to apply the related IFRS 1 election and has eliminated the cumulative translation difference.

Impact on Consolidated Balance Sheets (Unaudited)

		December 31 2010		January 1 2010
Accumulated comprehensive income	$	(212)	$	(212)
Adjustment to deficit	$	212	$	212

(d) Warrant Derivative Liability

Under IFRS, the warrants issued by the Company with an exercise price denominated in a currency other than its functional currency must be classified as liabilities (as they do not meet the definition of an equity instrument) and are recognized at fair value with changes in fair value being recognized as a profit or loss. There is no such requirement under Canadian GAAP as warrants issued by the Company meet the definition of an equity instrument. The Company's outstanding warrants are denominated in Canadian dollars and the functional currency is the US dollar therefore the Company will recognize the warrants as a liability with changes to the fair value of the liability being recognized in net earnings.

The Company's publicly traded warrants were valued based on the quoted market value of these warrants as of December 31, 2009 and 2010 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.

Impact on Consolidated Balance Sheets (Unaudited)

		December 31 2010		January 1 2010
Warrant derivative liability	$	29,348	$	7,823
Common shares		(1,594)		(3,719)
Adjustment to deficit	$	27,754	$	4,104

Impact on Consolidated Statements of Operations and Comprehensive Income (Unaudited)

		December 31 2010
Mark to market gain (loss) on derivative liability	$	(23,650)
Adjustment to comprehensive loss	$	(23,650)

(e) Income Tax

There are a number of differences between Canadian GAAP and IFRS related to income taxes with the two that are most significant to the Company being the calculation of temporary differences on non-monetary items and the initial recognition exemption (the "IRE") on an asset acquisition.

Initial recognition exemption
Under Canadian GAAP deferred tax liabilities ("DTL") arising from temporary differences at the date an asset is acquired are recognized using a circular calculation with the other side recognized against the asset. Under IFRS, in the circumstances described above, deferred tax is prohibited from being recognized. Under Canadian GAAP deferred tax was recognized using the above methodology for the Minera Santa Cruz y Garibaldi S.A. de C.V. and Metalurgica Guanacevi S.A. de C.V. asset acquisitions.

Calculation of temporary difference on non-monetary items
Under Canadian GAAP, deferred tax balances are calculated in the currency in which the taxes are paid and then converted to the accounting presentation currency at the current exchange rate whereas IFRS requires that deferred taxes be determined in an entity's functional accounting currency by comparing the historic non monetary accounting basis to the tax basis converted at the current exchange rate. Adjustments arise from this different treatment when an entity's functional currency differs from that in which the entity calculates and pays tax. The Company's adjustments for this difference primarily relate to the Mexican subsidiaries which have significant mineral property, plant and equipment balances recorded.

Impact on Consolidated Balance Sheets (Unaudited)

	December 31 2010	January 1 2010
Inventory	$ (88)	$ (68)
Property, plant and equipment	(1,513)	(1,855)
Future income tax liability	(64)	(158)
Adjustment to deficit	$ (1,665)	$ (1,765)

Impact on Consolidated Statements of Operations and Comprehensive Income (Unaudited)

	December 31 2010
Depreciation and depletion	$ (322)
Foreign exchange gain (loss)	(89)
Deferred income tax expense	311
Adjustment to comprehensive loss	$ (100)

Management is also in the process of finalizing its assessment of the potential tax effects of other IFRS adjustments identified to date.

(f) Convertible Debentures

Under Canadian GAAP, the asset, liability and equity components of the Company's convertible debentures are separately determined and classified on the consolidated balance sheets. The asset portion represents the value of the Company's redemption option. The liability component represents the amortized cost of the host debt contract, while the equity component reflects the residual value at inception after determination of the fair value of the host debt contract and redemption option at inception. Transaction costs were allocated proportionately to the host debt and equity components at the inception date.

Under IFRS, due to the conversion option's exercise price being denominated in a currency other than the Company's functional currency, the holders' conversion feature is also considered an embedded derivative. As such all components of the convertible debentures are presented on the consolidated balance sheet as financial liabilities. Under IFRS the conversion and redemption features were separated from the host contract and accounted for as a net derivative instrument.

Impact on Consolidated Balance Sheets (Unaudited)

	December 31 2010	January 1 2010
Redemption option on convertible debentutre	$ -	$ (2,693)
Liability portion of convertible debentures	-	(4,483)
Convervitble debenture derivative liability	-	21,926
Common shares	24,160	959
Equity portion of convertible debenture	-	(2,164)
Adjustment to deficit	$ 24,160	$ 18,931

Impact on Consolidated Statements of Operations and Comprehensive Income (Unaudited)

	December 31 2010
Mark to market gain (loss) on derivative liability	$ (3,982)
Mark to market gain on redemption call option	$ (703)
Finance Costs	$ 544
Adjustment to comprehensive loss	$ (4,141)

Management is still in the process of finalizing the assessment of potential GAAP differences on the accounting for the convertible debenture and also quantifying any required adjustments

(g) Presentation Adjustments

The following presentation adjustments have been identified by management to reflect management's provisional choice to present the statement of operations on a function basis on transition to IFRS.

