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

☒ **ANNUAL REPORT PURSUANT TO SECTION 13(a) OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2012

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:
Jason K. Brenkert
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: **None**

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: **None**

For annual reports, indicate by check mark the information filed with this form:

☒ Annual Information Form ☒ Audited Annual Financial Statements

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report: As at December 31, 2012, **99,541,522** common shares of the Registrant were issued and outstanding.

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ 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 thereunder.

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, 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. 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 99.2 to this annual report on Form 40-F, in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS") and they are not comparable to financial statements of United States companies.

RESOURCE AND RESERVE ESTIMATES

The Company's Annual Information Form ("AIF") filed as Exhibit 99.1 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 all or any part of a mineral deposit 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, 2012, based upon the noon exchange rate as quoted by the Bank of Canada, was Cdn.$1.00 = US.$1.005.

ANNUAL INFORMATION FORM

The Company's AIF for the fiscal year ended December 31, 2012 is filed as Exhibit 99.1 and is incorporated by reference herein.

AUDITED ANNUAL FINANCIAL STATEMENTS

The audited consolidated financial statements of the Company for the years ended December 31, 2012 and 2011, including the report of the independent auditor with respect thereto, are filed as Exhibit 99.2 and is incorporated by reference herein.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Company's management's discussion and analysis for the fiscal year ended December 31, 2012 ("MD&A") is filed as Exhibit 99.4 and incorporated by reference herein.

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, 2012, 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 Company's 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) of 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, 2012. 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, 2012, 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, 2012. 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, 2012. 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 99.3 and is incorporated by reference herein.

Changes in Internal Control over Financial Reporting

There have been no changes that occurred during the Company's fiscal year ended December 31, 2012 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

The Company acquired control of Mexgold Resources Inc ("Mexgold") on July 13, 2012. As permitted by the Sarbanes-Oxley Act and applicable Canadian Securities Commission rules related to business acquisitions, the Company excluded Mexgold operations from our annual assessment of internal controls over financial reporting for the year ending December 31, 2012.

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, established in accordance with section 303A.05 of the NYSE Listed Company Manual, for evaluation and recommendation to the Board of Directors. 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 four independent directors: Ricardo Campoy (Chair), Geoffrey Handley, Ken Pickering 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), Rex McLennan, 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 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 Company's 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)(ii) 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.

	2012	2011
Audit Fees (1)	$587,504	$440,000
Tax Fees (2)	$279,620	$0
All other fees (3)	$0	$0
Total*	$866,765	$440,000

* 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, 2012 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 and in print to any shareholder who requests it. The Code meets the requirements for a "code of ethics" within the meaning of that term in Form 40-F.

All amendments to the Code, and all waivers of the Code with respect to any of the officers covered by it, will be posted on the Company's website, www.edrsilver.com within five business days of the amendment or waiver and provided in print to any shareholder who requests them. During the fiscal year ended December 31, 2012, 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, 2012 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
Accounts Payable	$34,631	34,631	-	-	-
Income Tax Payable	$3,854	3,854	-	-	-
Operating Lease	$1,310	278	574	458	-
Capital Commitments	$14,074	14,074	-	-	-
Revolving Credit Facility	$9,000	-	9,000	-	-
Other Long-Term Liabilities(1)	$6,496	-	918	5,578	-
Contingent Consideration	$8,497	-	8,497	-	-
Total	$77,862	$ 52,837	$18,989	$6,036	$ -

(1) The $6.5 million of other long-term liabilities is the discounted cost estimate to settle the Company's reclamation costs of the Guanacevi mine, Bolanitos mine and El Cubo 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, 2012 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

MINE SAFETY DISCLOSURE

Pursuant to Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 ("Dodd-Frank Act"), issuers that are operators, or that have a subsidiary that is an operator, of a coal or other mine in the United States are required to disclose in their periodic reports filed with the SEC information regarding specified health and safety violations, orders and citations, related assessments and legal actions, and mining-related fatalities under the regulation of the Federal Mine Safety and Health Administration ("MSHA") under the Federal Mine Safety and Health Act of 1977 (the "Mine Act"). During the fiscal year ended December 31, 2012, the Company had no mines in the United States subject to regulation by MSHA under the Mine Act.

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/A with the SEC on March 28, 2013, 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:

<u>**Exhibit**</u>	<u>**Description**</u>
Annual Information	
99.1.	Annual Information Form of the Company for the year ended December 31, 2012
99.2.	The following audited consolidated financial statements of the Company, are exhibits to and form a part of this annual report: Consolidated Statements of Financial Position as of December 31, 2012 and 2011 Consolidated Statements of Comprehensive Income for the year ended December 31, 2012 and December 31, 2011 Consolidated Statement of Changes in Equity for the years ended December 31, 2012 and December 31, 2011 Consolidated Statements of Cash Flow for the years ended December 31, 2012 and December 31, 2011 Notes to Consolidated Financial Statements
99.3.	Independent Registered Public Accounting Firm's Report on Consolidated Financial Statements and Attestation on Internal Control Over Financial Reporting
99.4.	Management's Discussion and Analysis

Certifications

99.5. Certificate of Chief Executive Officer Pursuant to Rule 13a-14(a) of the Exchange Act

99.6. Certificate of Chief Financial Officer Pursuant to Rule 13a-14(a) of the Exchange Act

99.7. 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

99.8. 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

99.9. Consent of William J. Lewis, B.Sc., P.Geo. of Micon International Ltd ("Micon")

99.10. Consent of Alan J. San Martin, MAusIMM(CP) of Micon

99.11. Consent of Charley Z. Murahwi, M.Sc., P.Geo, Pr.Sci.Nat., FAusIMM of Micon

99.12. Consent of Don Cameron, P.Geo

99.13. 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: Chief Executive Officer

Date: March 28, 2013

Exhibit 5

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: April 2, 2013

By: /s/ Bradford Cooke

Bradford Cooke
Chief Executive Officer
(Principal Executive Officer)

Exhibit 6

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: April 2, 2013

By: /s/ Dan Dickson

Dan Dickson
Chief Financial Officer
(Principal Financial and Accounting Officer)

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, 2012 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.

April 2, 2013 /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 8

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, 2012 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.

April 2, 2013 /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.

KPMG LLP
Chartered Accountants
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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Directors of Endeavour Silver Corp.

We have audited Endeavour Silver Corp.'s ("the Company") internal control over financial reporting as of December 31, 2012, based on 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" included in the accompanying Management's Discussion and Analysis. 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, 2012, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

KPMG

Endeavour Silver Corp. acquired Mexgold Resources Inc. during 2012, and management excluded from its assessment of the effectiveness of Endeavour Silver Corp.'s internal control over financial reporting as of December 31, 2012, Mexgold Resources Inc.'s internal control over financial reporting associated with total assets of $283,654,000 and total revenues of $14,779,000 included in the consolidated financial statements of Endeavour Silver Corp. and subsidiaries as of and for the year ended December 31, 2012. Our audit of internal control over the financial reporting of Endeavour Silver Corp. also excluded an evaluation of the internal controls over financial reporting of Mexgold Resources Inc.

We also have audited, in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States), the consolidated statements of financial position of the Company as of December 31, 2012 and December 31, 2011, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and our report dated March 28, 2013 expressed an unqualified opinion on those consolidated financial statements.

KPMG LLP

Chartered Accountants

March 28, 2013
Vancouver, Canada

KPMG LLP
Chartered Accountants
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Vancouver BC V7Y 1K3
Canada

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INDEPENDENT AUDITORS' REPORT OF REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Directors of Endeavour Silver Corp.

We have audited the accompanying consolidated financial statements of Endeavour Silver Corp., which comprise the consolidated statements of financial position as at December 31, 2012 and December 31, 2011, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, 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 International Financial Reporting Standards as issued by the International Accounting Standards Board, 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 consolidated financial position of Endeavour Silver Corp. as at December 31, 2012 and December 31, 2011, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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, 2012, 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 28, 2013 expressed an unqualified opinion on the effectiveness of Endeavour Silver Corp.'s internal control over financial reporting.

KPMG LLP

Chartered Accountants

March 28, 2013
Vancouver, Canada

KPMG LLP
Chartered Accountants
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CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors
Endeavour Silver Corp.

We consent to the inclusion in the annual report on Form 40-F of:

- our Independent Auditors' Report of Registered Public Accounting Firm dated March 28, 2013 on the consolidated statements of financial position of Endeavour Silver Corp. (the "Company") as at December 31, 2012 and December 31, 2011, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended; and
- our Report of Independent Registered Public Accounting Firm dated March 28, 2013 on the effectiveness of the Company's internal control over financial reporting as of December 31, 2012,

each of which is included in this annual report on Form 40-F of the Company for the fiscal year ended December 31, 2012.

We also consent to the incorporation by reference of such reports in the Company's Registration Statement on Form S-8 (No. 333-160349).

KPMG LLP

Chartered Accountants

March 28, 2013
Vancouver, Canada

CONSENT of AUTHOR

TO: U.S. Securities and Exchange Commission

Dears Sirs/Mesdames:

I, Donald E. Cameron, do hereby consent to the public filing of the written disclosure of the of the technical report titled *"Technical Report and updated Resource and Reserve Estimates for the El Cubo Mine, Guanajuato State, Mexico"* and dated August 30, 2012 (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 28, 2013, the Annual Report on Form 40-F dated March 28, 2013.

I confirm that I have read the Annual Information Form dated March 28, 2013 and the Annual Report on Form 40-F dated March 28, 2013 of Endeavour Silver Corp and that they fairly and accurately represent the information in the technical report.

Dated this 26th day of March, 2013

Donald E. Cameron,
Consulting Geologist

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 28, 2013

TABLE OF CONTENTS

ITEM 1: PRELIMINARY NOTES

1.1 Incorporation of Documents by Reference

All financial information in this Annual Information Form ("AIF") has been prepared in accordance with International Financial Reporting Standards ("IFRS") as announced by the International Accounting Standards Board.

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
NI 43-101 Technical Report on the Resource and Reserve Estimates for the Guanacevi Project, Durango State, Mexico	December 15, 2012	April 2, 2013	Technical Report (43-101) – English Qualification Certificate(s) and Consent(s)
NI 43-101 Technical Report on the Resource and Reserve Estimates for the Bolañitos Mine Project (formerly the Guanajuato Mines Project), Guanajuato State, Mexico	December 15, 2012	April 2, 2013	Technical Report (43-101) – English Qualification Certificate(s) and Consent(s)
NI 43-101 Technical Report and updated Resource and Reserve Estimate for the El Cubo Mines , Guanajuato State, Mexico	June 1, 2012	August 30, 2012	Technical Report (43-101) – English Qualification Certificate(s) and Consent(s)
NI 43-101 Technical Report Audit of the Mineral Resource Estimate for the San Sebastian Project, Jalisco State, Mexico	December 15, 2012	April 2, 2013	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, include its subsidiaries.

1.2 Date of Information

All information in this AIF is as of December 31, 2012 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 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 mineral 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 November 14, 2004 and November 27, 2010.

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 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 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. 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 primarily in Mexico through subsidiary companies. The following table lists the material subsidiaries, jurisdiction of incorporation and % ownership held.

Name of Company	Incorporated	% held
Endeavour Gold Corporation, S.A. de C.V.	Mexico	100
Endeavour Capital S.A. de C.V. SOFOM ENR	Mexico	100
Minera Plata Adelante, S.A. de C.V.	Mexico	100
Minera Santa Cruz Garibaldi S.A. de C.V.	Mexico	100
Refinadora Plata Guanacevi, S.A. de C.V.	Mexico	100
Mina Bolañitos S.A de C.V.	Mexico	100
Compania Minera del Cubo S.A. de C.V.	Mexico	100
Aurico Gold GYC S.A. de C.V.	Mexico	100
Minera Plata Carina S.P.A.	Chile	100
MXRT Holdings Inc.	Canada	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 and Chile.

Guanacevi Mines

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.

Bolañitos Mines (formerly referred to as Guanajuato Mines)

In February 2007, the Company acquired the right to purchase the exploitation contracts to the producing Unidad Bolañitos 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 Peñoles S.A. de C.V. ("Peñoles") 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 Bolañitos Mines, free and clear of any royalties. The share purchase warrant expired on May 30, 2009 unexercised.

The Guanacevi Mines Project and the Bolañitos Mines Project have been the primary focus of business activity for the last 3 years with the Guanacevi Mines Project the primary focus for the preceding 2 years.

El Cubo Mines

On July 13, 2012, the Company completed the acquisition of Mexgold Resources Inc. ("Mexgold") and its three wholly owned subsidiaries: Compania Minera del Cubo, S.A. de C.V., AuRico Gold GYC, S.A. de C.V. and Metales Interamericanos, S.A. de C.V. from AuRico Gold Inc. ("AuRico").

As a result of the acquisition, the Company now owns the El Cubo silver-gold mine located in Guanajuato, Mexico and the Guadalupe y Calvo silver-gold exploration project located in Chihuahua, Mexico.

El Cubo is a producing silver-gold mine located in the southeast part of the historic Guanajuato mining district in central Mexico, only 10 kilometres (km) from Endeavour's operating Bolañitos silver-gold mine in the northwest part of the Guanajuato district.

The El Cubo property consists of 61 mineral concessions covering 8,144 hectares, including several historic and currently active mine adits, ramps and shafts. Approximately 38 individual veins have been identified on the El Cubo property. Veins typically strike northwest, dip 70 degrees southwest and average nearly 2 metres wide.

El Cubo has been viewed as a low grade, high cost mining operation, similar to both the Guanacevi and Bolañitos mines before they were acquired by Endeavour. Endeavour sees strong potential to turn El Cubo into a high grade, low cost, long life underground mine because the new reserve grades for silver and gold at El Cubo are 78% and 51% higher respectively compared to the current production grades, and because of Endeavour's experience at discovering new high grade ore-bodies, developing them on fast-tracks into production and turning around both production tonnes and ore grades at Guanacevi and Bolañitos.

Endeavour's new mine plan will focus initially on maintaining the current tonnage throughput at El Cubo at 1,000-1,200 tonnes per day (tpd) while progressively increasing the production grades closer to the reserve grades over the next 4 to 6 quarters by steadily reducing ore dilution. A new operating site management team was hired in Q3, 2012 and several new initiatives to reduce dilution and increase grades are underway.

Guadalupe y Calvo is an advanced gold-silver exploration project located in the historic Guadalupe y Calvo mining district in Chihuahua State, Mexico, approximately 300 km southwest of the city of Chihuahua. The acquisition of the Guadalupe y Calvo project gives Endeavour 100% control of 9 mineral concessions covering 54,872 hectares. Guadalupe y Calvo contains the historic Rosario mine with past production of 2 million oz gold and 28 million oz silver.

Guadalupe y Calvo is a classic gold-silver epithermal district. Based on mineralogy and alteration, gold-silver mineralization is of the low-sulphidation epithermal, quartz-adularia type. The system contains quartz veins, breccias and stockworks hosting economically significant gold and silver mineralization.

The project's main structural feature is the Rosario fault complex. This regional mineralized structure has been traced for more than 6 km and mineralized zones within this fault complex attain widths of up to 80 metres. Historic underground mining widths of high-grade gold-silver mineralization were up to 10 metres thick.

See Item 4.4 for further details.

Three Year History

2013 to Present

On February 25, 2013 the Company released updated NI 43-101 Reserve and Resource estimates as at December 15, 2012 for its active silver mining and exploration projects in Mexico, the Guanacevi Mines, the Bolañitos Mines, the San Sebastian Project and the Guadelupe y Calvo Project. Endeavour achieved its ninth consecutive year of combined reserve and resource growth in 2012.

2012

Endeavour recorded its seventh consecutive year of growing sales revenue and mine operating cash-flow in 2012 (during fiscal 2005 no revenue was reported as the Company held only an option to purchase the Guanacevi project at that time). During 2012, increased production drove sales 63% higher to $208.0 million and increased mine operating cash-flow 32% to $114.4 million over the previous year. Direct operating costs rose as a result of a competitive labour market, decreasing ore grades and the acquisition of the high cost El Cubo mine. However, 2012 was the Company's best financial performance yet, with EBITDA climbing to $90.5 million and earnings per share of $0.45.

Endeavour reported its seventh consecutive year of growing silver and gold production for 2012, increasing silver production by 20% to 4,485,476 oz silver and gold production by 77% to 38,687 oz gold over the previous year. The Company successfully completed the 2012 Bolañitos plant expansion program on budget, increasing the plant capacity to facilitate the increased mine production that resulted from the discovery of the Daniela, Karina and Lana veins in 2011.

In early 2012, the Company released an updated 43-101 Reserve and Resource estimate as at December 31, 2011 for its active silver mining and exploration projects in Mexico. Endeavour achieved its eighth consecutive year of combined reserve and resource growth. New high grade silver-gold discoveries were made in both Guanacevi and Bolañitos, thereby confirming once again the prolific exploration potential of these two historic mining districts.

On July 13, 2012, the Company completed the acquisition of Mexgold, the indirect 100% owner of the El Cubo mine and the Guadelupe y Calvo exploration project.

El Cubo has been viewed as a low grade, high cost mining operation, similar to both the Guanacevi and Bolañitos mines before they were acquired by Endeavour. Endeavour sees strong potential to turn El Cubo into a high grade, low cost, long life underground mine because the new reserve grades for silver and gold at El Cubo are 78% and 51% higher respectively compared to the current production grades, and because of Endeavour's experience at discovering new high grade ore-bodies, developing them a fast-track into production, and increasing production tonnes and ore grades at Guanacevi and Bolañitos. Endeavour has outlined 28 separate target areas in and around the existing mines at El Cubo with near-term potential to delineate new reserves and resources. Management believes the El Cubo mine property has good exploration potential for the discovery of both new mineralized veins as well as new ore-bodies within known veins. Endeavour plans more than 50,000 metres of core drilling over the next 2 years to test several high priority exploration targets and identify new targets.

In 2012, the Company continued to emphasize its primary focus on safety, as demonstrated by over 255,600 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.

The Company used its strong financial position to acquire the El Cubo mine to improve the long term prospects of the Company. As a result, the Company entered into a $75 million, 3 year credit facility with Scotiabank to ensure the Company has access to sufficient funds to meet its 2013 development plan.

2011

Endeavour recorded its sixth consecutive year of growing sales revenue and mine operating cash-flow in 2011 (during fiscal 2005 no revenue was reported as the Company held onlyan option to purchase the Guanacevi project at that time). During 2011, escalating prices and increased production drove sales 48% higher to $128.0 million and increased mine operating cash-flow 92% to $86.4 million over the previous year. Direct operating costs rose slightly as a result of a competitive labour market, however the significant appreciation in silver and gold prices allowed the Company's operating margins to rise for the fourth straight year, culminating in the Company's best financial performance yet, with EBITDA climbing to $52.9 million and earnings per share of $0.23. Management also elected to hold a substantial inventory balance accumulating $36 million of silver and gold bullion at the end of the year.

Endeavour reported its seventh consecutive year of growing silver and gold production for 2011, increasing silver production by 14% to 3,730,128 oz silver and gold production by 23% to 21,810 oz gold over the previous year. The Company successfully completed the 2011 Bolañitos plant expansion program on budget, increasing the plant capacity to facilitate the increased mine production that resulted from the discovery of the Lucero South zone in 2009.

In early 2011, the Company released an updated 43-101 Reserve and Resource estimate as at December 31, 2010 for its active silver mining and exploration projects in Mexico. Endeavour achieved its seventh consecutive year of combined reserve and resource growth in 2011. New high grade silver-gold discoveries were made in both Guanacevi and Bolañitos, thereby confirming the prolific exploration potential of these two historic mining districts. The discovery of the Daniela vein in the Lucero South zone will significantly increase future production and allow the plant throughput to attain its designed capacity.

In 2011, the Company continued to emphasize its primary focus on safety, as demonstrated by over 46,800 hours of personnel training. Safety and mine rescue training programs were held regularly at both operations and resulted in safer working environments. The Company reduced lost time accidents, despite increased man-hours.

The Company's financial position continued to improve with the operating growth, higher margins and resource growth. In addition to organic growth the Company raised an additional $19.9 million by issuing 6,658,328 common shares pursuant to the exercise of options and warrants during the year. The Company's continuous growth, improved position and outlook resulted in the Company graduating the listing of its common shares from the NYSE MKT (formerly known as the NYSE Amex, "NYSE MKT") to the NYSE as of March 14, 2011.

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 held only an option to purchase 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 over the previous year. Direct operating costs were relatively flat allowing the Company's operating margins to rise for the third straight year.

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 over the previous year. 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 kilometres 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 Bolañitos, thereby confirming the prolific exploration potential of these two historic mining districts. The Company also acquired an option to purchase the San Sebastian property 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 offering 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.

3.2 Significant Acquisitions

On July 13, 2012, the Company completed the acquisition of Mexgold and its three wholly owned subsidiaries (the "Acquisition") from AuRico which constituted a significant acquisition under National Instrument 51-102 ("NI 51-102"). The Company paid AuRico $200 million by paying $100 million in cash and issuing 11,037,528 common shares of the Company at an issue price of $9.06 per share. AuRico is also entitled to receive up to an additional $50 million in cash upon the occurrence of the following:

i) $20 million if at any time during the 3 years following the acquisition date, the Company renews or extends the Las Torres lease, after August 6, 2013;

ii) $10 million upon the simple average of the daily London Metals Exchange closing prices for gold exceeding $1,900 per ounce for a period of twelve consecutive months at any time during the three year period immediately following the acquisition date;

iii) $10 million upon the simple average of the daily London Metals Exchange closing prices for gold exceeding $2,000 per ounce for a period of twelve consecutive months at any time during the three year period immediately following the acquisition date;

iv) $10 million upon the simple average of the daily London Metals Exchange closing prices for gold exceeding $2,100 per ounce for a period of twelve consecutive months at any time during the three year period immediately following the acquisition date.

Pursuant to NI 51-102, the Company was required to file a business acquisition report together with certain financial information relating to Mexgold and the Acquisition (collectively, the "BAR") within 75 days of the completion of the Acquisition. However, due to the inability of the Company's auditor to audit certain of the historic financial information relating to Mexgold, the Company applied for and obtained an exemption order from the Canadian securities regulators on February 26, 2013, which set forth the conditions under which the Company may file a modified BAR. The Company anticipates filing the modified BAR during the second quarter of 2013.

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, Bolañitos and El Cubo in Mexico. The Company also has interests in certain exploration properties in Mexico and Chile.

The Company's business is not materially affected by intangibles such as licences, patents and trademarks, nor is it significantly affected by seasonal changes. Other than as disclosed in this AIF, the Company is not aware of any aspect of its business which may be affected in the current financial year by renegotiation or termination of contracts.

Foreign Operations

As the Company's producing mines and mineral exploration interests are principally located in Mexico, the Company's business is dependent on foreign operations. As a developing economy, operating in Mexico has certain risks. See "Risk Factors – Foreign Operations".

Employees

As at December 31, 2012, the Company had approximately 15 employees based in its Vancouver corporate office and approximately 1,932 full and part-time employees in Mexico. Additional consultants are also retained from time to time for specific corporate activities, development and exploration programs.

Environmental Protection

The Company's environmental permit requires that it reclaim certain land it disturbs during mining operations. Significant reclamation and closure activities include land rehabilitation, decommissioning of buildings and mine facilities, ongoing care and maintenance and other costs. Although the ultimate amount of the reclamation and rehabilitation costs to be incurred cannot be predicted with certainty, the total undiscounted amount of probability weighted estimated cash flows required to settle the Company's estimated obligations is $1.7 million for the Guanacevi mine operations, $0.9 million for the Bolañitos mine operations and $3.6 million for the El Cubo mine operations.

Community, Environmental and Corporate Safety Policies

Endeavour is focused on the improvement of sustainability programs for all stakeholders and understands that such programs contribute to the long term benefit of the Company and society at large. Sustainability programs implemented by the Company range from improving the Company's safety policies and practices; supporting health programs for the Company's employees and the local communities; enhancing environmental stewardship and reclamation; sponsoring educational scholarships and job skills training programs; sponsoring community cultural events and infrastructure improvements; and supporting charitable causes.

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 metal operations in which the Company has an interest will be significantly affected by changes in the market prices of precious metals. Prices for precious 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 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 re-agents fluctuate and affect 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 that 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 effect 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, other than the mineral reserves on the Company's Guanacevi Mines Project, Bolañitos Mines Project and El Cubo Mine, 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 estimation 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, Bolañitos and El Cubo 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, financial performance 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.

The positive effect on the Company's results arising from past and future acquisitions 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 including the existing work force, union arrangements and existing contracts; 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.

Past and future business or property acquisitions 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 "Legal Proceedings" on page 60, three of the Company's subsidiaries in Mexico have received tax assessments from Mexican fiscal authorities.

While the Company is of the view that the tax assessments have 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.

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 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.

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, financial performance 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 International Financial Reporting Standards. 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, 2012. 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 financial performance.

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 financial performance 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 New York Stock Exchange, 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 prepares its financial reports in accordance with IFRS applicable to publicly accountable enterprises effective January 1, 2011. In 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 are described in more detail in the Company's audited financial statements. In order to have a reasonable level of assurance that financial transactions are properly authorized, assets are safeguarded against unauthorized or improper use, transactions are properly recorded and reported and the Company has implemented and continues to analyze its internal control systems for financial reporting. Although the Company believes its financial reporting and financial statements are prepared with reasonable safeguards to ensure reliability, the Company cannot provide absolute assurance.

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 permitted 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 on 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, Pr.Sci.Nat., FAusIMM, and Ing. Alan San Martin, MAusIMM(CP) of Micon International Limited with an effective date of December 15, 2012 and dated March 27, 2013. 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.

INTRODUCTION

Endeavour Silver Corp. (Endeavour Silver) has retained Micon International Limited (Micon) to provide an independent resource and reserve estimation for the Guanaceví Mines Project in the State of Durango, Mexico. This report is an update of the previous Micon Technical Report entitled "NI 43-101 Technical Report, Resource and Reserve Estimates for the Guanaceví Mines Project, Durango State, Mexico" and dated March 30, 2012. The 2012 report was posted by Endeavour Silver on the System for Electronic Document Analysis and Retrieval (SEDAR).

This report constitutes an independent estimation of the mineral resources and reserves of the Guanaceví Mines Project as of December 15, 2012. The estimate was conducted to ensure that the mineral resources and reserve discussed herein complied with the Canadian Institute of Mining, Metallurgy and Petroleum (CIM) standards and definitions, as required under Canadian National Instrument 43-101 (NI 43-101) regulations.

This report also comments on the propriety of the continuing studies and budget for the Guanaceví Mines Project.

The term Guanaceví Mines Property, in this report, refers to the entire area covered by the mineral license, while the term Guanaceví Mines Project refers to the area within the mineral license on which the current mining and exploration programs are being conducted.

This report follows the format and guidelines of Form 43-101F1, Technical Report for National Instrument 43-101, Standards of Disclosure for Mineral Projects, and its Companion Policy NI 43-101CP, as amended by the Canadian Securities Administrators and which came into force on June 30, 2011.

Micon does not have nor has it previously had any material interest in Endeavour Silver or related entities. The relationship with Endeavour Silver is solely a professional association between the client and the independent consultant. This report is prepared in return for fees based upon agreed commercial rates and the payment of these fees is in no way contingent on the results of this report.

This report is intended to be used by Endeavour Silver subject to the terms and conditions of its agreement with Micon. That agreement permits Endeavour Silver to file this report as a Technical Report with the Canadian Securities Administrators (CSA) pursuant to provincial securities legislation. Except for the purposes legislated under provincial securities laws, any other use of this report, by any third party, is at that party's sole risk.

This 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.

The conclusions and recommendations in this report reflect the authors' best independent judgment in light of the information available to them at the time of writing. The authors and Micon reserve the right, but will not be obliged, to revise this report and conclusions if additional information becomes known to them subsequent to the date of this report. Use of this report acknowledges acceptance of the foregoing conditions.

LOCATION AND 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 4,076.1977 ha. The annual 2012 concession tax for the Guanaceví Property is approximately 367,200 Mexican pesos (pesos), which is equal to about US $28,400 at an exchange rate of 12.93 pesos to US $1.00 dollar.

On February 9, 2009, Endeavour Silver entered into a mining exploration agreement with Minerales Monte Blanco S.A. de C.V. (Minerales Monte Blanco), represented by Sergio Enrique Silva Franco, on the El Porvenir Cuatro and La Brisa concessions totalling 55.5518 ha. The El Porvenir Cuatro and La Brisa agreement was an option to earn 100% of these Projects 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 Projects, 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) Projects in Guanaceví. The purchase price of these Projects was US $50,000. The El Calvario Project 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 Project is situated approximately 1 km east of Endeavour Silver’s Porvenir mine.

In June, 2011, Endeavour Silver acquired an option on the La Brisa and La Brisa 2 Projects (90 ha), located approximately 10 km southeast of Endeavour's active Porvenir silver-gold mine in the Guanaceví district. The option agreement requires Endeavour Silver to make US$220,000 in cash payments over a 3 year period.

In 2011, Endeavour Silver also staked several new concessions (2,746 ha) surrounding the La Brisa and La Brisa 2 properties to cover possible extensions of the La Brisa veins and several other recently discovered veins.

In June, 2011, Endeavour Silver also acquired an option to purchase four small properties within the San Pedro sub-district. The El Cambio Project lie about 6 km northwest of the Porvenir mine and along strike from the historic El Soto and Nueva Australia high grade silver mines. The El Cambio option agreement gives Endeavour Silver the right to purchase the El Cambio, La Onza, San Nicolas and Ampliacion de San Nicolas Projects (37 ha) for $150,000 in cash payments over a 2 year period.

In November, 2012, Endeavour Silver acquired 100% interest in the San Fernando mineral concession which is adjacent to the Milache area near the new zone currently being delineated by the exploration group. The San Fernando concession was acquired for $200,000 as a one-time payment.

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 Mines 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 a 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 PROGRAM

Since 2004 and to December 31, 2012, Endeavour Silver has completed 497 diamond drill holes totalling 133,916.6 m and 22 reverse circulation drill holes totalling 2,977 m on the entire Guanaceví Mines Project. More than 32,491 samples have also been collected and submitted for assay.

Of this total, approximately 112,812.2 m of diamond drilling in 381 holes have been completed on the Santa Cruz vein structure. Holes were drilled from both surface and underground drill stations.

In 2012, Endeavour Silver spent US $2,146,787 (including property holding costs) on exploration activities mainly on the Milache and La Brisa areas. Twenty-eight surface core holes were drilled for 12,636 m and 2,793 samples were submitted for assay.

During 2012, only limited surface geological mapping and sampling was conducted by Endeavour Silver in the Guanaceví District. Field activities mainly focused in the La Brisa and La Gloria areas. A total of 149 rock samples were collected. Exploration fieldwork was completed in the La Brisa area.

In 2013, Endeavour Silver plans a follow-up surface exploration program focused on the Santa Cruz vein in the Milache area, near Endeavour Silver's mining operation at Guanaceví. Endeavour Silver will also conduct a regional exploration program to investigate several new prospective targets within the district. The mine will continue to conduct both surface and underground drilling in order to further define the mineralization in the operational area. The primary long-term goal of this program is to expand reserves and resources and to identify properties/concessions for potential acquisition in the Guanaceví district for future growth.

Table 1.1 summarizes the planned 2013 exploration budget for the Guanaceví Mines Project.

Table 1.1
Guanaceví Exploration Priority Targets – 2013

Project Area	2012 Program			Budget US $
	Holes	Metres	Samples	
Surface Exploration Drilling				
Milache	30	12,000	3,000	1,779,200
Guanaceví Regional Exploration	0	0	800	126,200
Subtotal	**30**	**12,000**	**3,800**	**1,905,400**
Mine Operations Exploration Drilling				
Porvenir North	28	5,328	----	852,432
Santa Cruz	17	1,363	----	465,695
Alex Breccia	7	3,174	----	507,823
La Prieta	6	1,363	----	218,033
Subtotal	**58**	**11,228**	**----**	**2,043,983**
Total (mine +exploration division)	**88**	**23,228**		**3,949,383**

Table provided by Endeavour Silver Corp.

2012 MINERAL RESOURCE ESTIMATE

Mineral Resource Statement

The mineral resources for the Guanaceví Mines Project as of December 15, 2012 are summarized in Table 1.2. The resources are exclusive of the mineral reserves.

Table 1.2
December 15, 2012 Mineral Resource Estimate, Guanaceví Mines Project

Category	Tonnes	Silver (g/t)	Gold (g/t)	Silver (oz)	Gold (oz)	Silver Eq (oz)
Measured (M)	129,000	312	0.49	1,294,000	2,000	1,394,000
Indicated (I)	3,014,000	232	0.49	22,433,700	47,700	24,818,700
Total M and I	**3,143,000**	**235**	**0.49**	**23,727,700**	**49,700**	**26,212,700**
Inferred (Ag+Au)	**1,429,000**	**259**	**0.52**	**11,921,200**	**24,000**	**13,121,200**
Inferred (Ag+Pb+Zn)	**644,000**	**124**	**0.14**	**2,577,300**	**3,000**	**2,727,300,**

1. Mineral resources which are not mineral reserves do not have demonstrated economic viability. The estimate of mineral resources may be materially affected by environmental, permitting, legal, title, taxation, sociopolitical, marketing, or other relevant issues.
2. There has been insufficient exploration to define the inferred resources as an indicated or measured mineral resource. It is uncertain if further exploration will result in upgrading them to an indicated or measured mineral resource category.

Micon believes that at present there are no known environmental, permitting, legal, title, taxation, socio-economic, marketing or political issues which could adversely affect the mineral resources estimated above.

Assumptions and Parameters

The mineral resource is based on the following parameters:

- Minimum mining width – 1.5 m.
- Silver equivalent – 50:1, based on prices of US $1,550/oz for gold and US $31/oz for silver.
- Cut-off grade – 100 g/t silver equivalent.

Methodology

Resources for the mining areas (Santa Cruz, Porvenir North, Porvenir Dos and Porvenir Cuatro) of the Guanaceví Mines Project were estimated by Micon in 2011/2012 using the 3D modelling technique and the inverse distance cubed (ID^3) method for interpolating grade. The resources for these mining areas as at December 15, 2012 have been estimated by Micon by deducting the resources converted into reserves during 2012 from the original total resources previously estimated in 2011/2012.

Resources for the exploration areas (San Joaquin, La Blanc-Mi Niña and Epsilon-Soto) have been carried forward from the December 31, 2011, estimates, as there has been no change since that time. Resources for the Milache Project were estimated by Endeavour Silver using the 3D modelling technique and audited by Micon.

Mineral resources were classified on the basis of the location of blocks relative to the data used to interpolate the block grade, according to the following criteria:

- Measured mineral resources apply to those resource blocks where grade, density, shape and physical characteristics are so well established to allow the appropriate application of technical and economic parameters, to support production planning.

- Indicated mineral resources refer to those resource blocks/areas where the geological framework, continuity and grade of mineralization are sufficiently understood to support a preliminary feasibility study which will serve as the basis for major development decisions. For the operations, this is applicable to those blocks which have had the historical mine sampling superseded by Endeavour Silver's subsequent channel sampling programs which, in conjunction with the confidence gained from the historical reconciliations, provide an acceptable level of confidence in the sample grades and resultant block estimates. All of the modelled Indicated resource blocks for the existing operations are within a maximum distance of 35 m from any data point, including development, chip samples or drill hole intercepts. For the exploration division's polygonal resource estimates, a 25 m search radius is used in the definition of Indicated resources.

- Inferred mineral resources are those blocks/areas where confidence in the estimate is insufficient to enable an evaluation of the economic viability worthy of public disclosure. For the operations, these are outlined and estimated based on the mine's interpretation and confidence in the historical sampling results. For the exploration division's polygonal resource estimates, a 50 m search radius is used in the definition of Inferred resources.

2012 MINERAL RESERVE ESTIMATE

Mineral Reserve Statement

The mineral reserves for the Guanaceví Mines project as of December 15, 2012 are summarized in Table 1.3.

Table 1.3
December 15, 2012 Proven and Probable Mineral Reserve Estimate

Category	Tonnes	Silver (g/t)	Gold (g/t)	Silver (oz)	Gold (oz)	Silver Eq (oz)
Proven	423,000	243	0.52	3,308,000	7,000	3,658,000
Probable	797,000	234	0.38	5,999,500	9,600	6,479,500
Total Proven & Probable	**1,220,000**	**237**	**0.43**	**9,307,500**	**16,600**	**10,137,500**

Mineral Reserve Parameters

The parameters used for the Guanaceví mineral reserves are as follows:

- Cut-off - 158 g/t Ag.
- Minimum width - 2 m.
- Gold price – US $1,550 per oz.
- Silver price – US $31 per oz.
- Gold recovery (overall) - 83.67%.
- Silver recovery (overall) - 76.63%.

Definitions and Classification

Mineral reserves are derived from measured/indicated resources after applying the economic parameters stated above. The Guanaceví reserves have been derived and classified according to the following criteria:

- Proven mineral reserves are the economically mineable part of the Measured resource where development work for mining and information on processing/metallurgy and other relevant factors demonstrate that economic extraction is achievable. For Guanaceví, this applies to blocks located within approximately 10 m of existing development and for which Endeavour Silver has a mine plan in place.

- Probable mineral reserves are those Measured or Indicated mineral resource blocks which are considered economic and for which Endeavour Silver has a mine plan in place. For Guanaceví, this is applicable to blocks located a maximum of 35 m either vertically or horizontally distant from development.

OPERATIONAL DATA

Since January 1, 2007, Endeavour Silver has been in control of the day-to-day mining operations at the Guanaceví Mines Project. Endeavour Silver assumed control of the mining operations from a local mining contractor in order to allow for more flexibility in operations and to continue optimizing the costs.

On December 15, 2012, the Guanaceví Mines Project had a roster of 443 employees. The mine operates on two 10-hour shifts, 7 days a week, whereas the mill operates on a 24/7 schedule.

A conventional cut and fill mining method is employed with the stopes generally 150 m long and 20 m high. Access to the stoping areas is provided by a series of primary and secondary ramps located in the footwall. The ramps have grades from minus 15% to plus 12%, with plus or minus 12% as standard. The cross-sections are 4 m by 4 m for the primary ramps and 3.5 m by 3.5 m for the secondary ramps.

In the upper parts of the mine, stope access is by short (10 m to 40 m) cross-cuts from the ramp to the vein/stope. These cross-cuts are generally 3.5 m by 3.5 m in cross-section and are usually driven down at minus 18% to intersect with the stope. As the stope advances up-dip on the vein, the back is taken down in these cross-cuts to maintain access until the cross-cut reaches a maximum inclination of 15%.
In the lower parts of the mine (below the water table), stope access is by 90 m long cross-cuts to the vein/stope. The cross-cuts are generally 3.0 m by 3.5 m in cross-section and are driven at plus 1% to intersect the stope (for water drainage). As the stope advances up-dip on the vein, the back is taken down in these cross-cuts to maintain access until the cross-cut reaches a maximum inclination of plus 15%.

For the year ending December 15, 2012, silver production was 2,512,943 oz and gold production was 7,874 oz. Plant throughput for 2012 was 418,277 tonnes at an average grade of 250 g/t silver and 0.77 g/t gold. In 2012, mill recoveries averaged 74.6% for silver and 76.1 % for gold.

The mill was originally built in 1970 by the Mexican government and designed to custom mill ores from various mines in the district. The mill has undergone a number of upgrades since 1970, and further upgrades since Endeavour Silver took over the day-to-day operations.

In 2012, the mill processed ore from the mines of Porvenir Cuatro, Porvenir 2, Porvenir North and Santa Cruz, as well as purchased (third party) ore. In 2012, the grinding circuit had an average capacity of 1,200 t/d. The metallurgical complex continued to process the Bolañitos (Guanajuato) flotation concentrate in 2012.

Endeavour Silver has no contracts or agreements for mining, smelting, refining, transportation, handling or sales, that are outside of normal or generally accepted practices within the mining industry. Endeavour Silver has a policy on not hedging or forward selling any of its products. Endeavour Silver produces doré silver-gold bars which it then ships for further refining.

Endeavour Silver holds all necessary environmental and mine permits to conduct planned exploration, development and mining operations on the Guanaceví Mines Project.

The cash operating cost of silver produced at the Guanaceví Mines Project in fiscal year 2012 was $12.25 per ounce, compared to $9.71 per ounce in 2011. Cash operating cost per ounce of silver is calculated net of gold credits and royalties. On a per tonne of ore processed basis, the cash operating costs in 2012 averaged US $103.85/t, compared to US $100.35/t in 2011.

Micon has not undertaken a cash flow analysis for the Guanaceví Mines Project, since the estimated mineral reserves are sufficient for only a short term operation. The current budget is based upon a plant throughput of 460,350 t for 2013.

For 2013, Endeavour Silver is forecasting to produce 2.5 million ounces of silver and 7,000 ounces of gold from the Guanaceví Mines Project. Plant throughput for 2013 is forecast at 460,350 t at an estimated average grade of 227 g/t silver and 0.58 g/t gold. Recoveries are forecast to average 76.63% and 83.67% for silver and gold, respectively. Plant throughput is based on production from the Porvenir North mine, Porvenir Cuatro mine, Santa Cruz mine and third party ore bought from local miners.

The property has a substantial undeveloped resource potential. Beyond 2013, Endeavour Silver believes that continued exploration and development will lead to the discovery of new resources, and Endeavour Silver actively continues acquiring rights to new projects in the Guanaceví district.

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

Micon considers the Guanaceví resource and reserve estimates to conform to the current CIM standards and definitions for estimating resources and reserves, as required under NI 43-101 “Standards of Disclosure for Mineral Projects.” These resources and reserves are the basis for Endeavour Silver’s ongoing mining operations at the Guanaceví Mines Project. Micon has reviewed the mine plan and believes that it is sensible and achievable. 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. However, mineral resources that are not mineral reserves do not have demonstrated economic viability.

Micon believes that the mineral concessions in the Guanaceví mining district controlled by Endeavour Silver continue 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. 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 which have been mined in the past, either along the trend of the vein or at depth below the presently exploited areas.

Also, 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 2012 have been met, as evidenced by the continuing discovery of areas of mineralization which have been added to the resources and reserves. Micon believes that the program for further exploration on the Guanaceví Mines Property proposed by Endeavour Silver is both warranted and justified, as the potential for the continuing discovery of additional resources is good.

Recommendations

Micon has reviewed Endeavour Silver's 2013 proposal for further exploration on its Guanaceví Mines Property and recommends that Endeavour Silver conducts the exploration program as proposed, subject to funding and any other matters which may cause the 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.

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 resource 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 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

<u>Bolañitos Mines Project (formerly the Guanajuato Mines Project), Guanajuato State, Mexico</u>

The following summary of the Bolañitos Mines Project is extracted from the technical report titled "NI 43-101 Technical Report on the Resource and Reserve Estimates for the Bolañitos Mine Project (formerly the Guanajuato Mines Project) Guanajuato State Mexico" prepared by William J. Lewis, BSc., P.Geo., Charley Murahwi, M.Sc., P.Geo, Pr.Sci.Nat., FAusIMM, and Alan San Martin MAusImm(CP), Micon International Limited, with an effective date of December 15, 2012 and dated March 28, 2013. 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.

INTRODUCTION

Endeavour Silver Corp. (Endeavour Silver) has retained Micon International Limited (Micon) to provide an independent resource and reserve estimation for the Bolanitos Mine Project (Bolañitos Project), formerly the Guanajuato Mines Project, in the State of Durango, Mexico. This report is an update of the previous Micon Technical Report entitled "Technical Report on the Resource and Reserve Estimates for the Guanajuato Mines Project, Guanajuato State, Mexico" and dated March 30, 2012. The 2012 report was posted by Endeavour Silver on the System for Electronic Document Analysis and Retrieval (SEDAR). SEDAR is the filing system developed for the Canadian Securities Administrators (CSA).

This report constitutes an independent estimation of the December 15, 2012 mineral resources and reserves for the Bolañitos Project for Endeavour Silver. The estimate was conducted to ensure that the mineral resource and reserve estimates complied with the Canadian Institute of Mining, Metallurgy and Petroleum (CIM) standards and definitions, as required under Canadian National Instrument 43-101 (NI 43-101) regulations.

This report also comments on the propriety of the continuing studies and budget for the Bolañitos Project.

The term Bolañitos Property, in this report, refers to the entire area covered by the mineral license, while the term Bolañitos Project refers to the area within the mineral license on which the current mining and exploration programs are being conducted.

This report follows the format and guidelines of Form 43-101F1, Technical Report for National Instrument 43-101, Standards of Disclosure for Mineral Projects, and its Companion Policy NI 43-101CP, as amended by the CSA and which came into force on June 30, 2011.

Micon does not have nor has it previously had any material interest in Endeavour Silver or related entities. The relationship with Endeavour Silver is solely a professional association between the client and the independent consultant. This report is prepared in return for fees based upon agreed commercial rates and the payment of these fees is in no way contingent on the results of this report.

This report is intended to be used by Endeavour Silver subject to the terms and conditions of its agreement with Micon. That agreement permits Endeavour Silver to file this report as a Technical Report with the CSA pursuant to provincial securities legislation. Except for the purposes legislated under provincial securities laws, any other use of this report, by any third party, is at that party's sole risk.

This 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.

The conclusions and recommendations in this report reflect the authors' best independent judgment in light of the information available to them at the time of writing. The authors and Micon reserve the right, but will not be obliged, to revise this report and conclusions if additional information becomes known to them subsequent to the date of this report. Use of this report acknowledges acceptance of the foregoing conditions.

LOCATION AND PROPERTY DESCRIPTION

The Bolañitos Project consists of four 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. The Lucero mine is about one km to the southeast of Bolañitos, and the Asuncion mine is located 0.5 km west of Bolañitos. All of the mines are readily accessed by paved and gravel roads. Endeavour Silver also owns the Golondrinas mine which has not operated since 2008. The

Bolañitos, Lucero, Asuncion and Golondrinas mines are located in close proximity to 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 city, the properties are accessible via gravel roads, with about a 15 minute drive to Mina Cebada and a 35 minute drive to the Bolañitos and other mines in the La Luz area. 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 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 Bolañitos Project is provided by the national grid (Comisión Federal de Electricidad).

OWNERSHIP

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

In 2007, Endeavour Silver acquired the Bolañitos 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 Asunción (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 Asunción is very close to the Mina Bolañitos and the two have recently been connected underground.

The Bolañitos Project consists of 21 mineral concessions which are not all contiguous and vary in size for a total of 2,470 hectares (ha). The project includes four operating silver-gold mines (Bolañitos, Lucero, Asuncion and Cebada), several past-producing silver-gold mines, and the 1,600 t/d Bolañitos processing plant.

The exploitation lease was held by Minas de la Luz and was acquired 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 2013 concession tax for the Bolanitos Property is estimated to be approximately 692,200 Mexican pesos (pesos), which is equal to about US $53,400 at an exchange rate of 12.96 pesos to US $1.00.

In addition to the mineral rights, Endeavour Silver has agreements with various private ranch owners and local ejidos that provide surface access for exploration and exploitation purposes. The annual cost of maintaining these surface access rights is 749,000 pesos or approximately US $58,000.

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, when the War of Independence started.

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

Geology

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) proposed a caldera structure for the Guanajuato mining district, citing 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.

Mineralization

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 Vein Madre systems. Vein 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, Vein 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 Vein 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 the La Valenciana mine. Most of the other productive veins in the district strike parallel to the Vein 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 PROGRAM

Underground Drilling (Mining Division)

In 2012, Endeavour Silver conducted an underground diamond drilling program focused on expanding the resources at Bolañitos, Cebada and Asuncion mines. A total of 16,521 metres of drilling were completed in 97 underground diamond drill holes. The total number of samples collected and submitted for assay was 4,936.

Surface Drilling (Exploration Division)

During 2012, Endeavour Silver completed 39,223.10 m of drilling in 106 surface diamond drill holes at the Bolañitos Project. A total of 7,107 samples were collected and submitted for assay.

Other Surface Exploration Activities

Endeavour Silver also conducted geological mapping and sampling programs in La Joya South and on a number of areas and veins in the Guanajuato mining district during 2012. The results of these programs are being evaluated to determine the extent of the further work to be conducted in these areas in 2013.

2013 Program

In 2013, Endeavour Silver plans to continue with a follow-up surface exploration programs in the La Luz sub-district, including the La Joya and the La Luz-Asunción-Soledad, Belén and Golondrinas South areas. Endeavour Silver will also conduct a regional exploration program to investigate several new prospective targets within the district. The primary long-term goal of these programs is to expand reserves and resources and to identify properties for potential acquisition in the Guanajuato district for future growth.

2012 MINERAL RESOURCE AND RESERVE ESTIMATION

2012 Mineral Resource Estimate

Mineral Resource Statement

The mineral resources for the Bolañitos Project as of December 15, 2012 are summarized in Table 1.1. The resources are exclusive of the mineral reserves.

Table 1.1
December 15, 2012 Measured, Indicated and Inferred Mineral Resource Estimate, Bolañitos Project

Category	Tonnes	Silver (g/t)	Gold (g/t)	Silver (oz)	Gold (oz)	Silver Eq (oz)
Measured (M)	553,000	156	2.60	2,775,800	46,200	5,085,800
Indicated (I)	1,472,418	135	1.97	6,391,900	93,200	11,051,900
Total M and I	**2,025,418**	**141**	**2.14**	**9,167,700**	**139,400**	**16,137,700**
Inferred	**1,595,000**	**144**	**1.66**	**7,384,400**	**85,200**	**11,644,400**

1. Mineral resources which are not mineral reserves do not have demonstrated economic viability. The estimate of mineral resources may be materially affected by environmental, permitting, legal, title, taxation, sociopolitical, marketing, or other relevant issues.
2. There has been insufficient exploration to define the inferred resources as an indicated or measured mineral resource. It is uncertain if further exploration will result in upgrading them to an indicated or measured mineral resource category.

Micon believes that at present there are no known environmental, permitting, legal, title, taxation, socio-economic, marketing or political issues which could adversely affect the mineral resources estimated above.

Assumptions and Parameters

The mineral resources are based on the following parameters:

- Minimum mining width – 1.5 m.
- Silver equivalent – 50:1 for silver to gold, based on average prices of US $1,550/oz for gold and US $31/oz for silver.
- Cut-off grade – 100 g/t silver equivalent.

Methodology

Resources for the Cebada, Bolañitos, Daniela, Karina and Lucero sections of the Bolanitos Project were estimated by Micon in 2012 using the 3D modelling technique and the inverse distance cubed (ID^3) method for interpolating grade. The resources for these mining areas, as at December 15, 2012, have been estimated by Micon by deducting the resources converted into reserves during 2012 from the original total resources previously estimated in 2011/2012. Similarly, resources for the Lana vein, which were estimated by Endeavour Silver in 2012 using the polygonal method and subsequently audited by Micon, have been updated by deducting the resources converted into reserves during 2012.

Resources for the exploration areas (Fernanda and Golondrinas) have been carried forward from the December 31, 2011, estimates, as there has been no change since that time. Resources for the Belen, Fw Lana and Plateros veins have been estimated by Endeavour Silver using the polygonal/sectional method, and have been subsequently audited by Micon.

Mineral resources were classified on the basis of the location of blocks relative to the data used to interpolate the block grade, according to the following criteria:

- Measured mineral resources apply to those resource blocks where grade, density, shape and physical characteristics are so well established to allow the appropriate application of technical and economic parameters, to support production planning. For a resource based on chip/channel sample data, Measured resources are projected up to 10 m from sample data or halfway to adjacent data points, which ever is less. For a resource defined by drilling only, Measured resources are based on drill intercepts spaced at between 10 and 25 m depending on the structural complexity and geological continuity.

- Indicated mineral resources refer to those resource blocks/areas where the geological framework, continuity and grade of mineralization are sufficiently understood to support a preliminary feasibility study which will serve as the basis for major development decisions. For the operations, this is applicable to those blocks which have had the historical mine sampling superseded by Endeavour Silver's subsequent channel sampling programs which, in conjunction with the confidence gained from the historical reconciliations, provide an acceptable level of confidence in the sample grades and resultant block estimates. All of the modelled Indicated resource blocks for the existing operations are within a maximum distance of 35 m from any data point, including development, chip samples or drill hole intercepts. For the exploration division's polygonal resource estimates, a 25 m search radius is used in the definition of Indicated resources.

- Inferred mineral resources are those blocks/areas where confidence in the estimate is insufficient to enable an evaluation of the economic viability worthy of public disclosure. For the operations, these are outlined and estimated based on the mine's interpretation and confidence in the historical sampling results. For the exploration division's polygonal resource estimates, a 50 m search radius is used in the definition of Inferred resources.

2012 Mineral Reserve Estimate

Mineral Reserve Statement

The mineral reserves for the Bolañitos Project as of December 15, 2012 are summarized in Table 1.2.

Table 1.2
December 15, 2012 Proven and Probable Mineral Reserve Estimate, Bolañitos Project

Category	Tonnes	Silver (g/t)	Gold (g/t)	Silver (oz)	Gold (oz)	Silver Eq (oz)
Proven	938,000	145	1.96	4,363,300	59,100	7,318,300
Probable	707,000	135	2.00	3,075,500	45,500	5,350,500
Total Proven & Probable	**1,645,000**	**141**	**1.98**	**7,438,800**	**104,600**	**12,668,800**

Mineral Reserve Parameters

The parameters used for the Guanajuato mineral reserves are as follows:

- Cut-off grade – 111 g/t Ag.
- Minimum width – 2 m.
- Gold price – US $1,550 per oz.
- Silver price – US $31 per oz.
- Gold recovery (overall) – 86.2%.
- Silver recovery (overall) – 84.9%.

Definitions and Classification

Mineral reserves are derived from Measured/Indicated resources after applying the economic parameters stated above. The Guanajuato reserves have been derived and classified according to the following criteria:

- Proven mineral reserves are the economically mineable part of the Measured resource where development work for mining and information on processing/metallurgy and other relevant factors demonstrate that economic extraction is achievable. For Guanajuato, this applies to blocks located within approximately 10 m of existing development and for which Endeavour Silver has a mine plan in place.

- Probable mineral reserves are those Measured/Indicated mineral resource blocks which are considered economic and for which Endeavour Silver has a mine plan in place. For Guanajuato this is applicable to blocks located a maximum of 35 m either vertically or horizontally distant from development.

DEVELOPMENT AND OPERATIONS

The Bolañitos Project consists of both current and former producing mines as well as a number exploration targets. Bolañitos is an operating Project which has continued to improve its operational parameters and production output under Endeavour Silver's direction. Endeavour Silver has all of the necessary mine and mill infrastructure to operate the Bolañitos Project efficiently and to all regulatory standards imposed on the Project by the various government agencies.

As of December 15, 2012, the Bolañitos Project had a roster totalling 491 employees. The mine's operating schedule consists of three 8-hour shifts 7 days a week. The miners are skilled and experienced in vein mining and, according to Endeavour Silver, are currently not unionized. There is an incentive system in place, rewarding personnel for safety and production. Technical services and overall supervision are provided by Endeavour Silver staff.

A conventional bottom-up cut and fill mining method is employed, with waste rock brought in using diesel or electric loaders. The rock used to backfill the stopes is either dropped down a bore hole from surface or is generated from the waste development underground.

Table 1.3 summarizes the production from the different mining areas for 2012.

Table 1.3
Summary of 2012 Production by Area for the Bolañitos Project

Mine	Description	Average/Total		Mine	Description	Average/Total
Cebada	Silver (g/t)	137		Lucero Ramp	Silver (g/t)	148
	Gold (g/t)	0.82			Gold (g/t)	1.52
	Silver (oz)	193,047			Silver (oz)	1,624,757
	Gold (oz)	1,149			Gold (oz)	16,713
	Tonnes	43,706			Tonnes	342,256
Bolañitos	Silver (g/t)	115		Asuncion	Silver (g/t)	92
	Gold (g/t)	1.22			Gold (g/t)	1.78
	Silver (oz)	138,420			Silver (oz)	46,490
	Gold (oz)	1,462			Gold (oz)	902
	Tonnes	37,342			Tonnes	15,786

Table provided by Endeavour Silver Corp.

In 2012, the Bolañitos plant produced 1,800,759 oz of silver and 27,528 oz of gold from 434,613 tonnes of ore grading 151 g/t silver and 2.25 g/t gold. Silver and gold recoveries averaged 85.1% and 87.4%, respectively.

The Bolañitos Project produces a concentrate which it ships to Endeavour Silver's Guanacevi Mines Project in Durango for refining into doré silver-gold bars. The doré produced by the Guanaceví mill typically averages 98% silver. The doré is shipped for final refining at the Peñoles Met-Mex facility in Torreón. The refined gold and silver are sold through Auramet in London, England.

Endeavour Silver has advised Micon that it has no contracts or agreements for mining, smelting, refining, transportation, handling or sales, that are outside of normal or generally accepted practices within the mining industry. Endeavour Silver has a policy on not hedging or forward selling any of its products.

In addition to its own workforce, Endeavour Silver has a number of contract mining companies working on its minesites.

The Bolañitos plant monitors all effluents and the air quality on the site. Regular monitoring and laboratory testing are out-sourced to qualified contractors. Regular meetings are held with the local ejido and the President of the Municipality of Guanajuato to discuss areas of mutual concern.

The mill and mine recycle batteries, oils, greases, steel and aluminum.

The mine and mill have safety induction meetings and tours with all new employees and hold regular weekly half-hour safety meetings with all employees and contractor employees.

Endeavour Silver holds all necessary environmental and mine permits to conduct planned exploration, development and mining operations on the Bolanitos Property.

For 2013, Endeavour Silver is forecasting to produce 2.14 million ounces of silver and 29,532 ounces of gold from the Bolañitos Project. Plant throughput for 2013 is forecast at 592,800 t at an estimated average grade of 134 g/t silver and 1.82 g/t gold. Recoveries are forecast to average 84.0% and 85.0% for silver and gold, respectively. Plant throughput is based on production from the Bolañitos, Lucero Ramp, Cabada and Asunción mines.

The property has a substantial undeveloped resource potential. Beyond 2013, Endeavour Silver believes that continued exploration and development will lead to the discovery of new resources. Endeavour Silver also actively continues acquiring rights to new properties/concessions in the Guanajuato district.

Micon has not undertaken a cash flow analysis for the Bolañitos Project due to the fact that the current mineral reserves are only sufficient for a short term operation.

The mine life, based on proven and probable reserves as of December 15, 2012, is less than three years at a projected production level of 1,600 t/d or 48,000 t/m for the first eight months of 2013 and 2,000 t/d or 58,000 t/m thereafter.

Given that many epithermal vein systems of this type have vertical mineralized extents ranging from 500 m to 800 m, Endeavour Silver could reasonably expect to increase its mineral resource base as more exploration is conducted. Micon believes there is a good likelihood of discovering additional resources at the Bolanitos Property. Historically some Mexican mines and some mines worldwide have continued to operate for decades with less than two years of reserves on the books.

In 2013, Endeavour Silver plans to conduct a follow-up underground exploration program in the Cebada, Bolañitos and Asuncion areas. For the Cebada area, Endeavour Silver will continue exploring the Vein Madre structure and, in the Bolañitos area, the program is focused on increasing the information available regarding the Bolañitos, Daniela, Fernanda, Karina, Lucero, Fernanda, Lana and La Joya veins. At Asuncion, Endeavour Silver will focus on drilling Veta La Luz.

The 2013 planned underground exploration program consists of 97 drill holes totalling 16,500 m. In general terms, it is intended to conduct an infill drilling program in the areas recognized as potentially economic by the regional exploration, and to explore the continuity of the known orebodies in the vertical direction, as well as along strike.

Endeavour Silver is budgeting to spend about US $2,000,000, mainly on underground diamond drilling, with an estimated total cost of drilling of US $172/m. The program envisions the use of two rigs, with completion of the campaign estimated in early September, 2013.

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

The resource and reserve estimates reported herein conform to the current CIM standards and definitions for estimating resources and reserves, as required under NI 43-101 "Standards of Disclosure for Mineral Projects." These estimates form the basis for Endeavour Silver's ongoing mining operations at the Bolanitos Property. 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 Bolanitos Project. However, mineral resources that are not mineral reserves do not have demonstrated economic viability.

Micon believes that the significant increase in reserves and resources, as compared to the previous year's positions, represents a material achievement by Endeavour Silver and a reflection of the effectiveness of the exploration concepts/techniques being applied.

Recommendations

Micon has reviewed Endeavour Silver's proposal for further exploration on its Bolañitos 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.

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

1) Micon recommends that Endeavour Silver continues to develop a reconciliation plan for the Bolañitos 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 the Bolanitos Project 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 Bolañitos 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 to an electronic format. 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 also 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 underground channel samples used for evaluation and thereby achieve a more accurate base for reconciliation with the mill output.

El Cubo Mines Project, Guanajuato State, Mexico

The following summary of the El Cubo Mines Project is extracted from the technical report titled "Technical Report and Updated Resource and Reserve Estimate for the El Cubo Mine, Guanajuato, Mexico" prepared by Donald E. Cameron, B.A. Geo., M.Sc., Registered Member of SME, Consulting Geologist, with an effective date of June 1, 2012 and dated August 30, 2012. 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.