Stock-based compensation
In the Company's statement of operations prepared in accordance with Canadian GAAP the stock-based compensation was disclosed as a separate line item whereas under IFRS the Company has allocated this amount based on the underlying function which results in a reallocation of the costs.

Impact on Consolidated Statements of Operations and Comprehensive Income (Unaudited)

		December 31 2010
Stock-based compensation	$	(4,613)
Production cost		694
Exploration cost		436
General and administrative		3,483
Adjustment to comprehensive loss	$	-

Royalty expense
In the Company's statement of operations prepared in accordance with Canadian GAAP the royalty expense was included in cost of sales whereas under IFRS the Company has reallocated this amount and disclosed it as a separate line item.

Impact on Consolidated Statements of Operations and Comprehensive Income (Unaudited)

		December 31 2010
Cost of Sales	$	(1,212)
Royalty expense		1,212
Adjustment to comprehensive loss	$	-

Finance Costs
In the Company's statement of operations prepared in accordance with Canadian GAAP the accretion of convertible debentures, interest expense and accretion on asset retirement obligations were presented as; accretion of convertible debentures, and within general and administration and depletion & depreciation, respectively. Under IFRS the Company will present these amounts within Finance costs.

Impact on Consolidated Statements of Operations and Comprehensive Income (Unaudited)

		December 31 2010
Accretion of convertible debenture	$	(1,088)
General and administrative	$	(39)
Depletion and depreciation	$	(43)
Finance costs		1,170
Adjustment to comprehensive loss	$	-

Corporate depreciation

In the Company's statement of comprehensive income prepared in accordance with Canadian GAAP the depreciation on corporate assets was included with depreciation and depletion whereas under IFRS the Company has allocated this amount based on the underlying function which results in a reallocation of the costs to general and administrative.

Impact on Consolidated Statements of Comprehensive Income (Unaudited)

		December 31 2010
Depreciation and depletion	$	(69)
General and administrative		69
Adjustment to comprehensive loss	$	-

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 21, 2011

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 21, 2011

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, 2010 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 21, 2011

/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, 2010 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 21, 2011

/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., do hereby consent to the public filing of the technical report titled *"NI 43-101 Technical Report Audit of the Resource and Reserve Estimates for the Guanaceví Project, Durango State, Mexico"* and dated March 15, 2011 (the "Technical Report") prepared for Endeavour Silver Corp. and to extracts from or a summary of, the technical report contained in the Annual Information Form dated March 18, 2011, the Annual Report on Form 40-F dated March 18, 2011 and the Management Discussion & Analysis dated March 18, 2011, of Endeavour Silver Corp.

I confirm that I have read the Annual Information Form dated March 18, 2011, the Annual Report on Form 40-F dated March 18, 2011 and the Management Discussion &Analysis dated March 18, 2011 of Endeavour Silver Corp and that they fairly and accurately represent the information in the technical report.

Dated this 21st day of March, 2011.

"William J. Lewis"

_____
William J. Lewis, BSc., P.Geo.,

SUITE 900 - 390 BAY STREET, TORONTO ONTARIO, CANADA M5H 2Y2
Telephone (1) (416) 362-5135 Fax (1) (416) 362 5763

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Dears Sirs/Mesdames:

I, William J. Lewis, BSc., P.Geo., do hereby 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"* and dated March 15, 2011 (the "Technical Report") prepared for Endeavour Silver Corp. and to extracts from or a summary of, the technical report contained in the Annual Information Form dated March 18, 2011, the Annual Report on Form 40-F dated March 18, 2011 and the Management Discussion & Analysis dated March 18, 2011, of Endeavour Silver Corp.

I confirm that I have read the Annual Information Form dated March 18, 2011, the Annual Report on Form 40-F dated March 18, 2011 and the Management Discussion &Analysis dated March 18, 2011 of Endeavour Silver Corp and that they fairly and accurately represent the information in the technical report.

Dated this 21st day of March, 2011.

"William J. Lewis"

_____
William J. Lewis, BSc., P.Geo.,

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Dears Sirs/Mesdames:

I, Robert J. Leader P. Eng. do hereby 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"* and dated March 15, 2011 (the "Technical Report") prepared for Endeavour Silver Corp. and to extracts from or a summary of, the technical report contained in the Annual Information Form dated March 18, 2011, the Annual Report on Form 40-F dated March 18, 2011 and the Management Discussion & Analysis dated March 18, 2011, of Endeavour Silver Corp.