SUMMARY

Introduction

Endeavour Silver Corp. (Endeavour) engaged consulting geologist Donald E. Cameron, Registered Geologist (S.M.E.) and QP Member (M.M.S.A.), to perform an independent review and re-evaluation of the mineral resources and reserves of the El Cubo mine, Guanajuato, Mexico, required in connection with the acquisition of the property held by AuRico Gold Inc. through Mexgold and its Mexican subsidiary Compania Minera del Cubo, S.A. de C.V (CMC). The purpose of this report is to document the results of that effort in compliance with the requirements of Canadian National Instrument 43-101 (NI 43-101) Standards of Disclosure for Mineral Projects and Canadian Institute of Mining, Metallurgy, and Petroleum (CIM) Definition Standards for Mineral Resources and Mineral Reserves. This report was prepared by Mr. Cameron according to the guidelines of Form 43-101F1, and Companion Policy 43-101CP, as amended by the Canadian Securities Administrators (CSA) and enacted on June 30, 2011.

Donald E. Cameron is a Qualified Person under the Instrument and conducted three site visits to the property in 2012. The conclusions and recommendations in this report reflect his best independent judgment in light of the information available to him as of the effective date of this report, June 1, 2012. This report may, at the author's sole discretion, be revised if additional information becomes known to him subsequent to the effective date. Use of this report acknowledges acceptance of the foregoing conditions.

This report is intended to be used by Endeavour subject to the terms and conditions of the associated agreement with Mr. Cameron. That agreement permits Endeavour Silver to file this report as a Technical

Report with the CSA pursuant to provincial securities legislation. Except for the purposes legislated under provincial securities laws, any other use of this report by a third party is at that party's sole risk.

Mr. Cameron does not have any material interest in Endeavour or related entities. The relationship between Mr. Cameron and Endeavour is a solely professional association between the client and the independent consultant. This report was prepared in return for fees based on agreed upon commercial rates and the payment of these fees is in no way contingent on the results of this report.

Property Description and Ownership

The El Cubo mine property is located in central Mexico in the Mexican state of Guanajuato. The property is near the village of El Cubo, approximately 10 km east of the City of Guanajuato, and about 273 km northwest of Mexico City. The region is mountainous with a mild climate that, except for seasonal rains, rarely impacts mining activities. Year-round access is available over a network of paved and unpaved roads. Power is available from the regional grid, and water for operations is obtained from the underground mines and from surface damming of intermittent streams.

The El Cubo property consists of 61 mining concessions covering an area of approximately 8,144 ha, including several mine adits, ramps, shafts, and the 400 tpd El Tajo leach plant. The property currently includes the Las Torres mine complex (held by lease until May 2013), which is adjacent to the El Cubo property and contains a 2,000 tpd flotation plant.

Compañia Minera del Cubo S.A de C.V (CMC), a wholly owned subsidiary of AuRico, holds a 100% interest in the 61 mining concessions that make up the El Cubo property. On April 16, 2012, Endeavour and AuRico Gold Inc. announced that they entered into a definitive agreement whereby Endeavour would acquire 100% interest in the El Cubo property. On July 13, 2012, Endeavour announced in a press release that it had completed the acquisition of El Cubo and the Guadalupe y Calvo exploration project in Chihuahua State, Mexico for US$100 million in cash and US$100 million in Endeavour common shares (11,037,528 shares). Over the next three years, AuRico will be entitled to receive up to an additional US$50 million in cash payments from Endeavour upon the occurrence of certain events, for total consideration of up to US$250 million. Expiration dates associated with the El Cubo mining concessions range from January 25, 2021, to November 26, 2061.

The concessions are free of liens or encumbrances, except that: (i) one of the concessions (Unificación Villalpando Norte covering 374.46 ha) is subject to a right of way agreement with Minera Las Torres ("Las Torres"), a subsidiary of Industrias Peñoles which is currently under lease by Minera El Cubo; and (ii) 4 of the concessions, R.F. 306, R.F. 307, 1925, and 4334, covering approximately 31 ha, are subject to a lease contract originating in 1941.

CMC leases the Las Torres Mine complex from Industrias Peñoles, S.A.B. de C.V. (Peñoles) that is adjacent to the El Cubo mine. The Las Torres property consists of 47 mining concessions covering 5,999 ha and surrounds the main operating portions of the El Cubo property. The Las Torres concessions have various expiration dates ranging from April 28, 2017 to September 29, 2053. The lease terms include annual lease payments and net smelter return royalties subject to certain minimums. Endeavour represents to the author that the Peñoles lease will expire on May 1, 2013 at which time Endeavour will lose the use and access to the deposits and facilities on that property. Currently, CMC uses the facilities located on the Las Torres lease as part of its critical mine and processing infrastructure.

The El Cubo concessions are subject to annual minimum investments and annual mining taxes. CMC has surface rights agreements that are sufficient to carry out proposed exploration and development activities.

CMC currently holds all necessary environmental permits for exploration and for commercial mining activity on its concessions. It will need to permit a new tailings pond for the El Tajo plant and may require additional permits for other infrastructure needed for operations when the Las Torres lease expires.

History

Mining on the El Cubo property has occurred since the 17th century. The Sierra structure, which includes the El Cubo mine and the adjacent Peregrina mine (part of the Las Torres complex), accounts for much of the gold produced in the Guanajuato district – on the order of 2,000,000 ounces of gold and 80,000,000 ounces of silver. Gold was originally mined from shallow pits near the San Eusebio vein, one of those on the El Cubo concessions which later produced significant amounts of gold and silver.

Bonanza ores were mined through the 1940's when much of the area was consolidated into a single company and claim block resembling the one on which CMC operates today.

The Villalpando vein, located in the central portion of the modern day El Cubo claim block, was the main source of production through the 1970's. The La Poniente vein was discovered in the early 1970's, and high grade gold and silver ore was mined until 1976, when the developed section was exhausted. Production declined until 1980, when new high grade gold and silver mineralization was discovered and developed along the San Nicolas vein. In 1995, production was expanded from 350 to 800 tonnes per day, and then to 1,400 tonnes per day in 2001. The mills saw a decrease in head grade after each expansion, likely due to the use of low grade material from old stope fill as supply for the increased tonnage throughput.

After changes in ownership among private companies from the 1940's through the decades, El Cubo was purchased by Mexgold Resources Inc. (Mexgold) in March 2004. The Las Torres mine and mill complex, owned by Peñoles, was leased by Mexgold in October of 2004. The property included the Peregrina mine, which complements the El Cubo mine by facilitating access to the deeper ore at El Cubo. Mexgold became a wholly owned subsidiary of Gammon Lake Resources Inc., now Gammon Gold Inc., on August 8, 2006. Gammon Gold Inc. changed its name to its current name, "AuRico Gold Inc."(AuRico) on August 26, 2011. In April 2012, Endeavour entered into an agreement with AuRico to acquire a 100% interest in El Cubo. The deal closed on July 13, 2012.

A technical report prepared by Glenn R. Clark & Associates Limited (Clark) and issued by AuRico, entitled Review of Resources and Reserves El Cubo Gold-Silver Mine, Guanajuato, Mexico, dated October 15, 2009, is the only NI 43-101-compliant resource and reserve for the El Cubo property (Tables 1.1 and 1.2).

Table 1.1 Historic El Cubo Mineral Resources, January 1, 2009 (Clark, 2009)

Resource Category	Tonnes (000's)	Au g/T	Ag g/T
Measured	160	2.38	94
Indicated (Underground)	215	2.61	95
Indicated (Open Pit)	2,100	2.72	49
Total Measured and Indicated	**2,475**	**2.69**	**56**
Inferred	2,343	4.84	220

Table 1.2 Historic El Cubo Mineral Reserves, January 1, 2009 (Clark, 2009)

Reserve Category	Tonnes (000's)	Au g/T	Ag g/T
Proven	1,326	3.34	189
Probable	1,696	3.35	157
Total Proven and Probable	**3,022**	**3.34**	**171**

Tables 1.1 and 1.2 exclude resources and reserves reported by Clark that were associated with Las Torres (Peñoles) lease. AuRico reported mineral resources for the El Cubo mine effective December 31, 2011 in filings available on SEDAR and summarized in Table 1.3:

Table 1.3 AuRico El Cubo Mineral Resources reported as of December 31, 2011.

Resource Category	Tonnes (000's)	Au g/T	Ag g/T
Measured	337	1.10	65
Indicated	3,874	2.07	61
Total Measured and Indicated	**4,211**	**1.99**	**61**
Inferred	7,198	2.37	115

The AuRico totals include 2,132,000 tonnes of 2.69 g/T Au and 49 g/T Ag in Measured and Indicated resources and 663,000 tonnes of 3.80 g/T Au and 181 g/T Ag in Inferred resources within properties leased from Peñoles. AuRico also reported mineral reserves for the El Cubo mine (Table 1.4):

Table 1.4 AuRico El Cubo Mineral Reserves reported as of December 31, 2011.

Resource Category	Tonnes (000's)	Au g/T	Ag g/T
Proven	2,238	1.84	114
Probable	3,152	1.88	102
Total Proven and Probable	**5,390**	**1.86**	**107**

AuRico's mineral reserves included 663,000 tonnes of 1.38 g/T Au and 120 g/T Ag from the Peñoles lease in its estimates.

The author did not rely upon the Clark estimates in any way in his preparation of the mineral resource and mineral reserves estimates presented herein. The author used information collected and calculated by CMC/ AuRico, but relied solely on his own review and judgment to make his estimates of mineral resource and mineral reserves. The estimates presented in later sections of this report are the only ones to be considered current and reliable.

Clark estimated total production from the El Cubo mine from 1993 through 2008 of 4,912,000 tonnes averaging 4.27 g/T Au and 121 g/T Ag. AuRico reported production from 2009 to 2011 in its annual public filings. Production reported for 2011 was 256,150 tonnes averaging 1.24 g/T Au and 80 g/T Ag, a year affected by a labor strike that interrupted production. The author relies on information from other sources, Clark and CMC/AuRico, for the historical production data and has not verified them based on his own review.

Geology and Mineralization

The El Cubo mine is located on the southeast flank of the Sierra Madre Occidental geological province in the southeastern portion of the Sierra de Guanajuato, an anticlinal structure about 100 km long and 20 km wide. The property is underlain by a volcano-sedimentary sequence of Mesozoic to Cenozoic age volcanic, sedimentary, and intrusive rocks, some members of which host the veins exploited by the mine. The Cenozoic rocks may have been emplaced in a caldera setting with hydrothermal alteration occurring at approximately 27 Ma (Buchanan, 1980). The Guanajuato mining district hosts three major mineralized fault systems, the La Luz, Veta Madre and Sierra systems. The El Cubo mine exploits veins of the Sierra fault system.

The northwest striking and southwest dipping faults are the main structures containing the very important Villalpando, La Loca, Dolores and Pastora-Fortuna veins. These veins are generally steeply dipping with some northeast dipping sections.

The east-west striking veins dip both north and south. The strike is commonly N85E°-N75°W and can be seen cutting off the northwest structures. Examples of the east-west veins are Alto de Villalpando, a splay of the Villalpando vein, and the San Nicolas (north-dipping) and San Eusebio (south-dipping) veins. The latter two veins have relatively high gold content.

Northeast-striking veins are transverse veins that tend to have a higher gold content than the other veins. These veins normally have a southerly dip. At El Cubo, La Reina, and Marmajas are examples of this series.

The Capulin fault offsets the northwest-striking vein systems at the south end of the El Cubo mine, displacing the Dolores vein downward to the south. Recent drilling intersected mineralization in the south block and it is currently being exploited by underground mining.

Veins are the main targets for mining. Some weak stockworks that grade into disseminations are viable targets, especially if they are close enough to surface and can be mined from an open pit. An historic open cut exists on the Dolores vein in the vicinity of the El Tajo mill. There are 41 veins within the El Cubo mine area that are included in the mineral resource estimate. These mineralized veins are known to occur from an elevation of 2650 m down to an elevation of 1825 m. The Villalpando and the Dolores veins have been actively mined since the early stages of mining at El Cubo.

Mineralized veins at El Cubo consist of the classic banded and brecciated epithermal variety. Silver occurs primarily in dark sulfide-rich bands within the veins, generally with little mineralization within the wall-rocks. The major metallic minerals reported include pyrite, argentite, electrum and ruby silver, as well as some galena and sphalerite, generally deeper in the veins. Mineralization is generally associated with phyllic (sericite) alteration and silicification which form haloes around the mineralizing structures. The vein textures are attributed to the brittle fracturing-healing cycle of the fault-hosted veins during and/or after faulting.

Economic concentrations of precious metals are present in "shoots" distributed vertically and laterally between non-mineralized segments of the veins, and at important vein intersections. The silver-rich veins, such as Villalpando, contain quartz, adularia, pyrite, acanthite, naumannite and native gold. Native silver is widespread in small amounts. Much of the native silver is supergene. Silver sulfosalts (pyrargyrite and polybasite) are commonly found at depth. Gold-rich veins, such as San Nicolas, contain quartz, pyrite, minor chalcopyrite and sphalerite, electrum, and aguilarite.

A vertical mineralogical zonation occurs in the vein system. The upper levels are acanthite + adularia + pyrite + electrum + calcite + quartz and the lower-levels are chalcopyrite + galena + sphalerite + adularia + quartz + acanthite.

The gold/silver ratio in the more gold-rich veins typically ranges from 1:15 to 1:30. The gold/silver ratio in the silver rich veins typically ranges from 1:60 to 1:150, and sometimes higher. The overall gold/silver ratio for the 41 veins included in the resources and reserves is 1:64. The metal zoning appears to be related, at least in part, to elevation. Ranges for gold/silver ratios at El Cubo vary from 1:10 to 1:20 in upper mine levels, from 1:40 to 1:50 in middle mine levels; and 1:100 to 1:150 at depth. Veins are barren below an elevation of about 1,800 m.

The alteration mineral assemblage in the El Cubo veins includes quartz (also, variety amethyst) and adularia with sericite more prevalent in the deeper reaches of the vein system. Chlorite is present laterally. Clay minerals are more common at higher levels of the vein system.

The Guanajuato mining district is characterized by classic, high grade silver-gold, epithermal vein deposits with low sulfidation mineralization and adularia-sericite alteration. The Guanajuato veins are typical of most epithermal silver-gold vein deposits in Mexico with respect to the volcanic or sedimentary host rocks and the paragenesis and tenor of mineralization.

Status of Exploration

From September of 2009 to January of 2012 AuRico conducted a surface exploration drilling program on the Dolores-Capulin target in the El Tajo area comprising a total of 41,695 m of diamond drilling. A general labor strike interrupted exploration activities in 2010 and 2011. The program tested several vein targets on El Cubo and Las Torres mine concessions, including the San Cosme vein, Puertecito, and La Cruz. On El Cubo concessions at the south end of the El Cubo mine, AuRico tested the Villalpando Gap area with seven drill holes, the crown pillar of the Dolores vein near the Dolores ramp and the plant complex, and an offset of the veins across the Capulin fault, the Dolores SE extension. The majority of drill meters went for tests of the latter. As a result of the drilling, new mineralization was discovered in the Capulin fault and in the Dolores SE, now called the Dolores 2 vein.

In 2012, the mine has two significant underground drifting programs in progress to explore areas discovered by the diamond drilling and indicated by past development sampling. The most significant is the current development of the Dolores 2 vein on two sublevels, which accounts for a significant portion of the total development ore delivered to the plant. The other significant program in progress is deepening of a ramp on the Villalpando to Level 9 to provide access to resource blocks and portions of the vein which are unexplored. New estimates of resources and reserves are reported here for the Dolores 2 vein and Dolores crown pillar.

A list of 32 proximal exploration targets is included in this report based on a review of information available at the El Cubo mine. Endeavour plans to initiate exploration programs in July of 2012. This will comprise surface and underground diamond drilling programs carried out on district targets and targets proximal to the mine workings.

El Cubo processes drill core in a locked storage facility on the property outside of the security perimeter of the mine. AuRico implemented a limited quality control program in effect for drilling in 2010 and 2011, results for which indicate no material issues with accuracy of the assays submitted to commercial laboratories.

Development and Operations

Mining is organized into 5 separate physical areas, Areas 1–5, which have separate crews and infrastructure for access, stoping, ventilation, and ore haulage. The area separations are geographic, and also by level. Hoisting, haulage, and trucking are shared to the extent allowed by the layout of the underground mine workings and the geographic separation of areas.

Conventional drill and blast methods are used to extract the mineralized material, and access to the mining areas is via ramps, adits, and shafts. Mine development headings are drilled by jumbo or by jackleg. The choice of equipment is generally guided by the anticipated vein width, stoping method, and equipment availability. Approximately 80% of the stoping is mechanized cut-and-fill and the balance is longhole open-stoping. Endeavour plans to increase the percentage of longhole stoping.

The mine has its own fleet of scoops, trucks and rail cars to extract and move the ore from the mines. Depending on the location underground, the ore is taken to surface by trucks via the ramp, shafts, or rail haulages. The mine has an inventory of 94 jacklegs which are spread throughout the operations. Three Boart Stopemate 2006-3 drills are used for longhole stoping, and contractors supply additional mining equipment for development. Two contractors are used in the mining operations, COMINVI (Cominvi, S.A. de C.V.) and JASSO. They are involved in the development of certain areas of the mines and in haulage of ore from underground and surface stockpiles to the plant.

Since May of 2011 it is standard procedure throughout the mine to install systematic ground control. Ground control is carried out using a combination of split sets, mesh, w-straps, and cable bolts. The type of support varies according to the conditions encountered, but split sets are most common and are complemented as needed with mesh and/or w-straps.

Cable bolting is required during the preparation of stopes for longhole blasting. The cable bolts are installed by drilling holes in the hanging wall and fixing the bolts in place with cement pumped into the hole.

The upper levels of the mine are dry. Water inflows are a factor in the lowest development levels in Area 4 where they are collected, pumped, and distributed to help supply the mine's needs for water. The lowest historic development level of Area 2, Level 9 of the Villalpando vein, is flooded, and pumping is being carried out in an effort to regain access.

The ventilation system at El Cubo is a combination of natural and mechanical**,** but mostly the former. The air flow enters through the various access ramps, shafts, raise bore holes and old mine openings, moves down to the lower part of the mine and exhausts through a series of partially open old areas of the mine, raise bore holes, and conventional raises. The ventilation system for the mines must be improved to minimize the risk of an underground fire, promote a better working environment, and to improve production levels. Proposed improvements to the ventilation system include the purchase of ventilation equipment, increasing electrical power capacity, and increasing the number of raise bore holes dedicated to ventilation in strategic locations.

The company has a total of 944 workers including 69 employees, 468 union members, and 407 contractors. Contract work includes underground development, labor, haulage, transport of personnel, civil works, and security.

Mineral Resources

The mineral resource estimates presented in this report follow the guidelines of the Canadian Securities Administrators' National Instrument 43-101 and Form 43-101F1(F) and conform with generally accepted CIM <u>Estimation of Mineral Resource and Mineral Reserves Best Practices Guidelines</u>. Mineral resources have been classified in accordance with the CIM <u>Standards For Mineral Resources and Reserves: Definitions</u> (November 27, 2010).

The author has undertaken a review and estimation of the mineral resource inventory with respect to the available data and Endeavour's operating plan. Resource estimates discussed and tabulated in this report exclude any resources associated with the property currently leased from Peñoles (Las Torres lease).

Chip sampling data composes the bulk of the resource database. Generally, data necessary to estimate resources is maintained in electronic form in spreadsheets. Older data, some as much as 100 years old, is posted on paper or linen maps. The drill hole database is maintained in office spreadsheet and database applications consisting of separate tables of collar location information, downhole surveys, assays, and geologic codes. The author created a spreadsheet to store the individual line items necessary to tabulate resources and as a basis to conduct his review.

The resources are estimated by polygonal methods using, in general, fixed-distance vertical projections from chip samples lines in the development drifts and stopes, and lateral projections from raises, compositing grades to a minimum vein width of 0.8 m. The average grade of a sample line is the average of the capped assays, weighted by the length of each sample. Geologists review grade trends in the sample line averages along the development drifts, and group adjacent lines with similar grades together to form resource blocks. The average of a length of vein in longitudinal section is the average of all of the samples in the vein along that length weighted by their widths. The area of a block is the length in section multiplied by the vertical (or lateral for raises) projection. The volume is obtained by multiplying the area by the average width of the vein as sampled and diluted to 0.8 m minimum mining width. Tonnage is calculated by multiplying the block volume by a global bulk tonnage factor of 2.5 tonnes/m^3. Each resource block is given a name whose prefix is the level followed by a distance from a reference point, usually a coordinate from the local coordinate system used for the long section. The blocks are tabulated in the master spreadsheet and are classified according to distance-to-nearest-data criteria if they are determined to have reasonable potential for economic extraction.

Estimated blocks are capped to maximum grades of 500 g/T Ag and 9.0 g/T Au. Metals prices assumptions are $1575 per ounce for gold and $28 per ounce for silver. Resource blocks above a cutoff of 98 g/T silver equivalent are considered for inclusion in resources.

For mineral resources estimated based on chip sample data, Measured resources are projected up to 10 m from sample data or halfway to adjacent data points, whichever is less, and Indicated resources based on chip sample data may be projected an additional 20 m. Inferred resources may be projected an additional 50 m, thus the total projection from sample data may be up to a maximum of 80 m vertically. These projections are reduced from those in use through 2011 which allowed projections up to 40 m for Indicated resources (30 m beyond Measured) and 190 m for Inferred resources (150 m beyond Indicated).

The Measured and Indicated mineral resources for the El Cubo mine as of June 1, 2012, are summarized in Table 1.5. The resources are exclusive of the mineral reserves. Inferred mineral resources are summarized in Table 1.6.

Table 1.5 Measured and Indicated Resources for El Cubo Mine, June 1, 2012*

Description	Tonnes	Ag g/t	Au g/t	Ag oz	Au oz
Measured	256,000	78	1.58	640,000	13,000
Indicated	1,095,000	108	1.81	3,790,000	63,500
Total Measured and Indicated	**1,351,000**	**102**	**1.76**	**4,430,000**	**76,500**

Table 1.6 Inferred Resources for El Cubo Mine, June 1, 2012*

Description	Tonnes	Ag g/t	Au g/t	Ag oz	Au oz
Inferred	2,480,000	143	2.77	11,410,000	220,000
Total Inferred	**2,480,000**	**143**	**2.77**	**11,410,000**	**220,000**

*Notes to Tables 1.5 and 1.6:

1. Mineral resource cut-off grade is 98 g/T Ag eq
2. Minimum mining width for mineral reserves and mineral resources is 0.8 meters
3. Mineral resource price assumptions are $1575 and $28 per troy ounce for gold and silver, respectively
4. Mineral resource silver equivalent is approximately 50:1 for gold:silver
5. Mineral resources are not fully diluted and no mining recovery or mill recovery is applied
6. Mineral resources are exclusive of mineral reserves
7. Figures in table are rounded to reflect estimate precision; small differences generated by rounding are not material to estimates

There is no assurance that mineral resources will be converted into mineral reserves. Mineral resources are subject to further dilution, recovery, lower metal price assumptions, and inclusion in a mine plan to demonstrate economics and feasible of extraction. Not all of the mineral resources can be physically examined due to temporary accessibility issues related to the mine sequence. Estimates for some mineral resources rely on historical data which cannot be verified without re-sampling.

Mineral Reserves

The mineral reserve estimates presented here were prepared according to the guidelines of the Canadian Securities Administrators' National Instrument 43-101, Form 43-101F1(F), and CIM Estimation of Mineral Resource and Mineral Reserves Best Practices Guidelines. Mineral reserve classifications comply with_CIM Definition Standards for Mineral Resources and Mineral Reserves (November 27, 2010).

Mining recovery of resources is estimated at 95% and this factor is applied to reserves. Pillar recoveries are generally set to 75%. It is nearly certain that the dilution and metal recovery experienced in the mine is a combination of many factors, and is at best valid on a global basis over relatively long time periods. As part of the current review of resources, block tonnage recovery factors are further adjusted on a block-by-block basis, applying additional factors ranging from 0.1 to 1.0.

The mining breakeven cutoff grade based on historical actual mining cost data supplied by the El Cubo mine is applied to fully diluted resources in order to determine if they warrant inclusion in the mine plan. The production cost data, reserve price assumptions, and mill recoveries determine the reserve breakeven cutoff grade. Cutoff grade is calculated for each of the four operating areas of the El Cubo mine. The average reserve cutoff grade for the four working areas is 135 g/T Ag equivalent. Silver equivalent grade is calculated as (silver grade + gold grade) * 55, taking into account gold and silver prices and expected mill recoveries.

El Cubo mineral reserves comply with CIM standards and definitions of Proven and Probable mineral reserves. Measured and Indicated resource blocks that meet dilution and cutoff grade requirements, and that are deemed feasible and economic for extraction in a life-of-reserve mine plan are classified as Proven and Probable, respectively, after further adjustment of tonnage for expected mining recovery. Mineral reserves reflect mining depletion to June 1, 2012.

The Proven and Probable mineral reserves for the El Cubo mine as of June 1, 2012, are summarized in Table 1.7, below. The reserves are exclusive of the mineral resources reported in Tables 1.5 and 1.6.

Table 1.7 Estimated Proven and Probable Reserves for El Cubo Mine, June 1, 2012*

Description	Tonnes	Ag g/t	Au g/t	Ag oz	Au oz
Proven	285,000	138	2.14	1,270,000	19,600
Probable	1,310,000	137	2.20	5,770,000	92,500
Total Proven and Probable	**1,595,000**	**137**	**2.19**	**7,040,000**	**112,100**

*Notes to Table 1.7:
1. Average cut-off grade at El Cubo is 135 g/T Ag equivalent
2. Minimum mining width for mineral reserves and mineral resources is 0.8 meters
3. Dilution is 75% - 125% of *in situ* tonnes
4. Mining recovery of 95% or 75% (Pillars-only) applied to mineral reserves
5. Silver equivalent is 55:1 for gold:silver
6. Mineral reserve price assumptions are $1250 and $23.3 per troy ounce for gold and silver, respectively
7. Mineral reserves take into account metallurgical recovery assumptions of 89.4% and 87.7% for gold and silver, respectively
8. Mineral reserves are exclusive of mineral resources
9. Figures in table are rounded to reflect estimate precision; small differences generated by rounding are not material to estimates.

The El Cubo mine is an operating mine with a long history of production, and mine staff have considerable experience with the nature of the El Cubo orebodies. The mine faces continual challenges associated with maintaining access, infrastructure, and production rates due to a large number of relatively small reserve blocks and difficulty in pillar recovery.

Conclusions and Recommendations

The author considers the El Cubo mine mineral resource and mineral reserve estimates reported here to be compliant with the current CIM standards and definitions for resources and reserves, as required 43-101CP Standards of Disclosure for Mineral Projects. The author is not aware of any significant legal, environmental or political consideration which would prevent the extraction and processing of the mineral resources and mineral reserves at the El Cubo mine, but technical issues related to the transfer of all processing and haulage to within the El Cubo mine concessions do constitute risks for maintaining production. The mineral resource and mineral reserve estimates rely on assumptions and factors that are valid at the time of reporting. Mineral resources that are not mineral reserves do not have demonstrated economic viability.

The El Cubo mine represents a substantial and productive portion of the veins of the Guanajuato mining district. The district is notable for the strikelength of its veins and the great vertical extent of mineralization, ranking it among the foremost silver districts of the world and a classic example of a low-sulfidation epithermal vein deposit. The mine has been in nearly continuous production in the last several decades and benefited in 2009 – 2012 from a surface exploration program of limited scope. A substantial effort combining direct underground exploration, underground drilling, and surface drilling will be necessary to sustain the mine and upgrade/expand the resource and reserve base beyond the current 3.5 years in the life-of-mine plan. The Villalpando vein and its splays will continue to provide the bulk of production from the mine and many of its exploration targets despite having had centuries of exploitation to the current day. The El Cubo concessions cover at least 5 km of the trace of the vein across the district. The Dolores 2 vein is an important parallel structure along which new resources and reserves are being added with a combination of underground development and diamond drilling. The author recommends that Endeavour execute the recommended exploration programs in order to maintain, and possibly increase its mineral resources and mineral reserves.

Present El Cubo mine operations are divided into four units that have limited communication and are accessed from widely dispersed locations. The logistics of maintaining four different principal accesses, multiple haulages, plants, shops, and administrative personnel puts a large burden on productivity and administration costs. The operations will undergo a major transition with the expiration of the Las Torres lease, and this change represents a number of risks and opportunities.

Risks include a possible reduction or lapse in production if any of the key components of the processing plant – crushing, grinding, and flotation circuits, refinery and leach plant upgrades, and tailings impoundments are not completed by May, 2013. Other timing risks include needed infrastructure: new power and water supply sources and their distribution, mine hoisting, haulage and ventilation. Endeavour must direct a smooth transition as new owner, and maintain and improve the extraction of reserves. Alternative access and haulage must be developed to extract the reserves currently served by the infrastructure built around the Sta. Lucia shaft on the Las Torres lease. The mine's net cash flow is very sensitive to reserve grade and metal prices, and to a lesser degree operating costs. A substantial drop in revenues due to negative variances in reserve grade or prices could force changes in the present mine plan, and negatively impact recovery of all of the mineral reserves.

Endeavour has an opportunity to make improvements all across the operation as a result of having to move a portion of its processing, hoisting, and haulage to the El Cubo concessions that is currently located on the Las Torres lease. Stockpiling, crushing, and milling will move to an upgraded plant at El Tajo. Maintenance operations will no longer be required on the Sta. Lucia and Tiro Guanajuato shafts and facilities. An improved Sta. Cecilia ramp access will facilitate ore haulage directly to surface from several workplaces. New mining equipment purchases may reduce dilution and facilitate more rapid waste development to access reserve blocks. Security and loss control should improve by consolidating operations to three, or less independently operated areas from the current four areas. The known veins and other targets on the concession package are underexplored by drilling. If Endeavour maintains its exploration programs, resources and reserves have excellent potential to maintain or grow. Reserve price assumptions are considerably below market prices at this writing. If current prices maintain, the profitability of the operation and incentive to explore will be very positively impacted.

The author makes the additional following recommendations to assist Endeavour in its grade control and resource estimation processes:

- Grade control and personnel training will be critical to achieving improvements in ore grades. Current mapping, sampling, and database management practices do not lend themselves to accurate estimates of mined grades, to flexible reporting, or good security. Specialized 3-D mine modeling and visualization software would improve management of grade control information, resources and reserves. The mine should hire a geologic database administrator to assist the geologists and engineers with its grade control program.

- Reserve dilution factors are fairly arbitrary and the author recommends that the mine develop measurement criteria to assess dilution and ore loss, and methods to implement them on a routine basis. This may involve changes to grade control procedures, surveying, and daily production sequencing. The data generated can be used to produce reliable reconciliations of reserves to mill production which are tools to improve performance in all areas. Since the project is much more sensitive to grade than mining cost, an increase in the cost/tonne from grade control should yield higher revenue if well-executed.

- Assaying protocols and quality control practices should be improved in the laboratory to ensure accuracy and precision.

- Supervision in the mine must control development drift sizes to standards, adhere to production drilling protocols, and ensure better preparation of longhole stopes to maximize recovery of the reserves.

- Development, stoping, and backfill must be balanced in the short and long-term mine plans to help eliminate bottlenecks and production variances.

San Sebastian Project, Jalisco State, Mexico

The following summary of the San Sebastian Project is extracted from the technical report titled "NI 43-101 Technical Report Audit of the Mineral Resource and Reserve Estimate for the San Sebastian Project, Jalisco State, Mexico" prepared by William J. Lewis, BSc., P.Geo. and Charley Z. Murahwi, M.Sc., P.Geo, Pr.Sci.Nat., FAusIMM, with an effective date of March 6, 2013 and dated December 15, 2013. 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.

SUMMARY

Introduction

Endeavour Silver Corp. (Endeavour Silver) has retained Micon International Limited (Micon) to provide an audit of Endeavour Silver's resource estimation for the San Sebastián precious metal Project in the State of Jalisco, Mexico. This is the second Technical Report by Micon discussing a resource estimate for this Project.

This report constitutes an independent audit of the updated mineral resource estimate for Endeavour Silver's San Sebastián Project as of December 15, 2012. The estimate was conducted to ensure that the mineral resource estimate complies with the Canadian Institute of Mining, Metallurgy and Petroleum (CIM) standards and definitions required under Canadian National Instrument 43-101 (NI 43-101) regulations.

This report also comments on the propriety of the budget for the continuing studies and exploration programs on the San Sebastián Project.

The term San Sebastián Property, in this report, refers to the entire area covered by the mineral licence, while the term San Sebastián Project refers to the area within the mineral licence on which the exploration programs are being conducted.

This report follows the format and guidelines of Form 43-101F1, Technical Report for National Instrument 43-101, Standards of Disclosure for Mineral Projects, and its Companion Policy NI 43-101CP, as amended by the Canadian Securities Administrators (CSA) and which came into force on June 30, 2011. The June 30, 2011 format and guidelines of Form 43-101F1 and its Companion Policy NI 43-101CP replace the former format, guidelines and companion policy which were dated December 23, 2005.

Micon does not have, nor has it previously had, any material interest in Endeavour Silver or related entities. The relationship with Endeavour Silver is solely a professional association between the client and the independent consultant. This report is prepared in return for fees based upon agreed commercial rates and the payment of these fees is in no way contingent on the results of this report.

This report is intended to be used by Endeavour Silver subject to the terms and conditions of its agreement with Micon. That agreement permits Endeavour Silver to file this report as a Technical Report with the CSA pursuant to provincial securities legislation. Except for the purposes legislated under provincial securities laws, any other use of this report, by any third party, is at that party's sole risk.

This 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.

The conclusions and recommendations in this report reflect the authors' best independent judgment in light of the information available to them at the time of writing. The authors and Micon reserve the right, but will not be obliged, to revise this report and conclusions if additional information becomes known to them subsequent to the date of this report. Use of this report acknowledges acceptance of the foregoing conditions.

Location and property description

San Sebastián del Oeste (San Sebastián) is an historic silver and gold mining district located in southwestern Jalisco State, approximately 155 km southwest of Guadalajara and 40 km northeast of Puerto Vallarta, accessible by paved and gravel roads. One small, high grade, underground silver-gold mine, La Quiteria (130 tonnes per day), continues to operate in the district. The San Sebastián Properties being acquired by Endeavour Silver surround the La Quiteria mine and represent a new, district-scale, silver-gold exploration opportunity for the company.

Ownership

In February, 2010, Endeavour Silver acquired an option to purchase the San Sebastián silver-gold Properties in Jalisco State from Industrias Minera México S.A. de C.V. (IMMSA), also known as Grupo Mexico, one of the largest mining companies in Mexico.

Endeavour Silver holds the San Sebastián Project through its 100% owned Mexican subsidiary, Endeavour Gold Corporation S.A. de C.V. (Endeavour Gold). Endeavour Gold holds the Project through its 100% owned subsidiary Minera Plata Adelante S.A. de C.V. (Minera Plata).

At present, the Project is comprised of 12 mineral concessions. The core group of 10 concessions totalling 3,388 hectares (ha) is owned by IMMSA. These concessions cover the main area of the known mining district. Endeavour Silver can acquire a 100% interest in the San Sebastián Properties from IMMSA by making cash payments totaling US $2.75 million and spending US $2.0 million on exploration over a three year period. IMMSA will retain a 2% NSR royalty on mineral production from the properties.

In 2012, Endeavour Silver also filed and received title for 2 concessions (San Sebastián FR. 1 and FR. 2) totalling 2,078 ha.

The annual 2013 concession tax for the San Sebastián Properties is estimated to be approximately 685,400 Mexican pesos (pesos), which is equal to about US $52,000 at an exchange rate of 18 pesos to US $1.00 dollar. The annual 2013 concession tax is approximately 642,900 pesos for the IMMSA Properties, and 42,500 pesos for the Endeavour Silver Properties.

History

Although the San Sebastián silver and gold mines were first discovered in 1542, and there were several periods of small-scale mining over the last 450 years, the only significant modern exploration in the district was carried out by IMMSA in the late 1980's and early 1990's.

According to Southworth in his 1905 volume on Mexican mining, "*These veins have been mined for more than three centuries, and the production has been enormous. Many exceptionally rich bonanzas have been extracted, with the aggregate production totals many millions.*" However, while this has may have been the case, the data available appear to suggest that this mining district was a minor silver producer when compared to the more well-known districts which have been among the world class producers.

Ramirez, in his 1884 volume entitled "*Noticia Historica de la Riqueza Minera De Mexico Y de Su Actual Estado de Explotación or Historical News of the Mineral Wealth of Mexico*" does not appear to mention the Sebastián del Oeste region as a major past or current producing district. Even the Consejo de Recursos Minerales 1992 Monograph for the State of Jalisco has no production records for the San Sebastián mining district and only briefly mentions the district and some of the more well-known veins.

As is the case with many mines in Mexico which were owned by individuals or corporations, the historical production records have not survived the revolutions, passing of the individual owners, closing of the mines, corporate failure, or government seizure of assets. Therefore, the exact silver production is unknown.

Geology and mineralization

The San Sebastián Properties (5,466 ha) cover a classic, low sulphidation, epithermal vein system in four mineralized vein sub-districts named Los Reyes, Santiago de los Pinos, San Sebastián and Real de Oxtotipan. Each sub-district consists of a cluster of quartz (calcite, barite) veins mineralized with sulphide minerals (pyrite, argentite, galena and sphalerite). Each vein cluster spans about a 3 km by 3 km in area. In total, more than 50 small mines were developed historically on at least 20 separate veins.

The San Sebastián veins tend to be large and can carry high grade silver-gold mineralized deposits. For example, the La Quiteria vein ranges up to 15 m thick, and the Santa Quiteria mine averages about 280 g/t silver and 0.5 g/t gold over a 3 m to 4 m width. This high grade mineralized zone appears to extend into the San Sebastián Properties both along strike and immediately down dip.

EXPLORATION PROGRAM

2010 Exploration Program

In 2010, Endeavour Silver commenced exploration activities on the San Sebastián Project. Initial work mainly included data compilation, field mapping and sampling. A total of US $325,586 (including property holding costs) was spent on exploration activities on the San Sebastián Project.

2011 Exploration Program

In 2011, exploration activities continued on the San Sebastián Project and included geological mapping, rock chip sampling, topographic surveying and diamond drilling.

A total of US $2,249,443 (including property holding costs) was spent on exploration activities on the San Sebastián Project in 2011.

2012 Exploration Program

In 2012, exploration activities continued on the San Sebastián Project, primarily involving surface diamond drilling.

A total of US $2,835,965 (including property holding costs) was spent on exploration activities on the San Sebastián Project through November, 2012, In 2012, Endeavour Silver continued to conduct a surface diamond drilling program on prospective targets within the San Sebastián property. Exploration drilling focused in two main areas: 1) The Real el Alto area, exploring the Animas-Los Negros and Real veins, and 2) The Central area, exploring the extension of the Quiteria vein, to the west of the La Quiteria mine, and the Terronera vein.

By the end of November, 2012, Endeavour Silver had completed 13,237.10 m of drilling in 32 surface diamond drill holes at the San Sebastián Project. A total of 3,118 diamond drill core samples were collected and submitted for assay.

Given the success of Endeavour Silver's exploration program at San Sebastián, it plans to continue exploration focused on expanding the new resources identified and testing several new prospective targets within the district. The primary long-term goal of this program is to delineate sufficient resources on the San Sebastián property in order to permit preliminary mine planning, economic analysis and a possible development decision.

Future exploration activities will primarily focus on the Terronera vein, which is up to 13 m wide has been traced for 2 kilometres along strike. Several old shafts and adits mark the locations of small scale historic mining along the vein. Drilling will continue with two drill rigs to delineate the lateral and vertical extent of the recently discovered high grade silver-gold mineralization in the Terronera vein.

2013 Exploration Program

The 2013 exploration program is planned to include 16,000 m of core in approximately 40 surface diamond drill holes to delineate resources on the Terronera vein. Endeavour Silver is budgeting to spend US $3,561,800, mainly on diamond drilling, in an effort to expand the resource base on its property during 2013. The estimated cost of diamond drilling, including roads and drill pads, is US $180/m. Diamond drilling costs are higher than on Endeavour Silver's other projects due to the generally poor ground conditions of the rock being drilled.

The approximate time-frame for execution of this drilling program is 8 months.

A final cash payment to IMMSA totaling US$2,000,000 to excercise the option will also be required in February, 2013.

Micon has reviewed Endeavour Silver's proposal for further exploration and studies on its San Sebastián Project and considers that the budget for the proposed program is reasonable. Micon recommends that Endeavour Silver implements the program as proposed, subject to either funding or other matters which may cause the proposed program to be altered in the normal course of its business activities, or alterations which may affect the program as a result of the exploration activities themselves.

2012 MINERAL RESOURCE ESTIMATE

The mineral resource discussed in this report was estimated using the Canadian Institute of Mining, Metallurgy and Petroleum (CIM) Standards on Mineral Resources and Reserves, Definitions and Guidelines prepared by the CIM Standing Committee on Reserve Definitions and adopted by CIM Council on November 27, 2010. The effective date of this mineral resources estimate is December 15, 2012.

Animas-Los Negros,El Tajo and Real Veins

The estimate was conducted using a polygonal/sectional method. Grade capping (based on log-probability plots) was at 524 g/t and 2.38 g/t for silver and gold, respectively.

Terronera Vein

A block model was developed for the Terronera vein which has been tested by more than 20 drill holes. The block size used to match the drilling density on a 50 m grid was 25 m along strike x 25 m down dip x the width of the vein. Grade interpolation was achieved by using the inverse distance cubed (ID^3) technique. Grade capping (based on log-probability plots) was at 1,970 g/t and 7.96 g/t for silver and gold, respectively.

Cut-off Grade

The cut-off grade selected by Endeavour Silver for the resource estimate is 100 g/t silver equivalent (AgEq), using a 50:1 ratio based on prices of US $31/oz silver and US $1,550/oz gold, with no base metal credits applied.

A summary of the resources at a cut-off grade of 100 g/t AgEq is given in Table 1.1.

Table 1.1
Summary of the San Sebastian Mineral Resources at a Cut-off Grade of 100 g/t AgEq

(at December 15, 2012)

Vein	Category	Tonnes	Silver (g/t)	Gold (g/t)	Silver (oz)	Gold (oz)	Silver Eq (oz)
Total	**Indicated**	**1,835,000**	**193**	**1.17**	**11,400,300**	**69,300**	**14,865,300**
Total	**Inferred**	**3,095,000**	**196**	**1.39**	**19,500,400**	**138,100**	**26,405,400**

1. Mineral resources which are not mineral reserves do not have demonstrated economic viability. The estimate of mineral resources may be materially affected by environmental, permitting, legal, title, taxation, sociopolitical, marketing, or other relevant issues.
2. There has been insufficient exploration to define the inferred resources as an indicated or measured mineral resource. It is uncertain if further exploration will result in upgrading them to an indicated or measured mineral resource category.

To the best of Micon's current knowledge, there are no known environmental, permitting, legal, title, taxation, socio-economic, marketing or political issues which could adversely affect the mineral resources estimated above.

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

The updated mineral resource estimate of the San Sebastián Project is sufficiently encouraging to warrant further investigation to upgrade and expand the resource. Bearing in mind that several veins within the Project area which have shallow artisanal workings have not yet been tested by drilling, Micon believes there is a reasonable chance of expanding the resources.

Micon has conducted an audit of the Endeavour Silver updated resource estimate as at December 15, 2012, and considers the estimate 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. The estimation approach/methodology used is reasonable and commensurate with the data levels.

Despite the potential for additional resources, Endeavour Silver is yet to determine whether its mineral property contains mineral reserves that are economically recoverable.

Recommendations

Future Work

Based on the encouraging updated resource estimate, Micon makes the following recommendations for further work.

In the short to medium term, all exploration and additional drilling programs should focus on upgrading and expanding the resources.

A 3D geological model of the vein systems intersected in drill holes and exposed in existing underground workings should be compiled to serve as a guide in determining and targeting possible extensions to the mineralized zones already known, in addition to establishing where infill holes should be drilled. This model should be continually updated as and when new information becomes available.

Where possible, limited underground development and core drilling and sampling should be conducted to complement surface exploration activities and the data should be incorporated into the 3D geological model.

While the company's drilling programs may continue to prioritize areas perceived to have high grade resource potential, lower grade targets should also be continually assessed in order to establish the overall resource potential for the entire property.

Stringent QA/QC measures should be maintained.

Metallurgical investigations should be initiated to establish the optimum recovery method(s) and grade-recovery relationship(s).

Budget

In line with these recommendations, Endeavour Silver has proposed an exploration budget of US $3.562 million for the period January, 2013 to December, 2013. Table 1.2 summarizes the planned 2013 surface exploration budget for the San Sebastián Project.

Table 1.2
Summary of Total 2013 Expenditures for the San Sebastián Project Exploration Programs

Project Area	2013 Exploration Programs			Budget (US $)
	Drill Holes	Metres	Samples	
Central Area (Terronera etc.)	40	16,000	4,000	3,457,500
San Sebastián Regional	0	0	200	104,300
Total	**40**	**16,000**	**4,200**	**3,561,800**

Table provided by Endeavour Silver Corp.

Micon considers that the proposed budget is reasonable and recommends that Endeavour Silver proceed with the proposed work program.

Further Recommendations

In preparation for economic studies on the San Sebastián Project, Micon makes the following additional recommendations.

1) Basic engineering studies for infrastructural requirements should be initiated in preparation for economic studies.

2) The possible synergies from co-operation with third parties holding prospective mining interests in and surrounding the San Sebastián Project area should be investigated.

ITEM 5: DIVIDENDS

5.1 Dividends

The Company has not declared any dividends during the past three fiscal years ended December 31, 2012. Although there are no restrictions preventing the Company from paying dividends, 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, 2012:

	December 31, 2012
Authorized share capital	Unlimited number of common shares without par value
Number of shares issued and outstanding	99,541,522 common shares without par value

As at March 28, 2013, the Company has 99,688,010 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 MKT.

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, 2012, the months of January and February 2013 and the period from March 1, 2013 to March 27, 2013 are set out below:

Date	Open	High	Low	Close	Volume Traded
Mar-13	6.00	6.76	5.15	6.47	3,487,639
Feb-13	7.01	7.11	5.75	6.06	3,103,849
Jan-13	8.11	8.23	6.83	6.84	3,730,331
Dec-12	8.62	8.67	7.51	7.84	3,927,117
Nov-12	9.29	9.29	7.75	8.64	5,022,215
Oct-12	9.95	10.13	8.53	9.07	10,656,753
Sep-12	8.90	10.46	8.74	9.80	4,398,735
Aug-12	7.87	8.97	7.67	8.76	3,934,360
Jul-12	8.58	9.50	7.74	8.02	3,064,489
Jun-12	9.24	10.23	7.87	8.23	5,565,655
May-12	9.20	9.38	7.34	9.05	5,668,203
Apr-12	9.45	9.81	7.97	9.18	3,728,098
Mar-12	10.23	10.52	8.98	9.45	5,155,937
Feb-12	11.50	11.58	10.01	10.29	5,451,141
Jan-12	10.26	11.49	9.93	11.34	5,170,091

The price ranges for the Company's common shares in US$ and volume traded on the NYSE for the most recently completed fiscal year ended December 31, 2012, the months of January and February 2013 and the period from March 1, 2013 to March 27, 2013 are set out below:

Date	Open	High	Low	Close	Volume Traded
Mar -13	5.82	6.59	5.00	6.37	28,487,267
Feb-13	7.01	7.12	5.67	5.77	23,743,381
Jan-13	8.15	8.35	6.85	6.87	23,674,673
Dec-12	8.66	8.73	7.61	7.89	19,976,399
Nov-12	9.20	9.30	7.72	8.63	25,175,511
Oct-12	10.14	10.28	8.58	9.12	24,043,316
Sep-12	9.02	10.73	8.91	9.98	28,973,792
Aug-12	7.86	9.05	7.70	8.89	22,164,791
Jul-12	8.08	8.69	7.60	7.95	21,638,928
Jun-12	8.91	9.85	7.61	8.12	26,168,824
May-12	9.30	9.46	7.25	8.68	30,486,442
Apr-12	9.48	9.90	8.05	9.27	22,997,538
Mar-12	10.42	10.70	9.01	9.40	28,537,405
Feb-12	11.57	11.61	10.02	10.39	25,105,778
Jan-12	10.11	11.49	9.80	11.32	25,200,410

ITEM 8: ESCROWED SECURITIES

8.1 Escrowed Securities

As at December 31, 2012, there were no escrowed securities or securities subject to contractual restriction on transfer.

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	CEO and Director of Endeavour	Director and Chief Executive Officer (since July 25, 2002)	1,285,337 1.29%
Godfrey J. Walton British Columbia, Canada	Director, President and COO of Endeavour and President, G.J. Walton & Associates Ltd.	Director, President and Chief Operating Officer (since July 25, 2002)	164,189 0.16%
Ken Pickering[(1)] British Columbia, Canada	Vice President, Major Projects BHP Billiton to Oct 2010: Independent Director of Pan Aust (ASX); TheMac Resources (TSXV); and Enaex (Chile).	Director (since August 20, 2012)	Nil
Mario D. Szotlender [(1),(2)] Caracas, Venezuela	Independent Consultant and Director of several public mineral exploration and mining companies	Director (since July 25, 2002)	170,100 0.17%
Geoffrey Handley [(1),(2)] Sydney, Australia	Independent Director of several public mineral exploration and mining companies	Chairman (since May 23, 2012) Director (since June 14, 2006)	10,000 0.01%
Rex McLennan [(2)] Alberta, Canada	Chief Financial Officer of Viterra Inc. until December 2012	Director (since June 14, 2007)	10,000 0.01%

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)
Ricardo Campoy (2) New York, USA	Managing director of Headwaters MB, Director of General Moly, White Tiger Gold Ltd. and Forsys Metals Corp	Director (since July 9, 2010)	4,000 0.004%
Daniel Dickson British Columbia, Canada	CFO of Endeavour	Chief Financial Officer (since April 1, 2008)	Nil
Luis Castro Durango, Mexico	VP of Exploration of Endeavour, prior Manager of Exploration of Endeavour	Vice President, Exploration (since November 12, 2012)	Nil
David Howe Leon, Mexico	VP of Operations of Endeavour since November 2007	Vice President Operations, Mexico (since November 1, 2007)	20,000 0.02%
Terence Chandler British Columbia, Canada	Consulting Geologist Terrenex Consulting, President Redcorp Ventures Limited	Vice President Corporate Development (since January 1, 2013)	Nil
David Tingey British Columbia, Canada	Health, Safety and Environment professional within the mining industry	Vice President Health, Safety and Sustainability (since January 15, 2013)	Nil
Bernard Poznanski British Columbia, Canada	Lawyer, Koffman Kalef Business Lawyers	Corporate Secretary (since March 9, 2009)	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 28, 2013 the directors and officers of the Company as a group beneficially owned, directly or indirectly, or exercised control or direction over an aggregate of 1,663,626 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; and

(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.

Ricardo Campoy was a director of Century Mining Corporation ("Century") when it was subject to cease trade orders or management cease trade orders in issued March 2008, April 2009 and May 2010.

(a) On March 14, 2008, Century received notice from the British Columbia Securities Commission that the British Columbia Securities Commission had invoked a cease trade order with respect to Century's shares as a result of inadequacies in a NI 43-101 technical report filed by Century for the Lamaque Project and in Century's financial reports for the third quarter of 2007. On March 20, 2008 the British Columbia Securities Commission revoked the cease trade order and imposed a management cease trade order, giving Century time to comply with the issues cited in the cease trade order. All of those issues were resolved upon the filing of Century's revised Lamaque Project NI 43-101 technical report, the filing of a NI 43-101 technical report on the San Juan Project and the filing of Century's restated third quarter 2007 financial statements and related management's discussion & analysis. The management cease trade order remained in place until June 24, 2008, when Century filed its audited financial statements and management's discussion & analysis for the year ended December 31, 2007.

(b) On May 4, 2009, Century announced that the British Columbia Securities Commission had granted Century an extension for filing its annual financial statements and management's discussion and analysis for the year ended December 31, 2008 in response to Century's request for a management cease trade order filed with the British Columbia Securities Commission on April 28, 2009. On May 22, 2009, Century filed its financial statements and management's discussion and analysis for the year ended December 31, 2008. However, the management cease trade order remained in effect, with the consent of Century, until June 16, 2009.

(c) On May 12, 2010, Century announced that the British Columbia Securities Commission had invoked a cease trade order with respect to Century's shares as a result of Century's failure to file its annual financial statements and related management's discussion and analysis for the year ended December 31, 2009. Century subsequently filed its annual financial statements and related management's discussion and analysis for the year ended December 31, 2009, and the British Columbia Securities Commission revoked the cease trade order on May 17, 2010.

Mario Szotlender, a director of the Company, was a director of Focus Ventures Ltd. ("Focus") that was the subject of a cease trade order for a period of more than 30 consecutive days from each of the British Columbia Securities Commission and the Alberta Securities Commission. The cease trade orders were issued on April 28, 2004 as a result of Focus' failure to file its annual financial statements within the prescribed deadline and, upon Focus' filing of the outstanding documents, such orders were revoked on June 2, 2004 and June 11, 2004, respectively. Also in the past 10 years, the United States Securities and Exchange Commission ("SEC") revoked Focus' registration under Section 12(g) of the United States Securities Exchange Act of 1934 for failure to keep its filings with the SEC up-to-date. Upon receipt of the SEC's notice of the proposed revocation, Focus filed a settlement agreement with the SEC consenting to the revocation as the company was dormant.

Terence Chandler, an officer of the Company, held the position of President, CEO and Director of Redcorp Ventures Ltd. ("Redcorp") while Redcorp and its wholly-owned subsidiary Redfern Resources Ltd. ("Redfern") were involved in proceedings under the Companies' Creditors Arrangement Act (Canada) ("CCAA"). On March 4, 2009, Redcorp filed for protection under the CCAA with the intention to re-finance its mining project and restructure its debt. After an unsuccessful attempt to sell the mining property, the assets of Redcorp and Redfern were placed into receivership. By June 3, 2009, Mr. Chandler resigned as director and ceased to be an officer of Redcorp.

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, 2011 no person or company has acted as a promoter of the Company.

ITEM 11: LEGAL PROCEEDINGS

11.1 Legal Proceedings

Other than discussed below, there are no legal proceedings in the Company’s last fiscal year to which the Company is a party or to which any of its property is subject, and there are no such proceedings known to the Company to be contemplated.

Minera Santa Cruz y Garibaldi SA de CV, a subsidiary of Endeavour, received a MXN$238 million (US$18.3 million) assessment on October 12th, 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 major international accounting firm and external counsel to expedite the audit process and to ensure the delivery of the appropriate documentation. Based on the advice of our tax advisors and legal counsel, it is the Company’s view that the appropriate documentation and support for the expenses was provided 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 $40,000, plus an estimated additional interest and penalties of $40,000, for which the Company has made a provision in the consolidated financial statements for the year ended December 31st 2010. There has been no change in the accrual as at December 31, 2012, except for interest. On January 3rd, 2011, the Company filed a nullity action with the Federal Court of Tax and Administrative Justice. The timing of the outcome of the legal proceedings has not been determined, but may take up to an additional 2 years.

Refinadora Plata Guanacevi SA de CV's, a subsidiary of Endeavour, received a MXN$63 million (US$4.8 million) assessment on May 7th, 2011 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 major international accounting firm and external counsel to expedite the audit process and to ensure the delivery of the appropriate documentation. Based on the advice of our tax advisors and legal counsel, it is the Company's view that the appropriate documentation and support for the expenses was provided and the tax assessment has no legal merit, other than as follows: 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 $425,000, plus an additional interest and penalties of $460,000, for which the Company has made a provision in the consolidated financial statements for the year ended December 31, 2011. There has been no change in the accrual as at December 31, 2012, except for interest. On July 2, 2011, the Company filed a nullity action with the Federal Court of Tax and Administrative Justice. The timing of the outcome of the legal proceedings has not been determined, but may take up to an additional 2 years.

Metales Interamericanos S.A. de C.V., a former subsidiary of Mexgold acquired by Endeavour in the Acquisition, received a MXN$68 million ($5.2 million) assessment on August 24, 2010 by Mexican fiscal authorities for failure to provide the appropriate support for certain expense deductions in the 2006 tax return. Based on the advice of legal counsel, it is the Company's view that the tax assessment has no legal merit. The appeal process was initiated in 2010, while legal advisors expect a resolution in 2013.

11.2 Regulatory Actions

During the year ended December 31, 2012, 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, 2012, 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 in item 11.1, 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.

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, 2010 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 noted below there are no contracts that are material to the Company that were entered into during the financial year ended December 31, 2012 or prior thereto but which are still in effect, other than contracts entered into in the ordinary course of business of the Company.

- Acquisition agreement dated April 13, 2012, as amended June 28, 2012, between Endeavour and AuRico pursuant to which Endeavour acquired Mexgold and its three wholly owned subsidiaries from AuRico. See "Significant Acquisitions".

- Credit facility agreement made as of July 24, 2012 between Endeavour and The Bank of Nova Scotia ("Scotiabank") for a $75 million reducing revolving credit facility ("the Facility"). The credit limit available under the Facility will reduce by US$25 million on each of July 24, 2013 and July 24, 2014 and will mature on July 24, 2015. The Facility is for general corporate purposes and is principally secured by a pledge of Endeavour's equity interests in its material operating subsidiaries, including Refinadora Plata Guanacevi S.A de C.V., Minas Bolañitos S.A. de C.V. and Compania Minera del Cubo S.A. de C.V. The interest rate margin on the Facility ranges from 2.75% to 4.25% over LIBOR or 1.75% to 3.25% per annum over Scotiabank's Base Rate in Canada based on Endeavour's total indebtedness to EBITDA ratio, where EBITDA is adjusted for gains or losses on derivative liabilities. Endeavour also agreed to pay a standby fee of between 0.6875% and 1.05% per annum on undrawn amounts under the Facility and an issuance fee for letters of credit issued on behalf of Endeavour of between 2.75% and 4.25% per annum calculated on the face amount of each letter of credit, based on Endeavour's total indebtedness to EBITDA ratio. The Facility is subject to various qualitative and quantitative covenants, including EBITDA leverage ratio, interest service coverage ratio and tangible net worth calculation, none of which are in breach. As at December 31, 2012, Endeavour has drawn US$9.0 million under the Facility.

ITEM 15: INTERESTS OF EXPERTS

15.1 Names of Experts

KPMG LLP is the external auditor of the Company and reported on the fiscal 2012 audited financial statements of the Company filed on SEDAR.

The Qualified Persons who completed the reserves and resources estimate for the Guanacevi Project are William J. Lewis, BSc., P.Geo., Charley Z. Murahwi, M.Sc., P.Geo., Pr.Sci.Nat.,FAusIMM and Ing. Alan San Martin, MAusIMM(CP), of Micon International ("Micon"). They are the authors of the report "*NI 43-101 Technical Report on the Resource and Reserve Estimates for the Guanacevi Project, Durango State, Mexico*" dated March 27, 2013 (effective date of December 15, 2012) filed on SEDAR.

The Qualified Persons who completed the audit of the reserves and resources for the Bolañitos Mines Project are William J. Lewis, BSc., P.Geo., Charley Z. Murahwi P.Geo, FAusIMM, and Alan San Martin Alan San Martin, MAusIMM(CP) of Micon. They are the authors of the report *"NI 43-101 Technical Report on the Resource and Reserve Estimates for the Bolañitos Mine Project, Guanajuato State, Mexico*" dated March 28, 2013 (effective date of December 15, 2012) filed on SEDAR.

The Qualified Person who completed the estimate of the reserves and resources for the El Cubo Mine is Don Cameron, P.Geo. Mr. Cameron is the author of the report *"Technical Report and Updated Resource and Reserve Estimate for the El Cubo Mine , Guanajuato State, Mexico*" dated effective June 1, 2012 filed on SEDAR.

The Qualified Persons who completed the audit of the mineral resource estimate for the San Sebastian Project are William J. Lewis, BSc., P.Geo. and Charley Z. Murahwi M.Sc., P.Geo, Pr.Sci.Nat., FAusIMM, of Micon. They are the authors of the report *"NI 43-101 Technical Report Audit of the Mineral Resource Estimate for the San Sebastian Project, Jalisco State, Mexico*" dated March 6, 2013 (effective date of December 15, 2012) 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 held on May 23, 2012. Additional financial information is also provided in the Company's financial statements and management's discussion and analysis for its most recently completed financial year ended December 31, 2012.

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 20 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. Mr. McLennan was most recently Chief Financial Officers of Viterra Inc., a major global agricultural commodity company, since February 2008, until Viterra was acquired by Glencore Plc in December 2012. 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	**Audit Fees**(1)	**Tax Fees**(2)	**All Other Fees**
December 31, 2012	$587,504	$279,620	Nil
December 31, 2011	$440,000	Nil	Nil

*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.

SCHEDULE "A"

ENDEAVOUR SILVER CORP. (the "Company")

Audit Committee Charter

(effective August 1, 2012)

This Audit Committee Charter has been approved by the Board of Directors (the "Board") of Endeavour Silver Corp. (the "Company") as of the date set out above.

1. Purpose Of Audit Committee

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

(a) The audit process;

(b) The financial accounting and reporting process to shareholders and regulatory bodies; and

(c) The system of internal financial controls.

1.2 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 the Committee members in the proper completion of their duties, for and on behalf of the Company and at the Company's cost, without any requirement for further Board or management approval of such expenditure.

2. Composition

The Committee shall consist of a minimum of three Directors, all of whom are "independent" within the meaning of National Instrument 52-110 - Audit Committees in Canada, and as required by all applicable United States securities laws and regulations and the policies of the New York Stock Exchange. The Committee shall be appointed annually by the Board immediately following the Annual General Meeting of the Company. Each member of the Committee shall be financially literate, meaning that each member must be able to read and understand financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements. One member of the Committee must have accounting and financial expertise, meaning that the member possesses financial or accounting credentials or has experience in finance or accounting.