I confirm that I have read the Annual Information Form dated March 18, 2011, the Annual Report on Form 40-F dated March 18, 2011 and the Management Discussion &Analysis dated March 18, 2011 of Endeavour Silver Corp and that they fairly and accurately represent the information in the technical report.

Dated this 21st day of March, 2011.

"Robert J. Leader"

_____
Robert J. Leader P. Eng.

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Dears Sirs/Mesdames:

I, Robert J. Leader P. Eng. do hereby 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"* and dated March 15, 2011 (the "Technical Report") prepared for Endeavour Silver Corp. and to extracts from or a summary of, the technical report contained in the Annual Information Form dated March 18, 2011, the Annual Report on Form 40-F dated March 18, 2011 and the Management Discussion & Analysis dated March 18, 2011, of Endeavour Silver Corp.

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Dated this 21st day of March, 2011.

"Robert J. Leader"

_____
Robert J. Leader P. Eng.

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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, MSc., MAusIMM. do hereby 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"* and dated March 15, 2011 (the "Technical Report") prepared for Endeavour Silver Corp. and to extracts from or a summary of, the technical report contained in the Annual Information Form dated March 18, 2011, the Annual Report on Form 40-F dated March 18, 2011 and the Management Discussion & Analysis dated March 18, 2011, of Endeavour Silver Corp.

I confirm that I have read the Annual Information Form dated March 18, 2011, the Annual Report on Form 40-F dated March 18, 2011 and the Management Discussion &Analysis dated March 18, 2011 of Endeavour Silver Corp and that they fairly and accurately represent the information in the technical report.

Dated this 21st day of March, 2011.

"Dibya Kanti Mukhopadhyay"

_____
Dibya Kanti Mukhopadhyay, MSc., MAusIMM.

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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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, MSc., P.Geo., MAusIMM. do hereby 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"* and dated March 15, 2011 (the "Technical Report") prepared for Endeavour Silver Corp. and to extracts from or a summary of, the technical report contained in the Annual Information Form dated March 18, 2011, the Annual Report on Form 40-F dated March 18, 2011 and the Management Discussion & Analysis dated March 18, 2011, of Endeavour Silver Corp.

I confirm that I have read the Annual Information Form dated March 18, 2011, the Annual Report on Form 40-F dated March 18, 2011 and the Management Discussion &Analysis dated March 18, 2011 of Endeavour Silver Corp and that they fairly and accurately represent the information in the technical report.

Dated this 21st day of March, 2011.

"Charley Z. Murahwi"

_____

Charley Z. Murahwi, MSc., P.Geo., MAusIMM.

SUITE 900 - 390 BAY STREET, TORONTO ONTARIO, CANADA M5H 2Y2
Telephone (1) (416) 362-5135 Fax (1) (416) 362 5763

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Securities Commission of Newfoundland and Labrador
U.S. Securities and Exchange Commission
TSX Toronto Stock Exchange

Dears Sirs/Mesdames:

I, Charley Z. Murahwi, MSc., P.Geo., MAusIMM. do hereby 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"* and dated March 15, 2011 (the "Technical Report") prepared for Endeavour Silver Corp. and to extracts from or a summary of, the technical report contained in the Annual Information Form dated March 18, 2011, the Annual Report on Form 40-F dated March 18, 2011 and the Management Discussion & Analysis dated March 18, 2011, of Endeavour Silver Corp.

I confirm that I have read the Annual Information Form dated March 18, 2011, the Annual Report on Form 40-F dated March 18, 2011 and the Management Discussion &Analysis dated March 18, 2011 of Endeavour Silver Corp and that they fairly and accurately represent the information in the technical report.

Dated this 21st day of March, 2011.

"Charley Z. Murahwi"

_____

Charley Z. Murahwi, MSc., P.Geo., 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 use of:

- our Independent Auditors' Report of Registered Public Accounting Firm dated March 18, 2011 on the consolidated balance sheets of Endeavour Silver Corp. (the "Company") as at December 31, 2010 and 2009, and the consolidated statements of operations and comprehensive income (loss), shareholders' equity and cash flows for each of the years in the three-year period ended December 31, 2010, and
- our Report of Independent Registered Public Accounting Firm dated March 18, 2011 on the effectiveness of the Company's internal control over financial reporting as of December 31, 2010,

each of which is included in this annual report on Form 40-F of the Company for the fiscal year ended December 31, 2010.

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

Chartered Accountants

March 18, 2011
Vancouver, Canada

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.
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