3. Duties

3.1 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 Company's internal controls and 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.

3.2 The specific duties of the Committee are as follows:

(a) Management Oversight:

(i) Review and evaluate the adequacy of the Company's processes for identifying, analyzing and managing financial risks, including foreign exchange and liquidity that may prevent the Company from achieving its objectives;

(ii) Review and evaluate the adequacy of the Company's processes over internal controls,;

(iii) Review and evaluate the adequacy of the Company's processes over the status and adequacy of internal information systems and security;

(iv) Meet with the external auditor at least once a year in the absence of management;

(v) Request the external auditor's assessment of the Company's financial and accounting personnel;

(vi) Review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of the Company.

(b) External Auditor Oversight

(i) Recommend to the Board the selection and, where applicable, the replacement of the external auditor to be appointed or nominated annually for shareholder approval;

(ii) Recommend to the Board the compensation to be paid to the external auditor;

(iii) Review and evaluate the external auditor's process for identifying and responding to key audit and internal control risks;

(iv) Review the scope and approach of the annual audit;

(v) Inform the external auditor of the Committee's expectations;

(vi) Review the independence of the external auditor on an annual basis;

(vii) Review with the external auditor both the acceptability and the quality of the Company's financial reporting standards;

(viii) Resolve any disagreements between management and the external auditor regarding financial reporting;

(ix) Review and pre-approve all audit and audit-related services and the fees and other compensation related thereto, and any non-audit services, provided by the Company's external auditor. The authority to pre-approve non-audit services may be delegated by the Committee to one or more independent members of the Committee, provided that such pre-approval must be presented to the Committee's first scheduled meeting following such pre-approval. Pre-approval of non-audit services is satisfied if:

A. the aggregate amount of all the non-audit services that were not pre-approved is reasonably expected to constitute no more than 5% of the total amount of fees paid by the Company and subsidiaries to the Company's external auditor during the fiscal year in which the services are provided;

B. the Company or a subsidiary did not recognize the services as non-audit services at the time of the engagement; and

C. the services are promptly brought to the attention of the Committee and approved, prior to completion of the audit, by the Committee or by one or more of its members to whom authority to grant such approvals has been delegated by the Committee; and

(x) Confirm with the external auditor that the external auditor is ultimately accountable to the Board and the Committee, as representatives of the shareholders.

(c) Financial Reporting Oversight

(i) Review with management and the external auditor the Company's annual and interim financial statements, management's discussion and analysis, any annual and interim earnings press releases and any reports or other financial information to be submitted to any governmental and/or regulatory body, or the public, including any certification, report, opinion, or review rendered by the external auditor, for the purpose of recommending their approval to the Board prior to their filing, issue or publication;

(ii) Ensure that adequate procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements (other than the public disclosure referred to in (i) above), as well as review any financial information and earnings guidance provided to analysts and rating agencies, and periodically assess the adequacy of those procedures; and

(iii) Discuss with the external auditor the quality and the acceptability of the International Financial Reporting Standards applied by management.

(d) "Whistleblower" Procedures

(i) Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters; and

(ii) Establish procedures for the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

Consolidated Financial Statements

Prepared by Management

Year Ended December 31, 2012 and 2011

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 International Financial Reporting Standards (IFRS), 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 7, 2012

/s/ Bradford Cooke
Chief Executive Officer

/s/ Dan Dickson
Chief Financial Officer

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INDEPENDENT AUDITORS' REPORT OF REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Directors of Endeavour Silver Corp.

We have audited the accompanying consolidated financial statements of Endeavour Silver Corp., which comprise the consolidated statements of financial position as at December 31, 2012 and December 31, 2011, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, 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 International Financial Reporting Standards as issued by the International Accounting Standards Board, 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.

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Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Endeavour Silver Corp. as at December 31, 2012 and December 31, 2011, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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

Chartered Accountants

March 11, 2013
Vancouver, Canada

ENDEAVOUR SILVER CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(expressed in thousands of US dollars)

	Notes	**December 31, 2012**	December 31, 2011
ASSETS			
Current assets			
Cash and cash equivalents	5	**$ 18,617**	$ 75,434
Investments	6	**8,520**	34,099
Accounts receivable	7	**20,526**	7,392
Inventories	8	**40,797**	34,195
Prepaid expenses		**9,940**	3,773
Total current assets		**98,400**	154,893
Non-current deposits		**1,451**	600
Mineral property, plant and equipment	10	**338,431**	93,528
Goodwill	4	**39,245**	-
Total assets		**$ 477,527**	$ 249,021
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		**$ 34,631**	$ 9,084
Income taxes payable		**3,854**	3,482
Revolving credit facility	11	**9,000**	-
Total current liabilities		**47,485**	12,566
Provision for reclamation and rehabilitation	12	**6,496**	2,729
Contingent liability	4	**8,497**	-
Derivative liabilities	14	**5,336**	13,130
Deferred income tax liability	20	**69,517**	20,806
Total liabilities		**137,331**	49,231
Shareholders' equity			
Common shares, unlimited shares authorized, no par value, issued and outstanding 99,541,522 shares (Dec 31, 2011 - 87,378,748 shares)	Page 7	**357,296**	259,396
Contributed surplus	Page 7	**12,828**	8,819
Accumulated comprehensive income (loss)	Page 7	**(5,331)**	(1,700)
Deficit		**(24,597)**	(66,725)
Total shareholders' equity		**340,196**	199,790
Total liabilities and shareholders' equity		**$ 477,527**	$ 249,021

Business combination (Note 4)
Revolving credit facility (Note 11)
Commitments (Note 10) and Note 21(b))
Contingencies (Note 22)

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

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

		Years Ended			
	Notes		**December 31, 2012**		December 31, 2011
Revenue		**$**	**208,079**	$	127,997
Cost of sales:					
Direct production costs			**91,800**		39,409
Royalties	10 (a)		**1,866**		2,228
Share-based compensation	13 (c)		**545**		466
Depreciation and depletion			**29,694**		17,094
Write down of inventory to net realizable value	8		**6,221**		-
	19		**130,126**		59,197
Mine operating earnings			**77,953**		68,800
Expenses:					
Exploration	15		**11,185**		10,207
General and administrative	16		**13,136**		11,050
			24,321		21,257
Operating earnings			**53,632**		47,543
Mark-to-market loss/(gain) on derivative liabilities	14		**(1,928)**		13,658
Mark-to-market loss/(gain) on contingent liability	4		**589**		-
Finance costs	17		**484**		34
Other income (expense):					
Foreign exchange			**3,447**		(4,750)
Investment and other income			**2,152**		6,477
			5,599		1,727
Earnings before income taxes			**60,086**		35,578
Income tax expense:					
Current income tax expense	20		**15,834**		8,778
Deferred income tax expense	20		**2,135**		8,045
			17,969		16,823
Net earnings for the period			**42,117**		18,755
Other comprehensive income (loss), net of tax					
Net change in fair value of available for sale investments	6		**(3,631)**		(3,144)
Comprehensive income (loss) for the period		**$**	**38,486**	$	15,611
Basic earnings (loss) per share based on net earnings		**$**	**0.45**	$	0.22
Diluted earnings (loss) per share based on net earnings	13(g)	**$**	**0.42**	$	0.22
Basic weighted average number of shares outstanding			**93,266,038**		84,326,682
Diluted weighted average number of shares outstanding	13(g)		**95,728,031**		86,364,543

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

ENDEAVOUR SILVER CORP.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(expressed in thousands of U.S. dollars, except share amounts)

	Note	Number of shares	Share Capital	Contributed Surplus	Accumulated other comprehensive income (loss)	Deficit	Total Equity
Balance at December 31, 2010		80,720,420	$ 205,862	$ 7,793	$ 1,444	$ (85,508)	$129,591
Exercise of options	13 (c)	1,925,000	8,902	(3,066)			5,836
Exercise of warrants	13 (f), 14	4,633,898	44,109	(214)			43,895
Issued through stock bonus plan	13 (e)	3,600	39				39
Cancelled escrow shares	13 (b)	(93,750)					-
Share appreciation rights	13 (d)	189,580	484	(484)			-
Share based compensation	13 (c)			4,818			4,818
Unrealized gain (loss) on available for sale assets	6				(3,686)		(3,686)
Realized gain (loss) on available for sale assets					542		542
Expiry and forfeiture of options				(28)		28	-
Earnings for the year						18,755	18,755
Balance at December 31, 2011		87,378,748	259,396	8,819	(1,700)	(66,725)	199,790
Exercise of options	13 (c)	307,800	1,787	(609)			1,178
Exercise of warrants	13 (f), 14	792,517	7,307	(29)			7,278
Share appreciation rights	13 (d)	24,929	66	(66)			-
Issued on acquisition of mineral properties, net	4	11,037,528	88,740				88,740
Share based compensation	13 (c)			4,724			4,724
Unrealized gain (loss) on available for sale assets	6				(3,789)		(3,789)
Realized gain (loss) on available for sale assets					158		158
Expiry and forfeiture of options				(11)		11	-
Earnings for the year						42,117	42,117
Balance at December 31, 2012		99,541,522	$ 357,296	$ 12,828	$ (5,331)	$ (24,597)	$340,196

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

ENDEAVOUR SILVER CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(expressed in thousands of U.S. dollars)

	Notes	Years Ended December 31, 2012	December 31, 2011
Operating activities			
Net earnings for the period		**$ 42,117**	$ 18,755
Items not affecting cash:			
Share based compensation	13 (c)	**4,724**	4,857
Depreciation and depletion		**29,952**	17,272
Deferred income tax provision	20	**2,135**	8,045
Unrealized foreign exchange loss (gain)		**(1,208)**	1,600
Mark to market loss (gain) on derivative liability	14	**(1,928)**	13,658
Mark to market loss on contingent liability	4	**589**	-
Finance costs	17	**484**	34
Allowance for related party receivable	9	**-**	181
Write down of inventory to net realizable value	8	**6,221**	-
Loss (Gain) on marketable securities		**(158)**	(542)
Net changes in non-cash working capital	18	**(6,907)**	(15,028)
Cash from operating activities		**76,021**	48,832
Investing activites			
Property, plant and equipment expenditures	10	**(66,236)**	(46,942)
Acquisition of Mexgold Resources Inc.	4	**(100,000)**	-
Investment in short term investments		**(28,267)**	(35,569)
Proceeds from sale of short term investments		**50,373**	22,509
Investment in long term deposits		**(190)**	178
Cash used in investing activities		**(144,320)**	(59,824)
Financing activities			
Proceeds from revolving credit facility	11	**9,000**	-
Debt issuance costs	11	**(732)**	-
Interest paid	11	**(381)**	-
Common shares issued on exercise of options and warrants	13(c)(f)	**2,591**	19,974
Share issuance costs		**(204)**	(119)
Cash from financing activites		**10,274**	19,855
Effect of exchange rate change on cash and cash equivalents		**1,208**	(1,466)
Increase (decrease) in cash and cash equivalents		**(58,025)**	8,863
Cash and cash equivalents, beginning of year		**75,434**	68,037
Cash and cash equivalents, end of year		**$ 18,617**	$ 75,434

Supplemental cash flow information 18

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

1. CORPORATE INFORMATION

Endeavour Silver Corp. (the "Company" or "Endeavour Silver") is a corporation governed by the Business Corporation Act (British Columbia). The Company is engaged in silver mining in Mexico and related activities including acquisition, exploration, development, extraction, processing, refining and reclamation. The Company is also engaged in exploration activities in Chile. The address of the registered office is #301 – 700 West Pender Street, Vancouver, B.C., V6C 1G8.

2. BASIS OF PRESENTATION

These consolidated financial statements have been prepared in accordance with and using accounting policies in full compliance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), effective for the Company's reporting for the year ended December 31, 2012.

The Board of Directors approved the consolidated financial statements for issue on March 7, 2013.

These consolidated financial statements are presented in the Company's functional currency of US dollars including the accounts of the Company and its wholly owned subsidiaries Endeavour Management Corp., Endeavour Zilver SARL, Endeavour Gold Corporation S.A. de C.V., Endeavour Capital S.A. de C.V. SOFOM ENR, Minera Santa Cruz Y Garibaldi S.A de C.V., Metalurgica Guanacevi S.A. de C.V., Minera Plata Adelante S.A. de C.V., Refinadora Plata Guanacevi S.A. de C. V., Minas Bolanitos S. A. de C.V., Guanacevi Mining Services S.A. de C.V., Recursos Humanos Guanacevi S.A. de C.V., Recursos Villalpando S.A. de C.V., Servicios Administrativos Varal S.A. de C.V., Minera Plata Carina Spa, MXRT Holding Ltd. (formerly Mexgold Resources Inc.), Compania Minera El Cubo S.A. de C.V., Gammon Lake Guadelupe S.A. de C.V. and Metales Interamericanos S.A. de C.V. All intercompany transactions and balances have been eliminated.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies below have been applied consistently to all periods presented and by all subsidiaries in the group.

(a) Currency Translation

The functional and reporting currency for the Company and its subsidiaries is the US dollar. Transactions in currencies other than an entity's functional currency are recorded at the rates of exchange prevailing the transaction dates. Monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at each reporting date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date the fair value was determined. Non-monetary items that are measured in terms of historical costs in a foreign currency are not re-translated. Foreign currency translation differences are recognized in profit or loss, except for differences on the re-translation of non-monetary available-for-sale instruments which are recognized in other comprehensive income.

(b) Use of estimates and judgements

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies, 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. Actual results could differ materially from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Significant areas requiring the use of management judgement relate to the determination of mineralized reserves, plant and equipment lives, estimating the fair values of financial instruments and derivatives, estimating the fair value of convertible debenture components, impairment of long-lived assets, reclamation and rehabilitation provisions, recognition of deferred tax assets, and assumptions used in determining the fair value of non-cash stock-based compensation.

Information about the use of management estimates that have the most significant effect on the amounts recognized in the consolidated financial statements is included in the following notes:

Note 3(i)	Impairment
Note 4	Business Combinations
Note 12	Provision for Reclamation and Rehabilitation
Note 13	Share Capital
Note 14	Derivative Liabilities
Note 20	Income Taxes

(c) Financial instruments

Financial assets and financial liabilities, including derivatives and contingent liabilities, are measured at fair value on initial recognition and recorded on the statement of financial position. Measurement in subsequent periods depends on whether the financial instrument has been classified as a financial asset at fair value through profit or loss, held for trading, available-for-sale, held-to-maturity or loans and receivables or as a financial liability at fair value through profit or loss or at amortized cost.

Financial assets and liabilities at fair value through profit or loss are measured at fair value with changes in fair value recognized in net earnings. Financial assets and financial liabilities considered held-to-maturity, loans and receivables, and other financial liabilities are measured at amortized cost using the effective interest method. Available-for-sale financial assets are measured at fair value with unrealized gains and losses recognized in other comprehensive income. Derivative instruments, including embedded derivatives, are recorded on the statement of financial position at fair value. Changes in the fair value of derivative instruments are recognized in net earnings.

Realized gains and losses on short term metal derivative transactions are presented as investment and other income.

(d) Fair value of financial instruments

The fair values of the Company's cash and cash equivalents, receivables, accounts payable and accrued liabilities and the revolving credit facility approximate their carrying values due to their short terms to maturity. Investments, consisting of money market 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 impairments in value, in which case they are recognized in net earnings.

(e) 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 no more than ninety days, or that are readily convertible into cash. Cash and cash equivalents are classified as loans and receivables.

(f) 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.

(g) Inventories

Product inventories are valued at the lower of average production cost and net realizable value. Work-in-process inventories, including ore stockpiles are valued at the lower of average production cost and net realizable value, after an allowance for further processing costs. Finished goods inventory characterized as Dore bars or concentrate is valued at the lower of average production cost 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.

(h) Mineral properties, plant and equipment

Mineral properties, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of mineral properties, plant or equipment items consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. Mineral properties include direct costs of acquiring properties (including option payments) and costs incurred directly in the development of properties once the technical feasibility and commercial viability has been established.

Exploration and evaluation costs are those costs required to find a mineral property and determine commercial feasibility. These costs include costs to establish an initial mineral resource and determine whether inferred mineral resources can be upgraded to measured and indicated mineral resources and whether measured and indicated mineral resources can be converted to proven and probable reserves. Project costs related to exploration and evaluation activities are expensed as incurred until such time as the Company has defined mineral reserves. Thereafter, costs for the project are capitalized prospectively in mineral properties, plant and equipment. The Company also recognizes exploration and evaluation costs as assets when acquired as part of a business combination, or asset purchase with these assets recognized at cost.

Capitalized exploration and evaluation costs for a project are classified as such until the project demonstrates technical feasibility and commercial viability. Upon demonstrating technical feasibility and commercial viability, and subject to an impairment analysis, capitalized exploration and evaluation costs are transferred to capitalized development costs within mineral property, plant and equipment. Technical feasibility and commercial viability generally coincides with the establishment of proven and probable reserves; however, this determination may be impacted by management's assessment of certain modifying factors.

Where an item of plant and equipment comprises major components with different useful lives; the components are accounted for as separate items of plant and equipment.

Plant and equipment is recorded at cost and amortized using the straight-line method at rates varying from 10% to 30% annually. The accumulated costs of mineral properties that are developed to the stage of commercial production are amortized using the units of production method, based on proven and probable reserves (as defined by National Instrument 43-101).

The Company conducts an annual assessment of the residual balances, useful lives and depreciation methods being used for mineral properties, plant and equipment and any changes arising from the assessment are applied by the Company prospectively.

(i) Impairment of Long-Lived Assets

The Company's tangible assets are reviewed for indications of impairment at each financial statement date. If an indicator of impairment exists, the asset's recoverable amount is estimated. An impairment loss is recognized when the carrying amount of an asset, or its cash-generating unit, exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generates cash flows that are largely independent of the cash flows from other assets or groups of assets. Impairment losses are recognized in profit and loss for the period.

The recoverable amount is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. An impairment loss with respect to goodwill is never reversed.

Management periodically reviews the carrying value of its exploration and evaluation assets 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.

(j) Reclamation and rehabilitation obligations

The Company recognizes provisions for statutory, contractual, constructive or legal obligations associated with the decommissioning and reclamation of mineral property, plant and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. A liability is recognized at the time environmental disturbance occurs and the resulting costs are capitalized to the corresponding asset. The provision for reclamation and rehabilitation obligations is estimated using expected cash flows based on engineering and environmental reports prepared by third-party industry specialists and is discounted at a pre-tax rate specific to the liability. The capitalized amount is amortized on the same basis as the related asset. The liability is adjusted for the accretion of the discounted obligation and any changes in the amount or timing of the underlying future cash flows.

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 unwinding of the effect of discounting the provision is recorded as a finance cost in the income statement.

(k) 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.

(l) Share based payments
The Company has a share option plan which is described in Note 13(c). The Company records all stock-based compensation for options using the fair value method with graded vesting. 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 over the vesting period. The amount recognized as an expense is adjusted to reflect the actual number of share options for which the related service and vesting conditions are met. 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. For those options that expire or are forfeited after vesting, the amount previously recorded in contributed surplus is transferred to deficit.

(m) Income taxes
The Company follows the asset and liability method of accounting for income taxes. Under this method, deferred 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. Deferred 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 deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the substantive enactment date. Deferred tax assets are recognized to the extent that recovery is considered probable.

(n) Earnings per share
Basic earnings per share is computed by dividing the earnings/(loss) available to common shareholders by the weighted average number of shares outstanding during the period. For all periods presented, profit available to common shareholders equals the reported profit. 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.

(o) Business Combinations
On a business combination, the acquisition method of accounting is used, whereby the purchase consideration is allocated to the identifiable assets, liabilities and contingent liabilities (identifiable net assets) on the basis of fair value at the date of acquisition. When the cost of acquisition exceeds the fair values attributable to the Company's share of identifiable net assets, the difference is treated as purchased goodwill. If the fair value attributable to the Company's share of the identifiable net assets exceeds the cost of acquisition, the difference is immediately recognized in the income statement. Incremental costs related to acquisitions are expensed as incurred.

Determination of the fair value of assets acquired and liabilities assumed and the resulting goodwill, if any, requires that management make estimates based on the information provided by the acquiree. Changes to the provisional values of assets acquired and liabilities assumed, deferred income taxes and resulting goodwill, if any, will be adjusted when the final measurements are determined (within one year of the acquisition date)

When purchase consideration is contingent on future events, the initial cost of the acquisition recorded includes an estimate of the fair value of the contingent amounts expected to be payable in the future. When the fair value of contingent consideration as at the date of acquisition is finalized, before the end of the twelve month measurement period, the adjustment is allocated to the identifiable assets acquired and liabilities assumed. Changes to the estimated fair value of contingent consideration subsequent to the acquisition date are recorded in the consolidated statement of comprehensive income.

(p) Goodwill

Goodwill is not amortized; instead it is tested annually for impairment. In addition, at each reporting period if there is an indication that goodwill is impaired goodwill is tested for impairment at that time. Goodwill is allocated to the group of cash generating units ("CGU") that comprise an operating segment since each CGU in a segment is expected to derive benefits from a business combination that results in the recognition of goodwill. A goodwill impairment is recognized for any excess of the carrying amount of the segment over its recoverable amount. Any goodwill impairment is recognized in the statement of income in the reporting period in which it occurs. Goodwill impairment charges are not reversed.

(q) Changes in accounting standards

A number of new standards, amendments to standards and interpretations, are not yet effective for the year ended December 31, 2012, and have not been applied in preparing these consolidated financial statements. The following pronouncements are those that the Company considers most significant and are not intended to be a complete list of new pronouncements that may affect the financial statements.

IFRS 9 Financial Instruments

In November 2009, the IASB issued IFRS 9 Financial Instruments as the first step in its project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on an entity's business model and the contractual cash flows of the financial asset. Classification is made at the time the financial asset is initially recognized, namely when the entity becomes a party to the contractual provisions of the instrument.

IFRS 9 amends some of the requirements of IFRS 7 Financial Instruments: Disclosures, including added disclosures about investments in equity instruments measured at fair value in OCI, and guidance on the measurement of financial liabilities and derecognition of financial instruments. In December 2011, the IASB issued an amendment that adjusted the mandatory effective date of IFRS 9 from January 1, 2013 to January 1, 2015. We are currently assessing the impact of adopting IFRS 9 on our consolidated financial statements, including the applicability of early adoption.

IFRS 10 Consolidated Financial Statements

In May 2011, the IASB issued IFRS 10 Consolidated Financial Statements to replace IAS 27 Consolidated and Separate Financial Statements and SIC 12 Consolidation – Special Purpose Entities. The new consolidation standard changes the definition of control so that the same criteria apply to all entities, both operation and special purpose entities, to determine control. The revised definition focuses on the need to have both power over the investee to direct relevant activities and exposure to variable returns before control is present. IFRS 10 will be applied starting January 1, 2013. We are currently finalizing our assessment of the impact of adopting IFRS 10 on our consolidated financial statements.

IFRS 11 Joint Arrangements

In May 2011, the IASB issued IFRS 11 Joint Arrangements to replace IAS 21 Interests in Joint Ventures. The new standard defines two types of arrangements: Joint Operations and Joint Ventures. Focus is on the rights and obligations of the parties to recognize the individual assets and liabilities to which they have rights or for which they are responsible, even if the joint arrangement operations in a separate legal entity. IFRS 11 will be applied starting January 1, 2013. We are currently finalizing our assessment of the impact of adopting IFRS 11 on our consolidated financial statements.

IFRS 12 Disclosure of Interests in Other Entities

In May 2011, the IASB issued IFRS 12 Disclosure of Interests in Other Entities to create a comprehensive disclosure standard to address the requirements for subsidiaries, joint arrangements and associates and the reporting entity's involvement with other entities. It also includes the requirements for unconsolidated structured entities (i.e. special purpose entities). IFRS 12 will be applied starting January 1, 2013. We are currently finalizing our assessment of the impact of adopting IFRS 12 on our consolidated financial statements.

IFRS 13 Fair Value Measurement

In May 2011, the IASB issued IFRS 13 Fair Value Measurement as a single source of guidance for all fair value measurements required by IFRS to reduce the complexity and improve consistency across its application. The standard provides a definition of fair value and guidance on how to measure fair value as well as a requirement for enhanced disclosures. IFRS 13 will be applied starting January 1, 2013. We are currently finalizing our assessment of the impact of adopting IFRS 13 on our consolidated financial statements.

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

4. BUSINESS ACQUISTION

On July 13, 2012 (the "acquisition date"), the Company completed the acquisition of 100% of the issued and outstanding shares of Mexgold Resources Inc. ("Mexgold") and its three wholly owned subsidiaries: Compania Minera del Cubo, S.A. de C.V., AuRico Gold GYC, S.A. de C.V. and Metales Interamericanos, S.A. de C.V. from AuRico Gold Inc. ("AuRico")..

As a result of the acquisition, the Company owns the El Cubo silver-gold mine located in Guanajuato, Mexico and the Guadalupe y Calvo silver-gold exploration project located in Chihuahua, Mexico. The results of Mexgold, which include its wholly-owned subsidiaries, were consolidated commencing on July 13, 2012. Total estimated consideration of $203,405 was calculated as follows:

Purchase Cost		
Cash paid	$	100,000
Common shares issued(1)		88,944
Contingent consideration(2)		7,908
Estimated working capital adjustment(3)		6,553
	$	203,405

(1) There were 11,037,528 common shares issued with a fair value of $8.06 per share. The related share issuance costs of $204 are recognized against equity.

(2) AuRico will be entitled to receive up to an additional $50 million in cash payments from the Company upon the occurrence of certain events as follows:

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

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

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

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

The contingent consideration related to the Las Torres lease was valued based on factoring the probability of the Company negotiating a lease extension. Management determined the probability of extending the lease to be highly unlikely, resulting in a $nil value. The contingent consideration based on the performance of gold prices was valued using a Monte Carlo simulation resulting in a valuation of $7,908 at the acquisition date. Monte Carlo simulation approaches are a class of computational algorithms that rely on repeated random sampling to compute their results. Gold price paths were developed using a mathematical formula based on a stochastic process with mean reversion to a long term trend line.

As at December 31, 2012, an increase in the gold price and a movement in the gold forward curve resulted in a $589 mark to market loss. The fair value of the contingent consideration as at December 31, 2012 was determined to be $8,497.

(3) The purchase agreement with AuRico stipulated there would be an adjustment of the purchase price based on the working capital of the consolidated Mexgold entity as at the acquisition date. The purchase price was adjusted upward by the amount of the working capital at the acquisition date. The Company estimates the working capital adjustment to be $6,553, payable upon final agreement with AuRico.

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

The purchase price is allocated to the underlying assets acquired and liabilities assumed, based upon their estimated fair values at the date of acquisition. Final fair values will be determined based on independent appraisals, discounted cash flow models, and quoted market prices, as deemed appropriate. The Company has incurred acquisition-related costs totaling $789 in the form of advisory, legal and professional fees, which have been included in general and administrative costs in the consolidated statement of comprehensive income.

The following sets forth the preliminary allocation of the purchase price to assets acquired and liabilities assumed, based on preliminary estimates of fair values. The final valuations are not yet complete due to the timing of the acquisition and the inherent complexity associated with the valuations. The Company expects to finalize the purchase price allocation in the third quarter of 2013. This is a preliminary purchase price allocation and therefore subject to adjustment over the period to completion of the valuation process.

Summary of purchase price allocation:		
Assets:		
Cash and cash equivalents	$	843
Receivables		7,306
Inventories		4,868
Prepaid expenses		222
Plant and equipment		10,161
Mineral properties		197,536
Goodwill		39,245
Total assets		260,181
Liabilities:		
Accounts payable and accrued liabilities		(6,465)
Provision for reclamation and rehabilitation		(3,735)
Deferred income tax liability		(46,576)
Total liabilities		(56,776)
Net identifable assets acquired	$	203,405

Included in the consolidated financial statements are $14,779 in revenues and $10,939 in net loss for Mexgold for the period from July 13, 2012 to December 31, 2012.

Pro forma results of the combined Company include the revenues and net earnings of the Company, combined with the revenue and net earnings of Mexgold over the same period, as if the acquisition had occurred on January 1, 2012. Pro forma consolidated revenues and net earnings of the Company for the year ended December 31, 2012 are estimated as follows:

		Revenues		Net earnings (loss)
Endeavour Silver	$	193,300	$	53,646
Mexgold		44,393		(21,066)
Pro forma	$	237,693		32,580

In accordance with our accounting policy, goodwill was tested for impairment at the end of the fourth quarter. When there is an indicator of impairment of non-current assets within an cash generating unit ("CGU") containing goodwill, managments test the non-current assets for impairment first and recognize any impairment loss on the non-current assets before testing the CGU containing the goodwill for impairment. The recoverable amount of each CGU has been determined based on its fair value less costs to sell, which has been determined to be greater than the value in use model. For the year ended December 31, 2012, no impairment of goodwill has been recognized.

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

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents of the Company are comprised of bank balances and highly liquid investments that are readily convertible to cash with an original maturity of 90 days or less at the date of purchase.

	December 31 2012	December 31 2011
Bank balances	**$ 18,617**	**$ 63,215**
Short term deposits	**-**	**12,219**
	$ 18,617	**$ 75,434**

6. INVESTMENTS

	December 31 2012	December 31 2011
Money market investments	**$ -**	$ 16,473
Notes receivable:		
Carrying value	**2,133**	2,133
Unrealized gain (loss)	**1,837**	1,074
Unrealized foreign exchange gain (loss)	**357**	275
	4,327	3,482
Investment in marketable securities, at cost	**11,698**	17,173
Unrealized gain (loss) on marketable securities	**(7,723)**	(2,960)
Unrealized foreign exchange gain (loss)	**218**	(69)
	4,193	14,144
	$ 8,520	$ 34,099

The money market investments are designated as held for trading, are classified as Level 1 in the fair value hierarchy and have original maturities greater than 90 days but less than one year at the date of purchase.

At December 31, 2012, 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").

				Dec 31, 2012	**Dec 31, 2011**
Notes	Maturity Dates	Interest Rate	Face Amount	Fair Value	Fair Value
MAV II Class A-1	July 15, 2056	BA - 0.5%	$ 3,219	**$ 2,726**	$ 2,242
MAV II Class A-2	July 15, 2056	BA - 0.5%	1,093	**891**	675
MAV II Class B	July 15, 2056	BA - 0.5%	198	**155**	104
MAV II Class C	July 15, 2056	BA + 20.0%	140	**94**	47
IA Tracking Class 15		BA - 0.5%	464	**461**	414
			$ 5,114	**$ 4,327**	$ 3,482

The Company has classified the Notes as Level 1 in the fair value hierarchy and as available for sale financial assets. Management has recorded the Notes at their estimated fair value with the change in fair value and any related foreign exchange gains or losses, including tax effect, recognized in other comprehensive income, unless such gains or losses are declines in value that are concluded to be impairments, in which case the declines are recognized in the statement of comprehensive income. There is no tax effect recognized in other comprehensive income for the years end December 31, 2012 and 2011. During 2007 and 2008, prior to an active market being established and the restructuring of the ABCP, the Company recorded a total impairment charge to operations of $2,700. The Notes were sold subsequent to year end for $4.3 million.

The marketable securities are classified as Level 1 in the fair value hierarchy and as available for sale financial assets. The fair value of available for sale investments are determined based on a market approach reflecting the closing price of each particular security at the reporting date. The closing price is a quoted market price obtained from the exchange that is the principal active market for the particular security.

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

7. ACCOUNTS RECEIVABLE

	Note	**December 31 2012**	December 31 2011
IVA receivables		**$ 17,711**	$ 5,693
Income tax receivables		**1,914**	1,489
Due from related parties	9	**136**	55
Other receivables		**765**	155
		$ 20,526	$ 7,392

8. INVENTORIES

	December 31 2012	December 31 2011
Warehouse inventory	**$ 9,273**	$ 5,336
Stockpile inventory (1)	**8,691**	10,078
Finished goods inventory (2)(3)	**18,691**	18,466
Work in process inventory (3)	**4,142**	315
	$ 40,797	$ 34,195

(1) The Company has stockpiled 113,134 tonnes of mined ore as of December 31, 2012 (December 31, 2011 – 130,000 tonnes).

(2) The Company held 611,661 silver ounces and 8,934 gold ounces as of December 31, 2012 (December 31, 2011 – 980,109 and 5,407, respectively). These ounces are carried at the lesser of cost and net realizable value, however as at December 31, 2012, the quoted market value of the silver ounces is $18,319 (December 31, 2011 - $27,619) and the quoted market value of the gold ounces is $14,804 (December 31, 2011 - $8,278).

(3) The finished goods and work in process inventory balances at December 31, 2012 include a write down to net realizable value of $2,876 for inventory held by the El Cubo mine. Of this amount, $1,918 is comprised of cash costs and $958 is depreciation and depletion. The total write down for the year of $6,221 includes a previous write down to net realizable value of $3,345 at September 30, 2012 for inventory held by the El Cubo mine, which was subsequently sold in the fourth quarter. Of this amount, $2,474 is comprised of cash costs and $871 is depreciation and depletion. The carrying amount of this inventory, at net realizable value is $6,685 as at December 31, 2012.

9. RELATED PARTY TRANSACTIONS

The Company shares common administrative services and office space with companies related, by way of common directors and management, 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 $136 net receivable related to administration costs and other items outstanding as at December 31, 2012 (December 31, 2011 – $55).

One of the related parties that the Company shares administrative services and office space with has been unable to meet its obligations. Therefore, the Company has provided an allowance totaling $181 at December 31, 2012 (December 31, 2011 - $181).

The Company was charged $527 for legal services from a legal firm in which the Company's Corporate Secretary is a partner (December 31, 2011 - $126). The Company has a $10 payable related to legal costs outstanding as at December 31, 2012 (December 31, 2011 - $4).

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

Key management personnel

The key management of the Company comprises executive and non-executive directors, members of the executive and the Company's corporate secretary. Compensation of key management personnel was as follows:

	Dec 31, 2012	Dec 31, 2011
Salaries and short-term employee benefits	**$ 3,309**	$ 2,916
Non-executive directors' fees	**280**	154
Share-based payments	**4,012**	4,082
	$ 7,601	$ 7,152

The amount disclosed for share-based payments is the expense for the year calculated in accordance with IFRS 2, Share-based payments. The cost of a share-based payment award is spread over the vesting periods of the award. Therefore the compensation in the year comprises parts of that year's awards and those of preceding years that vested within the year.

10. MINERAL PROPERTY, PLANT AND EQUIPMENT

Mineral property, plant and equipment comprise:

	Mineral property	Plant	Machinery & equipment	Building	Transport & office equipment	Total
Cost						
Balance at December 31, 2010	$ 68,357	$ 24,583	$ 15,278	$ 2,175	$ 2,414	$ 112,807
Additions	22,008	12,848	11,356	637	1,205	48,054
Disposals	-	-	-	-	(59)	(59)
Balance at December 31, 2011	90,365	37,431	26,634	2,812	3,560	160,802
Additions	41,413	10,862	10,376	1,194	2,104	65,949
Acquisition of Mexgold	197,536	3,592	3,324	2,715	530	207,697
Disposals	-	-	-	-	(167)	(167)
Balance at December 31, 2012	**$ 329,314**	**$ 51,885**	**$ 40,334**	**$ 6,721**	**$ 6,027**	**$ 434,281**
Accumulated amortization						
Balance at December 31, 2010	$ 29,728	$ 6,582	$ 3,347	$ 539	$ 1,370	$ 41,566
Amortization	21,160	2,050	1,830	212	499	25,751
Disposals	-	-	-	-	(43)	(43)
Balance at December 31, 2011	50,888	8,632	5,177	751	1,826	67,274
Amortization	21,343	2,827	3,382	263	886	28,701
Disposals	-	-	-	-	(125)	(125)
Balance at December 31, 2012	**$ 72,231**	**$ 11,459**	**$ 8,559**	**$ 1,014**	**$ 2,587**	**$ 95,850**
Net book value						
At December 31, 2011	$ 39,477	$ 28,799	$ 21,457	$ 2,061	$ 1,734	$ 93,528
At December 31, 2012	**$ 257,083**	**$ 40,426**	**$ 31,775**	**$ 5,707**	**$ 3,440**	**$ 338,431**

As of December 31, 2012, the Company had $14,074 committed for capital equipment purchases in 2013.

(a) Guanacevi, Mexico

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 2012, the Company paid $1,866 in royalties (2011 - $2,228).

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

(b) Bolanitos, Mexico

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

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

(c) Cubo, Mexico

On July 13, 2012, the Company acquired the exploitation contracts and underlying assets to the Cubo silver-gold mine located in the northern parts of the Guanajuato and La Luz silver districts in the state of Guanajuato, Mexico (See note 4).

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

(d) Guadalupe Y Calvo, Mexico

On July 13, 2012, the Company acquired the Guadalupe Y Calvo exploration project in Chihuahua, Mexico (See note 4).

(e) San Sebastian, Mexico

In February 2010, the Company acquired the option to purchase a 100% interest in the San Sebastian properties, located in Jalisco, Mexico by paying a total of $2,750 over three years, of which the Company has paid $750. Subsequent to year end, the Company made a $2,000 payment, acquiring a 100% interest in the San Sebastian properties. The Company is required to pay a 2% net smelter royalty “NSR” royalty on any production from the San Sebastian properties.

(f) El Inca, Chile

In October 2012, the Company acquired the option to purchase a 75% interest in the El Inca properties, located in Chile, by paying a total of $2,000 over 4 years, of which the Company paid $100 on ratification of the option agreement, and completing $5,000 on exploration expenditures over 4 years. The Company also must deliver a report of an estimate of resources and a pre-feasibility study report before the end 2016. The Company is required to pay a 3.5% NSR royalty, which may be reduced to a 2.5% NSR royalty by a payment of $1,000 on any production from the El Inca properties.

(g) Mineral property contingencies

The Company has also entered into other non-material option agreements on exploration properties in Mexico.

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.

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

11. REVOLVING CREDIT FACILITY

On July 24, 2012, the Company entered into a $75 million revolving credit facility ("the Facility") reducing over 3 years with Scotia Capital. The purpose of the Facility is for general corporate purposes and is principally secured by a pledge of the Company's equity interests in its material operating subsidiaries, including Refinadora Plata Guanacevi SA de CV, Minas Bolanitos SA de CV and Compania Minera del Cubo SA de CV. The interest rate margin on the Facility ranges from 2.75% to 4.25% over LIBOR based on the Company's net debt to EBITDA ratio, where EBITDA is adjusted for gains or losses on derivative liabilities. The Company agreed to pay a commitment fee of between 0.69% and 1.05% on undrawn amounts under the facility based on the Company's net debt to EBITDA ratio. The Facility is subject to various qualitative and quantitative covenants, including debt to EBITDA leverage ratio, interest service coverage ratio and tangible net worth calculation; the Company is in compliance with all such covenants as at December 31, 2012. At year end, the Company has drawn $9,000 on this facility and has recognized $452 in financing costs during the year. The Company has deferred commitment fees and legal costs of $732 which are being amortized over the life of the facility. $71 of the deferred commitment fees and legal costs was amortized for the year end December 31, 2012.

12. PROVISION FOR RECLAMATION AND REHABILITATION

The Company's environmental permit requires that it reclaim certain land it disturbs during mining operations. Significant reclamation and closure activities include land rehabilitation, decommissioning of buildings and mine facilities, ongoing care and maintenance and other costs. Although the ultimate amount of the reclamation and rehabilitation costs to be incurred cannot be predicted with certainty, the total undiscounted amount of probability weighted estimated cash flows required to settle the Company's estimated obligations is $1,670 for the Guanacevi mine operations, $858 for the Bolanitos mine operations and $3,624 for the El Cubo mine operations.

The timing of cash flows has been estimated based on the mine lives using current reserves and the present value of the probability weighted future cash flows assumes a risk free rate specific to the liability of 1.51% for Guanacevi, 0.29% for Bolanitos and 0.87% for El Cubo and an inflation rate of 2.12% for Guanacevi, 1.64% for Bolanitos and 2.08% for El Cubo.

Changes to the reclamation and rehabilitation provision balance during the period are as follows:

Balance at December 31, 2010	$	2,524
Changes during the period:		
Liabilities incurred at Guanacevi		100
Liabilities incurred at Guanajuato		75
Unwinding of discount for the period		30
Change in liability due to change in discount rate		-
Balance at December 31, 2011	$	2,729
Changes during the period:		
Liability incurred on acquisition of El Cubo		3,735
Unwinding of discount for the period		32
Balance at December 31, 2012	**$**	**6,496**

13. SHARE CAPITAL

(a) The Company considers the items included in the consolidated statement of changes in 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. As at December 31, 2012, the Company is not subject to externally imposed capital requirements.

(b) During 2011, 93,750 common shares, which were held in escrow were cancelled.

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

(c) 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 and ratified in 2012, at exercise prices determined by reference to the market value on the date of grant. The stock option plan allows for, with approval by the Board, granting of options to its directors, officers, employees and consultants to acquire up to 7.5% of the issued and outstanding shares at any time.

The following table summarizes the status of the Company's stock option plan and changes during the year:

Expressed in Canadian dollars	**Year Ended December 31, 2012**		Year Ended December 31, 2011	
	Number of Shares	**Weighted average exercise price**	Number of Shares	Weighted average exercise price
Outstanding, beginning of period	**3,697,000**	**$5.07**	4,665,000	$3.17
Granted	**1,070,250**	**$8.46**	1,330,000	$8.22
Exercised [1]	**(346,800)**	**$3.67**	(2,205,000)	$3.02
Cancelled	**(249,000)**	**$8.14**	(93,000)	$3.56
Outstanding, end of period	**4,171,450**	**$5.87**	3,697,000	$5.07
Options exercisable at period-end	**3,423,850**	**$5.33**	2,547,400	$4.25

[1] There were 39,000 options with an exercise price of $3.05 that were cancelled in exchange for 24,929 share appreciation rights in the year ended December 31, 2012 (December 31, 2011 – 280,000 options priced with a weighted average price of CAN $3.14 were cancelled in exchange for 189,580 share appreciation rights).

The following tables summarize information about stock options outstanding at December 31, 2012:

	Expressed in Canadian dollars				
	Options Outstanding			Options Exercisable	
CAN $ Price Intervals	Number Outstanding as at Dec 31, 2012	Weighted Average Remaining Contractual Life (Number of Years)	Weighted Average Exercise Prices	Number Exercisable as at Dec 31, 2012	Weighted Average Exercise Prices
$1.00 - $1.99	300,000	1.5	$1.87	300,000	$1.87
$2.00 - $2.99	40,000	4.5	$2.01	40,000	$2.01
$3.00 - $3.99	1,663,400	2.2	$3.54	1,663,400	$3.54
$4.00 - $4.99	8,000	2.8	$4.57	8,000	$4.57
$8.00 - $8.99	2,160,050	3.9	$8.30	1,412,450	$8.27
	4,171,450	3.0	$5.87	3,423,850	$5.33

During the year ended December 31, 2012, the Company recognized share based compensation expense of $4,724 (December 31, 2011 - $4,857) based on the fair value of the vested portion of options granted in current and prior years.

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

The weighted average fair values of stock options granted and the assumptions used to calculate compensation expense have been estimated using the Black-Scholes option pricing model with the following assumptions for the year ended:

	Year Ended December 31, 2012	Year Ended December 31, 2011
Weighted average fair value of options granted during the year	$4.41	$4.81
Risk-free interest rate	1.28%	2.02%
Expected dividend yield	0%	0%
Expected stock price volatility	73%	77%
Expected option life in years	3.81	3.86

Option pricing models require the input of highly subjective assumptions. The expected life of the options 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 options granted. Volatility was estimated based on average daily volatility based on historical share price observations over the expected term of the option grant. 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 graded basis over the respective vesting period of each tranche of stock options awarded. As at December 31, 2012, the unvested share option expense not yet recognized was $1,425 (December 31, 2011 -$2,339) which is expected to be recognized over the next 23 months.

(d) Share Appreciation Rights Plan

The Company's share appreciation rights plan allows a participant 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, and receive instead, 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. During fiscal 2012, 39,000 options (2011 – 280,000) were cancelled for the exchange of 24,929 share appreciation rights (2011 – 189,580).

(e) 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 2011, 3,600 common shares were granted to employees of the Company valued at $39 and expensed as share based compensation. The stock bonus plan was terminated with no shares granted in 2012.

(f) Warrants

Exercise Price	Expiry Dates	Oustanding at December 31, 2011	Issued	Exercised	Expired	Oustanding at December 31, 2012
CAN $						
$1.90	February 25, 2014	532,500	-	(57,500)	-	475,000
$1.51	February 25, 2014	25,292	-	-	-	25,292
$1.90	February 26, 2014	362,142	-	(39,935)	-	322,207
$2.05	February 26, 2014	1,143,936	-	(716,838)	-	427,098
		2,063,870	-	(814,273)	-	1,249,597

The warrants with an expiry date of February 26, 2014, consist of agent warrants issued for placing debentures and warrants issued on conversion of debentures, and 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 share price trading average prior to exercise. For the year ended December 31, 2012, 117,039 warrants (December 31, 2011 – 547,888) were elected by the holder to be exercised "cashless" resulting in 95,283 (December 31, 2011 – 422,937) shares being issued.

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

Exercise Price	Expiry Dates	Oustanding at December 31, 2010	Issued	Exercised	Expired	Oustanding at December 31, 2011
CAN $						
$1.90	February 25, 2014	532,500	-	-	-	532,500
$1.51	February 25, 2014	25,292	-	-	-	25,292
$1.90	February 26, 2014	462,142	-	(100,000)	-	362,142
$2.05	February 26, 2014	2,294,446	-	(1,150,510)	-	1,143,936
$3.60	October 7, 2011	2,941,150	-	(2,921,729)	(19,421)	-
$3.00	October 7, 2011	97,493	-	(97,493)	-	-
$3.60	October 26, 2011	489,117	-	(489,117)	-	-
		6,842,140	-	(4,758,849)	(19,421)	2,063,870

(g) Diluted Earnings per Share

	Note	Year ended Dec 31 2012	Dec 31 2011
Basic earnings (loss)		**$ 42,117**	$ 18,755
Effect of dilutive securities:			
Mark to market (gain) on warrant derivative liability	14	**(1,928)**	-
Diluted earnings		**$ 40,189**	$ 18,755
Effect of anti-dilutive derivative liabilities:			
Mark to market loss on warrant derivative liability		**-**	13,658
Adjusted earnings		**$ 40,189**	$ 32,413
Basic weighted average number of shares outstanding		**93,266,038**	84,326,682
Effect of dilutive securities:			
Stock options		**1,479,233**	1,726,589
Share purchase warrants		**276,053**	311,272
Share purchase warrants with embedded derivative liabilities		**706,707**	-
Diluted weighted average number of share outstanding		**95,728,031**	86,364,543
Effect of anti-dilutive derivative liabilities:			
Share purchase warrants with embedded derivative liabilities		**-**	1,327,495
Adjusted diluted weighted average number of share outstanding		**95,728,031**	87,692,038
Diluted earnings (loss) per share		**$ 0.42**	$ 0.22
Adjusted diluted earnings per share		**$ 0.42**	$ 0.37

The effect of the outstanding share purchase warrants with embedded derivatives was anti-dilutive for the year ended December 31, 2011.

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

14. DERIVATIVE LIABILITIES

Warrants

Equity offerings were completed in previous years whereby warrants were issued with exercise prices denominated in Canadian dollars. As the warrants have an exercise price denominated in a currency which is different than the Company's U.S. dollar functional currency, the warrants are treated as a derivative financial liability. The Company's share purchase warrants are classified and accounted for as a financial liability at fair value with adjustments recognized through net earnings. The publicly traded warrants and warrants with similar characteristics were valued using the quoted market price as of exercise or at year end. For the non-publicly traded warrants, the Company uses the Black-Scholes option pricing model to determine the fair value of the Canadian dollar denominated warrants. All warrants outstanding at December 31, 2012 will expire in 2014.

Balance at December 31, 2010	$	29,349
Exercise of warrants		(29,877)
Mark to market loss (gain)		13,658
Balance at December 31, 2011		13,130
Exercise of warrants		(5,866)
Mark to market loss (gain)		(1,928)
Balance at December 31, 2012	$	5,336

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

	Year Ended Dec 31, 2012	Year Ended Dec 31, 2011
Outstanding warrants	902,098	1,676,436
Weighted average fair value of warrants at period end	$5.92	$7.83
Risk-free interest rate	1.12%	0.95%
Expected dividend yield	0%	0%
Expected stock price volatility	46%	62%
Expected warrant life in years	1.2	2.2

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

15. EXPLORATION

	Year ended			
		December 31 2012		December 31 2011
Depreciation and depletion	**$**	**121**	$	88
Share based compensation		**298**		394
Salaries, wages and benefits		**1,920**		1,420
Direct exploration expenditures		**8,846**		8,305
	$	**11,185**	$	10,207

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

16. GENERAL AND ADMINISTRATIVE

	Year ended			
		December 31 2012		December 31 2011
Depreciation and depletion	**$**	**138**	$	91
Share based compensation		**3,881**		3,998
Salaries, wages and benefits		**3,587**		3,084
Direct general and administrative expenditures		**5,530**		3,877
	$	**13,136**	$	11,050

17. FINANCE COSTS

	Year ended			
		December 31 2012		December 31 2011
Accretion on provision for reclamation and rehabilitation	**$**	**32**	$	30
Revolving credit facility finance costs		**452**		-
Other interest charges		**-**		4
	$	**484**	$	34

18. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

		Year Ended December 31 2012		Year Ended December. 31 2011
Net changes in non-cash working capital				
Accounts receivable	**$**	**(25,387)**	$	901
Inventories		**(13,525)**		(14,041)
Prepaid expenses		**6,167**		(1,712)
Due from related parties		**(81)**		(18)
Accounts payable and accrued liabilities		**25,547**		(380)
Income taxes provision		**372**		222
	$	**(6,907)**	$	(15,028)
Non-cash financing and investing activities:				
Reclamation included in mineral property, plant and equipment	**$**	**3,735**	$	175
Fair value of exercised options allocated to share capital		**609**		3,066
Fair value of shares issued under the share appreciation rights plan		**66**		484
Fair value of exercised agent warrants allocated to share capital		**29**		214
Fair value of shares issued under stock bonus plan		**-**		39
Fair value of equity issued on business acquisition		**88,944**		-
Other cash disbursements:				
Income taxes paid	**$**	**18,305**	$	8,977

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

19. SEGMENT DISCLOSURES

The Company's operating segments are based on internal management reports that are reviewed by the Company's executive (the chief operating decision makers) in assessing performance. The Company has three operating mining segments, Guanacevi, Bolanitos and El Cubo, which are located in Mexico as well as exploration and corporate segments. The exploration segment consists of projects in the exploration and evaluation phases in Mexico and Chile.

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

	December 31, 2011					
	Corporate	Exploration	Guanacevi	Bolanitos	El Cubo	Total
Cash and cash equivalents	$ 63,183	$ 251	$ 11,382	$ 618	$ -	$ 75,434
Investments	34,099	-	-	-	-	34,099
Accounts receivables	176	22	5,586	1,608	-	7,392
Inventories	-	-	21,990	12,205	-	34,195
Prepaid expenses	1,632	208	1,612	321	-	3,773
Long term deposits	-	57	406	137	-	600
Mineral property, plant and equipment	153	1,140	66,362	25,873	-	93,528
Total assets	$ 99,243	$ 1,678	$ 107,338	$ 40,762	$ -	$ 249,021
Accounts payable and accrued liabilities	$ 2,443	$ 612	$ 3,376	$ 2,653	$ -	$ 9,084
Income taxes payable	6,407	559	(6,724)	3,240	-	3,482
Provision for reclamation and rehabilitation	-	-	1,893	836	-	2,729
Derivative liabilities	13,130	-	-	-	-	13,130
Deferred income tax liability	(192)	1,705	11,679	7,614	-	20,806
Total liabilities	$ 21,788	$ 2,876	$ 10,224	$ 14,343	$ -	$ 49,231

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

	Corporate	Exploration	Guanacevi	Bolanitos	El Cubo	Total
			Year ended Dec. 31, 2012			
Silver revenue	$ -	$ -	$ 90,977	$ 50,375	$ 7,862	$ 149,214
Gold revenue	-	-	14,063	37,885	6,917	58,865
Total revenue	$ -	$ -	$ 105,040	$ 88,260	$ 14,779	$ 208,079
Salaries, wages and benefits:						
mining	$ -	$ -	$ 6,166	$ 6,290	$ 1,821	$ 14,277
processing	-	-	2,037	1,385	692	4,114
administrative	-	-	3,344	3,068	576	6,988
stock based compensation	-	-	211	223	111	545
change in inventory	-	-	1,173	(1,143)	1,550	1,580
Total salaries, wages and benefits	-	-	12,931	9,823	4,750	27,504
Direct costs:						
mining	-	-	17,579	10,705	2,727	31,011
processing	-	-	9,970	10,910	2,594	23,474
administrative	-	-	2,959	3,037	1,541	7,537
change in inventory	-	-	4,573	(4,663)	2,909	2,819
Total direct production costs	-	-	35,081	19,989	9,771	64,841
Depreciation and depletion:						
depreciation and depletion	-	-	12,725	8,866	7,636	29,227
change in inventory	-	-	1,386	1,306	(2,225)	467
Total depreciation and depletion	-	-	14,111	10,172	5,411	29,694
Royalties	-	-	1,866	-	-	1,866
Write down of inventory to NRV	-	-	-	-	6,221	6,221
Total cost of sales	$ -	$ -	$ 63,989	$ 39,984	$ 26,153	$ 130,126
Earnings (loss) before taxes	$ (6,682)	$ (11,185)	$ 41,051	$ 48,276	$ (11,374)	$ 60,086
Current income tax expense			6,408	9,332	94	15,834
Deferred income tax expense			(2,684)	7,902	(3,083)	2,135
Total income tax expense	-	-	3,724	17,234	(2,989)	17,969
Earnings (loss) after taxes	$ (6,682)	$ (11,185)	$ 37,327	$ 31,042	$ (8,385)	$ 42,117
			Year ended Dec. 31, 2011			
Silver revenue	$ -	$ -	$ 74,709	$ 26,368	$ -	$ 101,077
Gold revenue	-	-	9,110	17,810	-	26,920
Total revenue	$ -	$ -	$ 83,819	$ 44,178	$ -	$ 127,997
Salaries, wages and benefits:						
mining	$ -	$ -	$ 4,846	$ 3,502	$ -	$ 8,348
processing	-	-	1,707	1,068	-	2,775
administrative	-	-	2,452	1,902	-	4,354
stock based compensation	-	-	236	230	-	466
change in inventory	-	-	(1,602)	(1,325)	-	(2,927)
Total salaries, wages and benefits	-	-	7,639	5,377	-	13,016
Direct costs:						
mining	-	-	14,248	3,858	-	18,106
processing	-	-	8,536	4,198	-	12,734
administrative	-	-	2,251	1,903	-	4,154
change in inventory	-	-	(5,569)	(2,566)	-	(8,135)
Total direct production costs	-	-	19,466	7,393	-	26,859
Depreciation and depletion:						
depreciation and depletion	-	-	10,895	11,237	-	22,132
change in inventory	-	-	(1,788)	(3,250)	-	(5,038)
Total depreciation and depletion	-	-	9,107	7,987	-	17,094
Royalties	-	-	2,228	-	-	2,228
Total cost of sales	$ -	$ -	$ 38,440	$ 20,757	$ -	$ 59,197
Earnings (loss) before taxes	$ (23,015)	$ (10,207)	$ 45,379	$ 23,421	$ -	$ 35,578
Current income tax expense	159	-	4,130	4,489	-	8,778
Deferred income tax expense	-	-	6,427	1,618	-	8,045
Total income tax expense	159	-	10,557	6,107	-	16,823
Earnings (loss) after taxes	$ (23,174)	$ (10,207)	$ 34,822	$ 17,314	$ -	$ 18,755

The Exploration segment included $740 for the year ended December 31, 2012 (2011 - $3,005) of costs incurred in Chile.

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

20. INCOME TAXES

(a) Tax Assessments

Refinadora Plata Guanacevi SA de CV, a subsidiary of the Company, received a MXN$63 million (US$4.8 million) assessment on May 7th, 2011 by Mexican fiscal authorities for failure to provide the appropriate support for certain expense deductions taken in the entity's 2006 tax return. During the audit process, the Company retained an international accounting firm and external counsel to expedite the audit process and to ensure the delivery of the appropriate documentation. Based on the advice of our tax advisors and legal counsel, it is the Company's view that it provided the appropriate documentation and support for the expenses and the tax assessment has no legal merit, other than as explained below:

As a result of a detailed review by the Company of its accounting records and available information to support the deductions taken, the Company estimated a potential tax exposure of $425, plus additional interest and penalties of $460, for which the Company has made a provision in the consolidated financial statements for the year ended December 31, 2012 (December 31, 2011 - $885). The Company has provided the government a 3% bond and has commenced the appeal process.

Minera Santa Cruz y Garibaldi SA de CV, a subsidiary of the Company, received a MXN$238 million (US$18.3 million) assessment on October 12th, 2010 by Mexican fiscal authorities for failure to provide the appropriate support for certain expense deductions taken in the entity's 2006 tax return. During the audit process, the Company retained an international accounting firm and external counsel to expedite the audit process and to ensure the delivery of the appropriate documentation. Based on the advice of our tax advisors and legal counsel, it is the Company's view that it provided the appropriate documentation and support for the expenses and the tax assessment has no legal merit, other than explained below.

As a result of a detailed review by the Company of its accounting records and available information to support the deductions taken, the Company has estimated a potential tax exposure of $40, plus additional interest and penalties of $40, for which the Company has made a provision in the consolidated financial statements for the year ended December 31, 2012 (December 31, 2011 - $80).The Company commenced the appeal process.

Metales Interamericanos S.A. de C.V., a subsidiary of Endeavour, acquired in the El Cubo transaction received a MXN$68 million (US$5.2 million) assessment on August 24, 2010 by Mexican fiscal authorities for failure to provide the appropriate support for certain expense deductions in the 2006 tax return. Based on the advice of legal counsel, it is the Company's view the tax assessment has no legal merit. The appeal process was initiated in 2010, while legal advisors expect a resolution in 2013.

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

(b) Deferred Income Tax Liability

Mexico operations		**December 31, 2012**		December 31, 2011
Deferred income tax assets:				
Tax loss carryforwards	**$**	**9,556**	$	176
Provision for reclamation and rehabilitation		**1,614**		651
Other		**1,064**		146
Deferred income tax liabilities:				
Inventories		**(7,799)**		(8,355)
Mineral properties, plant and equipment		**(70,961)**		(11,990)
Other		**(2,991)**		(1,434)
Deferred income tax liabilities, net	**$**	**(69,517)**	$	(20,806)

As at December 31, 2012, the Company had available for deduction against future taxable income in Mexico non-capital losses of approximately $71,390 (2011 – $586). These losses, if unutilized, expire between 2013 to 2022.

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

As at December 31, 2012, no deferred tax assets are recognized on the following temporary differences as it is not probable that sufficient future taxable profit will be available to realize such assets:

Canada operations		**December 31, 2012**		December 31, 2011
Deferred income tax assets:				
Tax loss carryforwards	**$**	**1,738**	$	3,640
Mineral properties, plant and equipment		**562**		585
Financing Costs		**616**		834
Other		**1,286**		476
Unrecognized deferred income tax assets, net	**$**	**4,202**	$	5,535

As at December 31, 2012, the Company had available for deduction against future taxable income in Canada non-capital losses of approximately CAN $6,929 (2011 – CAN $14,170). These losses, if unutilized, have expiration years ranging from 2029 to 2030.

(c) Income Tax Expense

		December 31, 2012		December 31, 2011
Current income tax expense				
Current income tax expense in respect of current year	**$**	**15,834**	$	8,718
Adjustments recognized in the current year in relation to prior years		-		60
Deferred income tax expense				
Deferred tax expense recognized in the current year		**2,135**		8,045
Total income tax expense	**$**	**17,969**	$	16,823

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

		December 31, 2012		December 31, 2011
Canadian statutory tax rates		**25.00%**		26.50%
Income tax expense computed at Canadian statutory rates	**$**	**15,029**	$	9,428
Foreign tax rates different from statutory rate		**2,928**		2,319
Mark-to-market accounting		**(1,009)**		3,642
Finance Costs		**(51)**		-
Stock-based compensation		**1,186**		1,289
Foreign exchange		**(2,106)**		2,116
Inflationary adjustment		**264**		300
Other		**(1,049)**		215
Adjustments recognized in the current year in relation to prior years		**(97)**		1,432
Current year losses not recognized		**4,284**		946
Recognition of previously unrecognized losses		**(1,806)**		(5,023)
Withholding taxes		**396**		159
Tax expense	**$**	**17,969**	$	16,823

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

21. FINANCIAL INSTRUMENTS

(a) Financial Assets and Liabilities

As at December 31, 2012, the carrying and fair values of our financial instruments by category are as follows:

	Held for trading $	Loans and receivables $	Available for sale $	Financial liabilities $	Carrying value $	Fair value $
Financial assets:						
Cash and cash equivalents	-	18,617	-	-	18,617	18,617
Investments	-	-	8,520	-	8,520	8,520
Accounts receivable	-	20,526	-	-	20,526	20,526
Total financial assets	-	39,143	8,520	-	47,663	47,663
Financial liabilities:						
Accounts payable and accrued liabilities	-	-	-	38,485	38,485	38,485
Revolving credit facility				9,000	9,000	9,000
Contingent liabilities				8,497	8,497	8,497
Derivative liabilities	-	-	-	5,336	5,336	5,336
Total financial liabilities	-	-	-	61,318	61,318	61,318

Fair value hierarchy

IFRS 7 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. The fair values of financial assets and financial liabilities at December 31, 2012 are:

	Total $	Level 1 $	Level 2 $	Level 3 $
Financial assets:				
Investments	8,520	8,520	-	-
Total financial assets	8,520	8,520	-	-
Financial liabilities:				
Contingent liabilities	8,497		8,497	
Derivative liabilities	5,336	-	5,336	-
Total financial liabilities	13,833	-	13,833	-

The three levels of the fair value hierarchy established by IFRS 7 are as follows:

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.

Money market investments, marketable securities and notes receivable are determined based on a market approach reflecting the closing price of each particular security at the reporting date. The closing price is a quoted market price obtained from the exchange that is the principal active market for the particular security. As a result, these financial assets have been included in Level 1 of the fair value hierarchy.

The Company determines the fair value of the embedded derivative related to its Canadian dollar denominated common share purchase warrants based on the closing price that is a quoted market price obtained from the exchange that is the principal active market for the warrants for publicly traded warrants.

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly, for substantially the full contractual term.

For the non-publicly traded warrants, the Company uses Black-Scholes option pricing model to determine the fair value therefore this financial liability has been included in Level 2 of the fair value hierarchy.

The Company determines the fair value of the contingent liability related to the contingent consideration included in the terms of the acquisition of Mexgold (see note 4) using a Monte Carlo simulation approach. Monte Carlo simulation approaches are a class of computational algorithms that rely on repeated random sampling to compute their results. Gold price paths were developed using a mathematical formula based on a stochastic process with mean reversion to a long term trend line incorporating current gold prices and the gold forward curve, both observable data points. Assumptions used in the Monte Carlo simulations are observable market data and therefore, the contingent consideration is classified in Level 2 of the fair value hierarchy.

Level 3: Inputs for the asset are not based on observable market data.

The Company has no financial assets or liabilities included in Level 3 of the fair value hierarchy.

(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 exposures are managed is outlined as follows:

<u>Credit Risk</u>

The Company is exposed to credit risk on its bank accounts, money market investments, notes receivable and value added tax receivable. 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 ("IVA") receivables are generated on the purchase of supplies and services to produce silver, which are refundable from the Mexican government.

The carrying amount of financial assets represents the maximum credit exposure.

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

Below is an aged analysis of the Company's receivables:

	Carrying amount	**Gross impairment**	Carrying amount	Gross impairment
	December 31, 2012		December 31, 2011	
Less than 1 month	**$ 8,401**	**$ -**	$ 2,498	$ -
1 to 3 months	**5,257**	**-**	3,485	4
4 to 6 months	**1,493**	**-**	21	8
Over 6 months	**6,151**	**776**	2,164	764
Total accounts receivable	**$ 21,302**	**$ 776**	$ 8,168	$ 776

At December 31, 2012, 98% of the receivables that were outstanding over one month are comprised of IVA receivables in Mexico (December 31, 2011 – 98%).

At December 31, 2012 an impairment loss of $595 relates to IVA receivable amounts from prior years and $181 relates to an allowance on related party receivables from prior years (December 31, 2011 - $776).

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 maintained in cash equivalents in order to maintain liquidity after taking into account the Company's holdings of cash equivalents, money market investments, marketable securities, receivables and available borrowings under the Company's revolving credit facility. The Company believes that these sources, operating cash flows and its policies will be sufficient to cover the likely short term cash requirements and commitments.

In the normal course of business, the Company enters into contracts that give rise to future minimum payments. The following table summarizes the remaining contractual maturities of the Company's financial liabilities and operating and capital commitments at December 31, 2012:

	Less than 1 year $	1 to 3 years $	4 to 5 years $	Over 5 years $	Total $
Accounts payable and accrued liabilities	34,631	-	-	-	34,631
Income taxes payable	3,854	-	-	-	3,854
Revolving credit facility	-	9,000	-	-	9,000
Provision for reclamation and rehabilitation	-	918	5,578	-	6,496
Capital expenditure commitments	14,074	-	-	-	14,074
Minimum rental and lease payments	278	574	458	-	1,310
Acquisition contingent consideration	-	8,497	-	-	8,497
Total contractual obligations	52,837	18,989	6,036	-	77,862

Market Risk

Significant market related risks to which the Company is exposed consist of foreign currency risk, interest risk, and commodity price risk and equity 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 on the profitability of the Company and may also affect the value of the Company's assets and the amount of shareholders' equity. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks.

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

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, 2012		December 31, 2011	
	Canadian Dollar	**Mexican Peso**	Canadian Dollar	Mexican Peso
Financial Assets	**$ 11,017**	**$ 22,598**	$ 65,339	$ 12,228
Financial Liabilities	**(7,480)**	**(13,763)**	(14,086)	(7,586)
Net Financial Assets	**$ 3,537**	**$ 8,835**	$ 51,253	$ 4,642

Of the financial assets listed above, $914 (2011 – $46,539) represents cash and cash equivalents held in Canadian dollars and $1,638 (2011 - $3,839) represents cash held in Mexican Pesos. The remaining cash balance is held in U.S. dollars. The money market investments and Notes receivable are denominated in Canadian dollars.

As at December 31, 2012, with other variables unchanged, a 5% strengthening of the US dollar against the Canadian dollar would decrease net earnings by $168 due to these financial assets and liabilities.

As at December 31, 2012, with other variables unchanged, a 5% strengthening of the US dollar against the Mexican peso would decrease net earnings by $421 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. The revolving credit facility is subject to interest rate risk as amounts outstanding are subject to charges at a LIBOR-based rate (plus 2.75% to 4.25% depending on financial and operating measures) payable according to the quoted rate term. The interest rate charge for the year was 3.2%. As at December 31, 2012, with other variables unchanged, a 100% change in the interest rate would be immaterial to the earnings for the year.

Commodity Price Risk – Gold and silver prices have historically fluctuated significantly and are affected by numerous factors outside of the Company's control, including, but not limited to, industrial and retail demand, central bank lending, forward sales by producers and speculators, levels of worldwide production, short-term changes in supply and demand due to speculative hedging activities and certain other factors. The Company has not engaged in any hedging activities, other than short term metal derivative transactions less than 90 days, to reduce its exposure to commodity price risk.

Equity Price Risk – Fair values in the Company's derivative liabilities related to the outstanding share purchase warrants denominated in Canadian dollars are subject to equity price risk. Changes in the market value of the Company's common shares may have a material effect on the fair value of the Company's warrants and net income. As at December 31, 2012, with other variables unchanged, a 10% strengthening of the market price of the Company's common shares would decrease net earnings by $705.

22. CONTINGENCIES

On November 29, 2012 a decree reformed the Mexican Federal Labour Law, which included reformation and provisions over employee outsourcing. These provisions and the conditions established therein could have an impact on the corporate structures by which businesses are organized in Mexico. Under this system, the workforce provided by a service company could be considered as entirely outsourced to the operating company, which could imply that the operating company is deemed as the employer of all workers for all legal effects under the Mexico Federal Labour Law, including expanded obligations regarding the payment of profit sharing. The Company has reviewed the new legislation with legal advisors and has recognized there could be a potential impact to the Company, however due to the ambiguity and lack of definitions provided by law, the Company is unable to determine such impact at this time. The Mexican government has indicated it will publish regulations providing clarity on this matter later in 2013.

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

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

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, 2012 and the related notes contained therein. Additional information relating to the Company including the most recent Annual Information Form is on sedar at www.sedar.com, and the Company's most recent annual report on Form 40-F has been filed with the US Securities and Exchange Commission (the "SEC").

All financial information in this MD&A related to 2012 and 2011 has been prepared in accordance with International Financial Reporting Standards ("IFRS"), 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 2013, 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 and 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. Investors 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 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 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.

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HISTORY AND STRATEGY

The Company is engaged in silver mining in Mexico and related activities including property acquisition, exploration, development, mineral extraction, processing, refining and reclamation. The Company is also engaged in exploration activities in Chile.

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 Bolanitos (formerly described as "Guanajuato") Mines project in Guanajuato State. Bolanitos 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 subsequent exploration work, silver production, reserves and resources are growing rapidly and Bolanitos is now an integral part of the Company's asset base.

Both Guanacevi and Bolanitos 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 develop 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 Bolanitos 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.

BUSINESS ACQUISITION

On July 13, 2012, (the "acquisition date"), the Company completed the acquisition of 100% of the issued and outstanding shares of Mexgold Resources Inc. ("Mexgold") and its three wholly owned subsidiaries: Compania Minera del Cubo, S.A. de C.V., AuRico Gold GYC, S.A. de C.V. and Metales Interamericanos, S.A. de C.V. from AuRico Gold Inc. ("AuRico").

As a result of the acquisition, the Company now owns the El Cubo silver-gold mine located in Guanajuato, Mexico and the Guadalupe y Calvo silver-gold exploration project located in Chihuahua, Mexico. The results of Mexgold, which include its wholly-owned subsidiaries, were consolidated with the results of the Company commencing on July 13, 2012.

Total estimated consideration of $203,405,000 was calculated as follows:

Purchase Cost (in thousands of US$)		
Cash paid	$	100,000
Common shares issued(1)		88,944
Contingent consideration(2)		7,908
Estimated working capital adjustment(3)		6,553
	$	203,405

(1) There were 11,037,528 common shares issued with a fair value of $8.06 per share. The related share issuance costs of $204,000 were recognized against equity.

(2) AuRico will be entitled to receive up to an additional $50 million in cash payments from the Company upon the occurrence of certain events as follows:

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

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

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

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

The contingent consideration related to the Las Torres lease was valued based on factoring the probability of the Company negotiating a lease extension. Management determined the probability of extending the lease to be highly unlikely, resulting in a $nil value. The contingent consideration based on the performance of gold prices was valued using a Monte Carlo simulation resulting in a valuation of $7,908,000 at the acquisition date. Monte Carlo simulation approaches are a class of computational algorithms that rely on repeated random sampling to compute their results. Gold price paths were developed using a mathematical formula based on stochastic process with mean reversion to a long term trend line.

As at December 31, 2012, an increase in the gold price and movement in the gold forward curve resulted in a $589,000 mark to market loss. The fair value of the contingent consideration as at December 31, 2012 was determined to be $8,497,000.

(3) The purchase agreement with AuRico stipulated there would be an adjustment of the purchase price based on the working capital of the consolidated Mexgold entity as at the acquisition date. The purchase price was adjusted upward by the amount of the working capital at the acquisition date. The Company estimates the working capital adjustment to be $6,553,000, payable upon final agreement with AuRico.

The purchase price has been allocated to the underlying assets acquired and liabilities assumed, based upon their estimated fair values at the date of acquisition. Final fair values will be determined based on independent appraisals, discounted cash flow models, and quoted market prices, as deemed appropriate. The Company has incurred acquisition-related costs totaling $789,000 in the form of advisory, legal and professional fees, which have been included in general and administrative costs in the consolidated statement of comprehensive income.

The following sets forth the preliminary allocation of the purchase price to assets acquired and liabilities assumed, based on preliminary estimates of fair values. The final valuations are not yet complete due to the timing of the acquisition and the inherent complexity associated with the valuations. The Company expects to finalize the purchase price allocation in the third quarter of 2013. This is a preliminary purchase price allocation and therefore subject to adjustment over the period to completion of the valuation process.

Summary of purchase price allocation: (in thousands of dollars)

Assets:		
Cash and cash equivalents	$	843
Receivables		7,306
Inventories		4,868
Prepaid expenses		222
Plant and equipment		10,161
Mineral Properties - El Cubo		192,536
Mineral Properties - Guadalupe y Calvo		5,000
Goodwill		39,245
Total assets		260,181
Liabilities:		
Accounts payable and accrued liabilities		(6,465)
Provision for reclamation and rehabilitation		(3,735)
Deferred income tax liability		(46,576)
Total liabilities		(56,776)
Net identifable assets acquired	$	203,405

In accordance with our accounting policy, goodwill was tested for impairment at the end of the fourth quarter. When there is an indicator of impairment of non-current assets within a cash generating unit ("CGU") containing goodwill, management tests the non-current assets for impairment first and recognizes any impairment loss on the non-current assets before testing the CGU containing the goodwill for impairment. The recoverable amount of each CGU has been determined based on its fair value less costs to sell, which has been determined to be greater than the value in use model. For the year ended December 31, 2012, no impairment of goodwill has been recognized.

El Cubo is a producing silver-gold mine located in the southeast part of the historic Guanajuato mining district in central Mexico, only 10 kilometers (km) from Endeavour's operating Bolanitos silver-gold mine in the northwest part of the Guanajuato district.

The El Cubo property consists of 61 mineral concessions covering 8,144 hectares, including several historic and currently active mine adits, ramps and shafts. Approximately 38 individual veins have been identified on the El Cubo property. Veins typically strike northwest, dip 70 degrees southwest and average nearly 2 meters wide. Management believes the El Cubo mine property has good exploration potential for the discovery of both new mineralized veins as well as new ore-bodies within known veins.

Endeavour plans more than 50,000 meters of core drilling over the next 2 years to test several high priority exploration targets and identify new targets. Underground drilling will also assist in upgrading resource blocks and guiding mine and stope development.

Prior to acquisition, quarterly mine production in 2012 had been averaging about 200,000 oz silver and 4,000 oz gold from approximately 100,000 tonnes (1,100 tonnes per day or tpd) grading 77 grams per tonne (gpt) silver and

1.45 gpt gold (157 gpt Ag eq.) at reported cash costs of around US$9-10 per oz of silver produced or US$18-19 per oz of silver equivalent production.

As such, El Cubo has been viewed as a low grade, high cost mining operation, similar to both the Guanacevi and Bolanitos mines before they were acquired by Endeavour. Endeavour sees strong potential to turn El Cubo into a high grade, low cost, long life underground mine because the new reserve grades for silver and gold at El Cubo are 78% and 51% higher respectively compared to the current production grades, and because of Endeavour's experience at discovering new high grade ore-bodies, developing them on fast-tracks into production and turning around both production tonnes and ore grades at Guanacevi and Bolanitos.

Endeavour's new mine plan will focus initially on maintaining the current tonnage throughput at El Cubo around 1,000-1,200 tpd while progressively increasing the production grades closer to the reserve grades over the next 4 to 6 quarters by steadily reducing ore dilution. A new site management was hired in Q3, 2012 several new initiatives to reduce dilution and increase grades are now underway.

The Company currently processes El Cubo ores at the adjacent Las Torres plant leased from Fresnillo PLC to produce bulk silver-gold concentrates. The concentrates are then trucked back to the El Tajo leach plant on the El Cubo property for processing into dore bars. Endeavour is currently rebuilding the surface infrastructure at El Cubo including the El Tajo leach plant, tailings facility, water supply, electrical supply and administration buildings. When complete in Q2, 2013, the El Tajo plant will have 1600 tonnes per day of capacity for both the production of and leaching of concentrates to produce dore bars.

Once production grades have stabilized close to the reserve grades, Endeavour will consider a second phase mine and plant expansion as part of its capital investment program, subject to additional reserve and resource growth**.**

Guadalupe y Calvo is an advanced gold-silver exploration project located in the historic Guadalupe y Calvo mining district in Chihuahua State, Mexico, approximately 300 km southwest of the city of Chihuahua. The acquisition of the Guadalupe y Calvo project gives Endeavour 100% control of 9 mineral concessions covering 54,872 hectares. Guadalupe y Calvo contains the historic Rosario mine with past production of 2 million oz gold and 28 million oz silver.

Guadalupe y Calvo is a large property covering a classic gold-silver epithermal district. Based on mineralogy and alteration, gold-silver mineralization is of the low-sulphidation epithermal, quartz-adularia type. The system contains quartz veins, breccias and stockworks hosting economically significant gold and silver mineralization.

The project's main structural feature is the Rosario fault complex. This regional mineralized structure has been traced for more than 6 km and mineralized zones within this fault complex attain widths of up to 80 meters. Historic underground mining widths of high-grade gold-silver mineralization were up to 10 meters thick. Aurico conducted several phases of exploration drilling to outline a high grade mineralized zone in the Rosario vein and Endeavour recently completed a resource estimate based on that drilling.

Endeavour plans to carry out regional prospecting, mapping and sampling at Guadalupe y Calvo in 2013 to more fully assess the exploration potential for both high grade veins and bulk tonnage prospects on the property.

The Company funded the cash requirements on closing from its existing treasury and plans to meet any future cash consideration from consolidated cash flows and a revolving line of credit.

OPERATING PERFORMANCE

2012 Financial Highlights (compared to 2011)

- Net earnings increased 124% to $42.1 million ($0.45 per share) compared to $18.8 million ($0.22 per share)
- Adjusted earnings[(1)] increased 24% to $40.2 million ($0.42 per share) compared to $32.4 million ($0.37 per share)
- EBITDA[(1)] increased 71% to $90.5 million
- Cash flow from operations before working capital changes increased 30% to $82.9 million
- Mine operating cash-flow[(1)] increased 32% to $114.4 million
- Revenues increased 63% to $208.1 million on 4,815,073 silver oz sold and 35,167 gold oz sold
- Bullion held in inventory included 250,382 oz silver and 2,712 oz gold
- Concentrate inventory held in process included 361,279 oz silver and 6,222 oz gold
- Realized silver price decreased 13% to $30.99 per oz sold (consistent with the average spot price for 2012)
- Realized gold price increased 7% to $1,674 per oz sold (consistent with the average spot price for 2012)
- Cash costs[(2)] increased 44% to $7.33 per oz silver payable (net of gold credits)
- Cash costs excluding El Cubo decreased 4% to $5.28 and El Cubo cash costs were $35.27

(1) Adjusted earnings, mine operating cash-flow and EBITDA are non-IFRS measures (see page 25)
(2) Cash cost is a non-IFRS measure (see page 13)

2012 Production Highlights (compared to 2011)

- Silver production up 20% to 4,485,476 oz
- Gold production up 77% to 38,687 oz
- Silver equivalents production up 33% to 6.4 million oz (at a 50:1 silver:gold ratio)
- Completed the Bolanitos mine and plant expansion to 1600 tpd operating capacity
- Completed the Guanacevi mine and plant expansion to 1,200 tpd operating capacity
- Acquired the El Cubo min and plant operating at 1,100 tpd

2012 Exploration Highlights (compared to 2011)

- Silver Proven and Probable Reserves up 37% to 23.1 million ounces (oz);
- Gold Proven and Probable Reserves up 229% to 222,300 oz;
- Silver Equivalent Proven and Probable Reserves up 67% to 34.2 million oz;
- Silver Measured and Indicated Resources up 62% to 58.5 million oz;
- Gold Measured and Indicated Resources up 96% to 524,800 oz;
- Silver Equivalent Measured and Indicated Resources up 67% to 84.7 million oz;
- Silver Inferred Resources up 74% to 61.1 million oz;
- Gold Inferred Resources up 182% to 520,400 oz;
- Silver Equivalent Inferred Resources up 92% to 87.1 million oz;

Q4, 2012 Financial Highlights (compared to Q3, 2012)

- Net earnings increased to $14.8 million ($0.15 per share) compared to net earnings of $16 thousand ($0.00 per share)
- Adjusted earnings(1) increased to $12.9 million ($0.13 per share) compared to $1.7 million ($0.02 per share)
- EBITDA(1) increased 877% to $28.2 million
- Cash flow from operations, before working capital changes increased 5% to $20.4 million
- Mine operating cash-flow(1) increased 17% to $31.4 million
- Revenues increased 29% to $66.7 million on 1,345,832 silver oz sold and 13,037 gold oz sold
- Realized silver price increased 14% to $32.87 per oz sold
- Realized gold price increased 4% to $1,725 per oz sold
- Cash costs(2) increased 202% to $12.25 per oz silver payable (net of gold credits)

(1) Adjusted earnings, mine operating cash-flow and EBITDA are non-IFRS measures (see page 25)
(2) Cash cost is a non-IFRS measure (see page 13)

Q4, 2012 Production Highlights (compared to Q3, 2012)

- Silver production up 9% to 1,235,026 oz
- Gold production up 10% to 12,917 oz
- Silver equivalents production up 9% to 1.9 million oz (at a 50:1 silver:gold ratio)

Consolidated Production Results

2012 compared to 2011

Silver production for 2012 was 4,485,476 oz, an increase of 20% compared to 3,730,127 oz for 2011 and gold production was 38,687 oz, an increase of 77% compared to 21,810 oz. Plant throughput was 1,065,689 tonnes at average grades of 179 gpt of silver and 1.48 gpt of gold compared to 601,873 tonnes grading 260 gpt of silver and 1.41 gpt of gold. The increased silver and gold production is attributable to the 77% increase in throughput, while silver grades dropped 31% and gold grades increased 4%. The increased tonnage was primarily the result of the Bolanitos expansion and the acquisition of El Cubo during the third quarter. The decreased silver grades are due to rising significance of Bolanitos and the addition of El Cubo, which have lower silver grades compared to Guanacevi. In addition, lower grade silver ores were mined at all operations due to normal grade variations within the ore-bodies and generally higher metal prices.

Guanacevi Production Results

2012 compared to 2011

Silver production at the Guanacevi mine during 2012 was 2,512,943 oz, a decrease of 6% compared to 2,682,035 oz for 2011 and gold production was 7,874 oz, an increase of 15% compared to 6,866 oz. Plant throughput was 418,277 tonnes at average grades of 249 gpt silver and 0.76 gpt gold compared to 363,076 tonnes grading 311 gpt silver and 0.69 gpt gold in 2011. The decreased silver and increased gold production are attributable to the 15% increase in throughput, while silver grades were 20% lower due to normal course ore grade variation in the ore bodies and delayed production from the higher grade Porvenir Cuatro mine.

During the 4th Quarter, the Company discovered discrepancies in its metallurgical balance and Bolanitos concentrate stockpile held at the Guanacevi plant. An internal review found a measurement discrepancy in the system feeding Bolanitos concentrates into the Guanacevi leach plant. As a result, Endeavour estimates that about 227 more tonnes of concentrate were processed during the year than reported, which led to an extra 62,500 oz silver and 1,100 oz gold being credited as Guanacevi production. The average recoveries for gold and silver reported for Guanacevi in the first three quarters of 2012 were therefore overstated, while this adjustment is reflected in the reported 4th quarter recoveries and cash costs.

Bolanitos Production Results

2012 compared to 2011

Silver production at the Bolanitos mine was 1,668,128 ounces, an increase of 59% compared to 1,048,093 oz during 2011 and gold production was 25,920 oz, an increase of 73% compared to 14,943 oz. Plant throughput was 476,687 tonnes at average grades of 148 gpt silver and 2.19 gpt gold compared to 238,797 tonnes grading 183 gpt silver and 2.51 gpt gold. The increased silver and gold production is attributable to the 100% increase in throughput offset by lower ore grades. The Company completed a 60% plant expansion in Q3, 2011 which allowed the Company to significantly increase its throughput compared to the first three quarters 2011. The Company also completed an additional 60% mine expansion in December 2012 creating daily capacity of 1600 tpd.

Historically, the concentrate produced at Bolanitos has been processed at our Guanacevi mine, but with the acquisition of the El Cubo facilities, the Company has been able to process the concentrate at both facilities.

El Cubo Production Results

After Endeavour closed the acquisition of El Cubo on July 13, 2012, the mine produced and processed 170,725 ore tonnes to year-end 2012 in the Las Torres plant at average grades of 94 gpt silver and 1.42 gpt gold. Because the combined residence time to process ore into dore bars in the Las Torres and El Tajo plants is approximately 3 weeks, and Endeavour started with empty plants on July 13, approximately 3 weeks of the total feed, estimated at 21,000 tonnes, remained in process at year-end and had not yet reported to dore, resulting in artificially low reported silver and gold recoveries

Endeavour's new mine plan is focused initially on maintaining the current tonnage throughput at El Cubo around 1,000-1,200 tpd while progressively increasing the production grades closer to the reserve grades over the next four to six quarters by steadily reducing ore dilution. The Company has also reorganized the mine operations team to improve supervision and operating efficiencies, improved safety policies, programs and training to reduce lost time accidents and created a Mine Rescue Team so that our employees will be able to work in a safer environment. The Company accelerated mine development and commenced underground drilling, acquired new mining equipment and three more scoop trams are scheduled to arrive subsequent to December 31, 2012. The plant and surface infrastructure rebuild program also commenced in late Q3, 2012 and is currently on time and budget for scheduled completion in Q2, 2013.

(Expressed in US dollars unless otherwise noted) Date of Preparation: March 11, 2013

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 2012									
Q1, 2012	193,759	229	1.33	1,072,491	6,321	75.2	76.2	6.26	92.44
Q2, 2012	202,987	208	1.47	1,040,026	7,695	76.5	80.3	5.46	86.32
Q3, 2012	306,164	161	1.49	1,137,933	11,754	71.8	80.1	4.70	97.04
Q4, 2012	362,779	151	1.55	1,235,026	12,917	70.1	71.7	12.25	92.86
Total	1,065,689	179	1.48	4,485,476	38,687	73.2	76.5	7.33	92.74
Production 2011									
Q1, 2011	141,942	263	1.36	900,133	5,008	75.0	81.0	4.62	79.30
Q2, 2011	136,958	266	1.36	850,476	4,831	72.7	80.6	6.98	96.69
Q3, 2011	138,592	263	1.47	858,738	4,926	73.4	75.2	5.03	91.47
Q4, 2011	184,381	252	1.45	1,120,781	7,045	75.0	82.0	4.05	84.14
Total	601,873	260	1.41	3,730,128	21,810	74.1	79.8	5.08	87.55
Production 2010									
Q1, 2010	112,963	270	1.34	766,210	3,775	78.3	78.7	6.69	79.45
Q2, 2010	123,825	267	1.32	826,439	4,460	77.6	84.9	6.57	86.69
Q3, 2010	126,599	265	1.45	797,054	4,607	73.8	77.8	6.11	81.35
Q4, 2010	143,623	267	1.37	895,931	4,871	72.6	76.7	5.08	80.86
Total	507,010	267	1.37	3,285,634	17,713	75.4	79.4	6.08	82.10
Q4, 2012 : Q4, 2011	97%	-40%	7%	10%	83%	-7%	-13%	202%	10%
Q4, 2012 : Q3, 2012	18%	-6%	4%	9%	10%	-2%	-11%	161%	-4%
YTD 2012:YTD 2011	77%	-31%	4%	20%	77%	-1%	-4%	44%	6%

(Expressed in US dollars unless otherwise noted) Date of Preparation: March 11, 2013

Comparative Table of Guanacevi 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 2012 Year:									
Q1, 2012	98,963	292	0.60	726,697	1,620	78.2	85.3	12.38	113.69
Q2, 2012	100,208	269	0.87	669,754	2,499	77.4	89.2	8.64	100.81
Q3, 2012	108,343	227	0.87	598,285	2,667	75.7	88.0	10.99	101.82
Q4, 2012	110,763	215	0.69	518,207	1,088	67.7	44.3	18.20	99.70
Total	418,277	249	0.76	2,512,943	7,874	74.6	76.1	12.25	103.83
Production 2011 Year:									
Q1, 2011	91,104	307	0.70	663,202	1,750	73.8	85.4	8.63	89.11
Q2, 2011	85,594	310	0.69	618,083	1,633	72.5	86.0	10.85	106.55
Q3, 2011	87,662	305	0.83	647,397	1,933	75.3	82.6	9.61	107.05
Q4, 2011	98,716	320	0.56	753,353	1,550	74.2	87.2	9.82	99.41
Total	363,076	311	0.69	2,682,035	6,866	73.9	85.4	9.71	100.34
Production 2010 Year:									
Q1, 2010	69,522	333	0.74	574,796	1,277	77.2	77.2	8.51	87.97
Q2, 2010	75,701	332	0.80	622,385	1,602	77.0	82.3	9.30	100.61
Q3, 2010	75,039	326	0.77	585,422	1,545	74.4	83.2	8.80	94.71
Q4, 2010	91,825	308	0.65	666,343	1,612	73.3	84.0	8.91	84.53
Total	312,087	324	0.74	2,448,946	6,036	75.3	81.9	8.89	91.64
Q4, 2012 : Q4, 2011	12%	-33%	23%	-31%	-30%	-9%	-49%	85%	0%
Q4, 2012 : Q3, 2012	2%	-5%	-21%	-13%	-59%	-11%	-50%	66%	-2%
YTD 2012: YTD 2011	15%	-20%	10%	-6%	15%	1%	-11%	26%	3%

(Expressed in US dollars unless otherwise noted) Date of Preparation: March 11, 2013

Comparative Table of Bolanitos 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 2012 Year:									
Q1, 2012	94,796	163	2.10	345,794	4,701	69.5	73.6	(6.63)	70.26
Q2, 2012	102,779	149	2.05	370,272	5,196	75.2	76.6	(0.31)	72.18
Q3, 2012	117,271	148	2.39	433,388	7,363	77.7	81.7	(9.98)	77.34
Q4, 2012	161,841	140	2.20	518,674	8,660	71.3	75.8	(3.73)	75.66
Total	476,687	148	2.19	1,668,128	25,920	73.4	77.0	(5.20)	74.25
Production 2011 Year:									
Q1, 2011	50,838	184	2.53	236,931	3,258	78.8	78.8	(6.59)	61.75
Q2, 2011	51,364	192	2.48	232,393	3,198	73.3	78.1	(3.31)	80.25
Q3, 2011	50,930	190	2.57	211,341	2,993	67.9	71.1	(9.02)	64.66
Q4, 2011	85,665	173	2.48	367,428	5,494	77.1	80.3	(7.77)	66.54
Total	238,797	183	2.51	1,048,093	14,943	74.7	77.5	(6.77)	68.07
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
Total	194,923	177	2.39	836,688	11,675	75.7	78.5	(2.14)	66.81
Q4, 2012 : Q4, 2011	89%	-19%	-12%	41%	58%	-8%	-6%	-52%	14%
Q4, 2012 : Q3, 2012	38%	-6%	-8%	20%	18%	-8%	-7%	-63%	-2%
YTD 2012 : YTD 2011	100%	-19%	-13%	59%	73%	-2%	-1%	-23%	9%

(Expressed in US dollars unless otherwise noted) Date of Preparation: March 11, 2013

Comparative Table of El Cubo 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 2012 Year:									
Q1, 2012	-	-	-	-	-	-	-	-	-
Q2, 2012	-	-	-	-	-	-	-	-	-
Q3, 2012	80,550	92	1.42	106,260	1,724	44.6	46.9	29.21	119.32
Q4, 2012	90,175	96	1.42	198,145	3,169	71.2	77.0	38.52	115.25
Total	170,725	94	1.42	304,405	4,893	58.9	62.8	35.27	117.17
Q4, 2012 : Q4, 2011	NA	NA	NA	NA	NA	NA	NA	NA	NA
Q4, 2012 : Q3, 2012	12%	4%	0%	86%	84%	60%	64%	32%	-3%
YTD 2012 : YTD 2011	NA	NA	NA	NA	NA	NA	NA	NA	NA

Cash Costs and Direct Costs (Non-IFRS Measures)

Cash cost per oz and direct cost per tonne are non-IFRS measures commonly reported in the silver and gold mining industry as benchmarks of performance, but they do not have standardized meanings prescribed by IFRS and therefore may not be comparable to similar measures presented by other issuers. The cash cost per oz 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 ore processed as the cost of sales net of changes in inventories. The cash cost per oz of silver produced reflects the cost of sales, net of changes in inventories, changes in the fair market value of gold inventories and gold credits.

Reconciliation of cash operating cost per oz and direct cost per tonne to cost of sales (2012):

Consolidated (in US $000s except ozs produced/payable, cash cost/oz and direct cost/tonne)	Year to date	For the three months ended			
	31-Dec-12	31-Dec-12	30-Sep-12	30-Jun-12	31-Mar-12
Direct Production Costs	$ 91,800	$ 34,814	$ 24,485	$ 15,890	$ 16,611
Royalties	1,866	469	454	482	461
Change in Inventories	4,263	719	1,556	1,149	839
Direct Costs	**$ 97,929**	**$ 36,002**	**$ 26,495**	**$ 17,521**	**$ 17,911**
Change in By-Product Inventories	(6,526)	1,462	(6,486)	(2,869)	1,367
By-Product gold sales	(58,865)	(22,488)	(14,707)	(9,034)	(12,636)
Cash Costs	**$ 32,538**	**$ 14,976**	**$ 5,302**	**$ 5,618**	**$ 6,642**
Throughput tonnes	1,065,689	362,779	306,164	202,987	193,759
Ozs Produced	4,485,476	1,235,026	1,137,933	1,040,026	1,072,491
Ozs Payable	4,440,621	1,222,676	1,126,554	1,029,626	1,061,766
Ozs Sold	4,815,073	1,345,832	1,294,241	1,075,000	1,100,000
Realized silver price	30.99	32.87	28.72	29.21	33.10
Direct Cost per Tonne US$ (1) (2)	**$92.74**	**$92.86**	**$97.04**	**$86.32**	**$92.44**
Cash Cost Per Oz US$ *	**$7.33**	**$12.25**	**$4.70**	**$5.46**	**$6.26**

Guanacevi Mines (in US $000s except ozs produced/payable, cash cost/oz and direct cost/tonne)	Year to date	For the three months ended			
	31-Dec-12	31-Dec-12	30-Sep-12	30-Jun-12	31-Mar-12
Direct Production Costs	$ 47,802	$ 12,839	$ 12,604	$ 11,535	$ 10,824
Royalties	1,866	469	454	482	461
Change in Inventories	(6,239)	(2,265)	(2,025)	(1,915)	(34)
Direct Costs	**$ 43,429**	**$ 11,043**	**$ 11,033**	**$ 10,102**	**$ 11,251**
Change in By-Product Inventories	1,122	1,214	(363)	(421)	692
By-Product gold sales	(14,064)	(2,922)	(4,158)	(3,951)	(3,033)
Cash Costs	**$ 30,487**	**$ 9,335**	**$ 6,512**	**$ 5,730**	**$ 8,910**
Throughput tonnes	418,277	110,763	108,343	100,208	98,963
Ozs Produced	2,512,943	518,207	598,285	669,754	726,697
Ozs Payable	2,487,814	513,025	592,302	663,056	719,430
Direct Cost per Tonne US$	**$103.83**	**$99.70**	**$101.83**	**$100.81**	**$113.69**
Cash Cost Per Oz US$ *	**$12.25**	**$18.20**	**$10.99**	**$8.64**	**$12.38**

Bolanitos Mines (in US $000s except ozs produced/payable, cash cost/oz and direct cost/tonne)	Year to date	For the three months ended			
	31-Dec-12	31-Dec-12	30-Sep-12	30-Jun-12	31-Mar-12
Direct Production Costs	$ 29,588	$ 9,986	$ 9,460	$ 4,355	$ 5,787
Change in Inventories	5,806	2,259	(390)	3,064	873
Direct Costs	**$ 35,394**	**$ 12,245**	**$ 9,070**	**$ 7,419**	**$ 6,660**
Change in By-Product Inventories	(6,088)	281	(4,596)	(2,448)	675
By-Product gold sales	(37,884)	(14,441)	(8,757)	(5,083)	(9,603)
Cash Costs	**$ (8,578)**	**$ (1,915)**	**$ (4,283)**	**$ (112)**	**$ (2,268)**
Throughput tonnes	476,687	161,841	117,271	102,779	94,796
Ozs Produced	1,668,128	518,674	433,388	370,272	345,794
Ozs Payable	1,651,447	513,487	429,054	366,569	342,336
Direct Cost per Tonne US$	**$74.25**	**$75.66**	**$77.34**	**$72.18**	**$70.26**
Cash Cost Per Oz US$ *	**($5.19)**	**($3.73)**	**($9.98)**	**($0.31)**	**($6.63)**

El Cubo Mines (in US $000s except ozs produced/payable, cash cost/oz and direct cost/tonne)	Year to date	For the three months ended			
	31-Dec-12	31-Dec-12	30-Sep-12	30-Jun-12	31-Mar-12
Direct Production Costs	$ 14,410	$ 11,989	$ 2,421		
Change in Inventories	4,696	725	3,971		
Direct Costs	**$ 19,106**	**$ 12,714**	**$ 6,392**	**$ -**	**$ -**
Change in By-Product Inventories	(1,560)	(33)	(1,527)		
By-Product gold sales	(6,917)	(5,125)	(1,792)		
Cash Costs	**$ 10,629**	**$ 7,556**	**$ 3,073**	**$ -**	**$ -**
Throughput tonnes	170,725	90,175	80,550		
Ozs Produced	304,405	198,145	106,260		
Ozs Payable	301,361	196,164	105,197		
Direct Cost per Tonne US$ (1) (2)	**$117.17**	**$115.25**	**$119.32**		
Cash Cost Per Oz US$ *	**$35.27**	**$38.52**	**$29.21**		

* Based on payable silver production attributable to cost of sales

(1) El Cubo cost per tonne for Q3 & Q4 2012 has been adjusted for the change in-circuit costs of $3,219

(1) El Cubo cost per tonne for Q4 has been adjusted for the change in-circuit costs of ($1,978) and includes a write down of $1,715

Reconciliation of cash operating cost per oz and direct cost per tonne to cost of sales (2011):

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-11	**31-Dec-11**	**30-Sep-11**	**30-Jun-11**	**31-Mar-11**
Direct Production Costs	$ 39,409	$ 5,944	$ 10,997	$ 12,109	$ 10,359
Royalties	2,228	516	636	631	445
Add/(Subtract):					
Change in Inventories	11,052	9,053	1,044	502	453
Direct Costs	**$ 52,689**	**$ 15,513**	**$ 12,677**	**$ 13,242**	**$ 11,257**
Add/(Subtract):					
Change in By-Product Inventories	(9,297)	(6,657)	(472)	(1,302)	(866)
By-Product gold sales	(24,621)	(4,358)	(7,932)	(6,060)	(6,271)
Cash Costs	**$ 18,771**	**$ 4,498**	**$ 4,273**	**$ 5,880**	**$ 4,120**
Throughput tonnes	601,873	184,381	138,592	136,958	141,942
Ozs Produced	3,730,128	1,120,781	858,738	850,476	900,133
Ozs Payable	3,692,827	1,109,573	850,152	841,970	891,132
Ozs Sold	2,838,784	400,000	757,548	804,881	876,355
Realized silver price	35.61	27.12	40.72	37.65	33.18
Direct Cost per Tonne US$	**$87.54**	**$84.14**	**$91.47**	**$96.69**	**$79.31**
Cash Cost Per Oz US$ *	**$5.08**	**$4.05**	**$5.03**	**$6.98**	**$4.62**

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-11	**31-Dec-11**	**30-Sep-11**	**30-Jun-11**	**31-Mar-11**
Direct Production Costs	$ 26,869	$ 3,642	$ 7,084	$ 8,555	$ 7,588
Royalties	2,228	516	636	631	445
Add/(Subtract):					
Change in Inventories	7,338	5,655	1,664	(66)	85
Direct Costs	**$ 36,435**	**$ 9,813**	**$ 9,384**	**$ 9,120**	**$ 8,118**
Add/(Subtract):					
Change in By-Product Inventories	(2,384)	(1,670)	(371)	(204)	(139)
By-Product gold sales	(8,259)	(819)	(2,852)	(2,274)	(2,314)
Cash Costs	**$ 25,792**	**$ 7,324**	**$ 6,161**	**$ 6,642**	**$ 5,665**
Throughput tonnes	363,076	98,716	87,662	85,594	91,104
Ozs Produced	2,682,035	753,353	647,397	618,083	663,202
Ozs Payable	2,655,214	745,819	640,923	611,902	656,570
Direct Cost per Tonne US$	**$100.35**	**$99.41**	**$107.05**	**$106.55**	**$89.11**
Cash Cost Per Oz US$ *	**$9.71**	**$9.82**	**$9.61**	**$10.85**	**$8.63**

Bolanitos 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-11	**31-Dec-11**	**30-Sep-11**	**30-Jun-11**	**31-Mar-11**
Direct Production Costs	$ 12,540	$ 2,302	$ 3,913	$ 3,554	$ 2,771
Add/(Subtract):					
Change in Inventories	3,714	3,398	(620)	568	368
Direct Costs	**$ 16,254**	**$ 5,700**	**$ 3,293**	**$ 4,122**	**$ 3,139**
Add/(Subtract):					
Change in By-Product Inventories	(6,913)	(4,987)	(101)	(1,098)	(727)
By-Product gold sales	(16,362)	(3,539)	(5,080)	(3,786)	(3,957)
Cash Costs	**$ (7,021)**	**$ (2,826)**	**$ (1,888)**	**$ (762)**	**$ (1,545)**
Throughput tonnes	238,797	85,665	50,930	51,364	50,838
Ozs Produced	1,048,093	367,428	211,341	232,393	236,931
Ozs Payable	1,037,613	363,754	209,229	230,068	234,562
Direct Cost per Tonne US$	**$68.07**	**$66.54**	**$64.66**	**$80.25**	**$61.75**
Cash Cost Per Oz US$ *	**($6.77)**	**($7.77)**	**($9.02)**	**($3.31)**	**($6.59)**

* 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 (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
Direct Production Costs	$ 40,302	$ 10,901	$ 10,711	$ 9,752	$ 8,938
Royalties	1,212	322	147	515	228
Add/(Subtract):					
Change in Inventories	109	391	(559)	468	(191)
Direct Costs	**41,623**	**11,614**	**10,299**	**10,735**	**8,975**
Add/(Subtract):					
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 Costs	**$ 19,778**	**$ 4,506**	**$ 4,823**	**$ 5,373**	**$ 5,076**
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
Ozs Sold	3,260,729	851,094	849,858	772,126	787,651
Realized Silver Price	19.62	24.16	18.46	18.65	16.93
Direct Cost per Tonne US$	**$82.10**	**$80.86**	**$81.35**	**$86.69**	**$79.45**
Cash Cost Per Oz US$ *	**$6.08**	**$5.08**	**$6.11**	**$6.57**	**$6.69**

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
Direct Production Costs	$ 27,648	$ 6,913	$ 8,016	$ 6,785	$ 5,934
Royalties	1,212	322	147	515	228
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):					
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 Costs	**$ 21,550**	**$ 5,875**	**$ 5,101**	**$ 5,731**	**$ 4,843**
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**	**$87.97**
Cash Cost Per Oz US$ *	**$8.89**	**$8.91**	**$8.80**	**$9.30**	**$8.51**

Bolanitos 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
Direct Production Costs	$ 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):					
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 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**	**$65.81**
Cash Cost Per Oz US$ *	**($2.14)**	**($6.02)**	**($1.33)**	**($1.77)**	**$1.23**

* Based on payable silver production attributable to cost of sales

Exploration Results

In January 2012, Endeavour commenced an aggressive $15.0 million, surface exploration drill program to test multiple exploration targets within three of the mining districts where Endeavour is currently active in Mexico. Subsequent to the acquisition of El Cubo, the Company added an additional 11,000 meters and $2.6 million to explore El Cubo targets and follow up on the San Sebastian property's year to date results. By the end of 2012, 191 diamond drill holes totalling 74,000 meters of core were completed.

At Bolanitos, the Company continued to enjoy exploration success with three drill rigs working to more fully delineate high grade, silver-gold mineralization in the La Luz, Daniela, Lana and La Joya veins. In September, the Company released drill results and announced the extension of the known mineralized zones in the Daniela and Lana veins to more than 950 meters and 750 meters long respectively with both still open for expansion. The Company started the second phase of drilling at the nearby Belen property following the 2011 drill results and drilled the Asuncion zone of the La Luz vein north-west of the Lucero discoveries. In June, the Company acquired an option to purchase the Lourdes silver-gold property 40 km northeast of Bolanitos. The Lourdes property covers a silver-gold low sulphidation epithermal vein system more than five kilometres long. The vein system includes three main veins, El Tigre, La Blanca and P131, and several secondary veins. Although Lourdes is considered to be an early stage exploration property, there are several small historic mines located on the property, which consist of three concessions totalling 509 hectares.

At Guanacevi, one drill rig tested the Milache property 5 km north of the plant to more fully delineate the high grade, silver-gold mineralization discovered on the Santa Cruz vein. The Company announced in November that drilling had extended the mineralized zone 300 meters long by 250 meters deep, still open for expansion north and at depth. The Company also acquired the small San Fernando property (20 hectares), strategically located adjacent to Endeavour's emerging new high grade silver-gold discovery on the Milache property. San Fernando covers the upper portion of the Santa Cruz vein which hosts the Milache mineralization, and holds good potential to host any northern extensions of the Milache discovery. The Company completed drilling on the La Brisa property south of Guanacevi with disappointing results and is currently assessing new targets on the property.

The newly acquired El Cubo property consists of 61 mineral concessions covering 8,144 hectares, including several historic and currently active mine adits, ramps and shafts. Approximately 38 individual veins have been identified on the El Cubo property. Veins typically strike northwest, dip 70 degrees southwest and average nearly 2 meters wide. AuRico previously identified 16 separate exploration targets outside of the existing mines at El Cubo with potential for new silver-gold vein discoveries.

The Villalpando vein is the main vein on the property. It has been traced for more than 5 km in length and historically has been the most productive vein on the El Cubo property. Mineralized ore zones at El Cubo typically extend laterally for hundreds of meters along strike and extend vertically to depths greater than 500 meters below the surface. The most favourable host rocks for mineralization are the Guanajuato Conglomerate and the overlying La Bufa Rhyolite. Ore potential within the Villalpando vein is still open at depth below some of the shallow historic mine workings as well as to the south for up to 4 km along strike. Initial drilling in late 2012 at El Cubo focused on filling in an area called the Villalpando Gap, with limited success.

Endeavour's June 1st, 2012 reserve/resource reviews outlined 28 separate target areas in and around the existing mines at El Cubo with near-term potential to delineate new reserves and resources. Since acquiring the El Cubo property, the Company undertook mapping, sampling, permitting and drilling to test the high priority targets.

Endeavour has enjoyed a great success exploring and discovering new mineralized zones in the area of the Bolanitos Mine in Guanajuato since 2007. Endeavour's exploration team is very familiar with, and has a good knowledge of, the Guanajuato district geology and silver-gold mineralization. Management believes the El Cubo mine property has good exploration potential for the discovery of both new mineralized veins as well as new ore-bodies within known veins. Endeavour plans more than 50,000 meters of core drilling over the next 2 years to test several high priority exploration targets and identify new targets. Underground drilling will also assist in upgrading resource blocks and guiding mine and stope development.

At San Sebastian, Endeavour drilled 14,000 m of core in 35 drill holes and announced in May and December the results of an exciting new high grade silver-gold discovery zone over 900 m long in the Terronera vein. A maiden resource was estimated after year-end and in 2013, the Company will focus on trying to increase the resource so that the deposit is large enough to enter into feasibility and permitting in 2014.

In addition to El Cubo and Guadalupe y Calvo, Endeavour acquired two new, district scale exploration properties in 2012, optioning the Panuco and Laberinto properties in Durango state, Mexico in July and the El Inca property in Chile in August. The Panuco property covers 13,857 hectares along a 20 km length of the Sierra de la Silla mountain range at elevations of 2100 meters (m) to 2800 m and is readily accessed by paved and gravel roads about a 1 ½ hour drive from Durango City. The Panuco property adjoins and is sandwiched between the La Preciosa property of Orko Silver to the southeast and the San Lucas property of Oremex Silver to the northwest. The Laberinto property covers 92 hectares and is surrounded by the Panuco property. The Panuco and Laberinto properties have excellent exploration potential for both bulk tonnage, open pit and high grade, underground silver-gold deposits. Panuco and Laberinto together represent another district scale, silver-gold exploration opportunity to add to Endeavour's portfolio of exciting exploration properties

Panuco and Laberinto straddle the same regional northwest-trending fault structure that passes through and appears to be related to the silver-gold mineralization on the La Preciosa and San Lucas properties. At Panuco, Arcelia has mapped and sampled on a reconnaissance scale a major low sulfidation, epithermal, multi-vein system with both bulk tonnage and high grade silver-gold potential. At Laberinto, Avino previously conducted exploration along one vein with sub-economic results but the prospective alteration zone surrounding the vein remains to be tested. Eight mineralized zones have been identified to date over a 5 km by 5 km area at the south end of the Panuco property.

Endeavour conducted systematic geologic mapping, sampling and trenching of the eight vein-stockwork zones at the south end of the Panuco property and on the Laberinto property in 2012. A 50 line-km Controlled-source Audio-frequency Magneto-telluric (CSAMT) geophysical survey was also carried out to trace the main mineralized structures along strike and at depth. This work was followed up by 3000 m of diamond drilling in 12 holes to evaluate both the bulk tonnage and high grade ore potential of one initial geophysical target at Panuco with geologically but not yet economically interesting results.

The El Inca silver-gold properties cover 447 hectares located about 250 kilometers (km) northeast of Antofagasta and 27 km northwest of Calama in northern Chile and are readily accessible by road only 14 to 22 km west of Codelco's huge Chuquicamata copper mine. The El Inca properties have excellent exploration potential for both bulk tonnage, open pit silver-lead-zinc mines like San Cristobal and high grade, underground silver-gold mines like El Penon (south of El Inca in Chile). El Inca represents another district scale, silver exploration opportunity added to Endeavour's portfolio of exciting exploration properties

El Inca covers a large argillic alteration zone containing iron-manganese oxides and sulphates measuring 2.5 km by 1.5 km. Mineralization consists of silver-lead-zinc sulfides associated with quartz-calcite-barite disseminations, stock-works and veins. Four main veins are hosted in dacite dome intrusions and volcaniclastic rocks of the Eocene Cerro Los Picos Intrusive Complex, they outcrop for up to 1.6 km along strike, range up to 4 m wide and are surrounded by altered and mineralized low grade envelopes up to 100 m thick.

The properties were originally exploited as small, high grade, underground mines in the late 1880's. El Inca was last explored and mined until 1982 by Codelco who mined underground and heap-leached 128,000 tonnes grading 227 grams per tonne (gpt). At closure, Codelco reported a resource totalling 1.49 million tonnes grading 158 gpt silver (7.6 million oz Ag). This resource estimate is now considered to be historic, it is not 43-101 compliant, has not been verified by Endeavour and should not be relied upon. In 2012, Endeavour completed geological mapping, sampling and geophysical IP-resistivity surveying to outline a large, prospective bulk tonnage target for drilling in 2013.

RESERVES AND RESOURCES

The updated NI 43-101 reserve and resource estimates to December 31, 2012 include the Company's three active silver mining and exploration projects in Mexico, the Guanacevi Mine in Durango state, the Bolanitos Mine, the El Cubo Mines in Guanajuato state, the Parral Exploration project in Chihuahua state, the Arroyo Seco Exploration project in the Michoacan state, the Guadelupe y Calvo project in Chihuahua state and the San Sebastian project in Jalisco State.

The Company retained Micon International Ltd ("Micon"), to audit the reserves and resources and audit the newly generated resources to December 15, 2012 for the Guanacevi project. The Qualified Persons for reporting the Guanacevi reserves are William J. Lewis, B.Sc. P. Geo., and Charley Z. Murahwi, M.Sc., P.Geo, FAusIMM employees with Micon. The Qualified Persons for reporting the Guanacevi resources, are Charley Z. Murahwi, M.Sc., P.Geo, FAusIMM and Alan J. San Martin MAusIMM(CP). The latter two are also Micon employees.

The Company retained Micon, to audit the reserves and resources and audit the newly generated resources to December 15, 2012 for the Bolanitos project. The Qualified Persons for reporting the Bolanitos reserves are William J. Lewis, B.Sc. P. Geo., and Charley Z. Murahwi, M.Sc., P.Geo, FAusIMM employees with Micon. The Qualified Persons for reporting the Bolanitos resources, are Charley Z. Murahwi, M.Sc., P.Geo, FAusIMM and Alan J. San Martin MAusIMM(CP). The latter two are also Micon employees.

The Company retained Micon, to audit the resources and audit the newly generated resources to December 15, 2012 for the San Sebastian project and the Guadelupe y Calvo project. The Qualified Person for reporting for these two projects, are Charley Z. Murahwi, M.Sc., P.Geo, FAusIMM and Alan J. San Martin MAusIMM(CP). The latter two are 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, FAusIMM and Dibya Kanti Mukhopadhyay, M.Sc., MAusIMM., who are Micon employees.

The Company retained Don Cameron, consulting geologist to audit the reserves and resources to June 1, 2012 for the El Cubo mine. The Qualified Person for reporting the El Cubo reserves is Don Cameron, P. Geo. The Qualified Person for reporting the El Cubo resources, is also Don Cameron, P.Geo.

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 was the Company's Vice President of Exploration.

The reserve and resource statements for the Guanacevi, Bolanitos, El Cubo, Parral, Guadalupe y Calvo, San Sebastian 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. Micon's report for the Parral project was filed March 1, 2011 on Sedar. The Arroyo Seco report filed on Sedar March 21, 2011 was authored by David St Clair Dunn B.Sc.,P.Geo and Barry Devlin M.Sc., P. Geo, who are both Qualified Persons

The Guanacevi, Bolanitos, Guadelupe y Calvo and San Sebastian technical reports will be filed before March 30, 2013. The mineral reserve figures reported here are in addition to the reported mineral resources.

(Expressed in US dollars unless otherwise noted) Date of Preparation: March 11, 2013

Reserves and Resources (as of December 15, 2012)

Reserves Proven & Probable					
Description	**Tonnes**	**Ag g/t**	**Au g/t**	**Ag oz**	**Au oz**
Proven					
Guanacevi	423,000	243	0.52	3,308,000	7,000
Bolanitos	938,000	145	1.96	4,363,300	59,100
El Cubo	145,000	116	1.80	540,800	8,400
Total Proven	1,506,000	170	1.54	8,212,100	74,500
Probable					
Guanacevi	797,000	234	0.38	5,999,500	9,600
Guanajuato	707,000	135	2.00	3,075,500	45,500
El Cubo	1,310,000	137	2.20	5,770,100	92,700
Total Probable	2,814,000	164	1.63	14,845,100	147,800
Total Proven & Probable	**4,320,000**	**166**	**1.60**	**23,057,200**	**222,300**

Resources Measured & Indicated					
Description	**Tonnes**	**Ag g/t**	**Au g/t**	**Ag oz**	**Au oz**
Measured					
Guanacevi	129,000	312	0.49	1,294,000	2,000
Bolanitos	553,000	156	2.60	2,775,800	46,200
El Cubo	256,000	78	1.58	642,000	13,000
Total Measured	938,000	156	2.03	4,711,800	61,200
Indicated					
Guanacevi	3,014,000	232	0.49	22,433,700	47,700
Bolanitos	1,472,418	135	1.97	6,391,900	93,200
El Cubo	1,095,000	108	1.81	3,802,100	63,700
San Sebastian	1,835,000	193	1.17	11,400,300	69,300
Guadelupe y Calvo	1,861,000	119	2.38	7,147,300	142,500
Total Indicated	9,277,418	172	1.40	51,175,300	416,400
Total Measured & Indicated	**10,215,418**	**170**	**1.45**	**55,887,100**	**477,600**

Resources Inferred					
Description	**Tonnes**	**Ag g/t**	**Au g/t**	**Ag oz**	**Au oz**
Guanacevi	1,429,000	259	0.52	11,921,200	24,000
Bolanitos	1,595,000	144	1.66	7,384,400	85,200
El Cubo	2,480,000	143	2.77	11,401,900	220,900
San Sebastian	3,095,000	196	1.39	19,500,400	138,100
Guadalupe y Calvo	154,000	94	2.14	464,600	10,600
Total Inferred	**8,753,000**	**180**	**1.70**	**50,672,500**	**478,800**

(Expressed in US dollars unless otherwise noted) Date of Preparation: March 11, 2013

Silver-Gold-Lead-Zinc Resources (as of December 15, 2012)

Description	Tonnes	Ag g/t	Au g/t	Ag oz	Au oz	Pb %	Zn%
Resources Indicated							
Parral	1,631,000	49	0.90	2,589,900	47,200	2.87	2.86
Indicated	**1,631,000**	**49**	**0.90**	**2,589,900**	**47,200**	**2.87**	**2.86**

Description	Tonnes	Ag g/t	Au g/t	Ag oz	Au oz	Pb %	Zn%
Resources Inferred							
Guanacevi	644,000	124	0.14	2,577,300	3,000	1.73	3.32
Parral	1,303,000	63	0.88	2,658,900	36,900	2.55	2.28
Arroyo Seco	738,000	220	0.07	5,220,000	1,700	0.65	0.18
Inferred	**2,348,000**	**117**	**0.52**	**10,456,200**	**41,600**	**1.85**	**1.76**

Notes:
1. Reserve cut-off at Guanacevi is 158 g/t Ag
2. Reserve cut-off at Bolanitos is 111 g/t Ag
3. Reserve cut off at El Cubo is 135 g/t Ag
4. Mining width is 2.0 meters
5. Dilution is 15% after it has been diluted to a minimum mining width if required
6. Resource cut-off for the Guanacevi and Bolanitos mines are 100 g/t Ag equivalent
7. Resource cut off for the El Cubo mine is 98 g/t Ag equivalent
8. Reserve and Resource Silver equivalent is 50:1 for Silver to Gold
9. Resource cut off for the San Sebastian property is 100 g/t Ag equivalent
10. Resource cut off for the Guadalupe y Calvo property is 100 g/t Ag equivalent
11. At the Parral project a cut-off using NSR of $40 is used with the prices listed below
12. 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	Description	Parameter
Gold Price	*US $1,000/oz*	Gold Recovery (Overall)	*75%*
Silver Price	*US $16/oz*	Silver Recovery (Overall)	*71%*
Lead Price	*US $0.65/lb*	Lead Recovery (Overall)	*80%*
Zinc Price	*US $0.65/lb*	Zinc Recovery (Overall)	*74%*
Smelter Terms	*Generic Contract*		

CONSOLIDATED FINANCIAL RESULTS

Selected Annual Information

In thousand of dollars except for per share amounts	Year Ended December 31, 2012	Year Ended December 31, 2011	Year Ended December 31, 2010
Revenue	$ 208,079	$ 127,997	$ 86,510
Net earnings (loss):			
(i) Total	$ 42,117	$ 18,755	$ (20,443)
(ii) Basic per share	$ 0.45	$ 0.22	$ (0.31)
(iii) Diluted per share	$ 0.42	$ 0.22	$ (0.31)
Dividends per share	$ -	$ -	$ -
	December 31, 2012	December 31, 2011	December 31, 2010
Total assets	$ 477,527	$ 249,021	$ 187,097
Total long-term liabilities	$ 89,846	$ 36,665	$ 44,551

Review of Consolidated Financial Results

Year ended December 31, 2012 compared with the year ended December 31, 2011

For the year ended December 31, 2012, the Company's mine operating earnings were $78.0 million (2011: $68.8 million) on sales of $208.1 million (2011: $128.0 million) with cost of sales of $130.1 million (2011: $59.2 million).

Operating earnings were $53.7 million (2011: $47.5 million) after exploration costs of $11.2 million (2011: $10.2 million) and general and administrative costs of $13.1 million (2011: $11.1 million).

Earnings before taxes were $60.1 million (2011: $35.6 million) after mark to market gain on derivative liabilities (see adjusted earnings comment on page 25) of $1.9 million (2011: loss of $13.7 million), mark to market loss on contingent liabilities of $0.6 million (2011: $nil), foreign exchange gain of $3.4 million (2011: loss of $4.7 million), investment and other income of $2.2 million (2011: $6.5 million) and finance costs of $0.5 million (2011: $27 thousand). The Company realized net earnings for the period of $42.1 million (2011: $18.8 million) after an income tax provision of $18.0 million (2011: $16.8 million).

Sales of $208.1 million for the year represent a 63% increase over the $128.0 million for 2011. There was a 70% increase in silver ounces sold, offset by a 13% decrease in the realized silver price resulting in a 48% increase in silver sales, and there was a 106% increase in gold ounces sold with 7% increase in realized gold prices resulting in a 120% increase in gold sales. During the year, the Company sold 4,815,073 oz silver and 35,167 oz gold, for realized prices of $30.99 and $1,674 per oz respectively as compared to sales of 2,838,784 oz silver and 17,044 oz gold, for realized prices of $35.61 and $1,570 per oz respectively in 2011. For 2012, the realized prices of silver and gold were consistent with the average silver spot price during the year of $31.15 and average gold spot price during the year of $1,669. The Company accumulated 611,661 oz silver and 8,934 oz gold in finished goods inventory at December 31, 2012 as compared to 980,109 oz silver and 5,407 oz gold at December 31, 2011. The cost allocated to these finished goods is $18.7 million, net of a $1.5 million write down of the El Cubo finished goods, compared to $18.5 million at December 31, 2011.

Due to the downward correction in metal prices in the 4th quarter 2011, Endeavour elected to hold a significant portion of the Q4, 2011 silver and gold production in inventory rather than sell at the lower prices. In 2012, the increased significance of Bolanitos substantially increased the inventory held as concentrate. Management is investigating the direct sale of concentrate to smelters or metal traders as an economic option to processing the concentrate inventory at the Guanacevi and El Tajo plants.

Cost of sales for 2012 was $130.1 million, an increase of 120% over the cost of sales of $59.2 million in 2011. The 120% increase in the cost of sales is a result of a couple of factors. The Company sold 70% more silver ounces during 2012 as compared to 2011. The remaining change is attributable to the lower grade ore tonne, while industry wide technical labour shortage has put significant pressure on production costs. These increased costs were offset by lower depletion costs as reserves continued to grow at Bolanitos. Furthermore, the Company acquired the El Cubo mine, a high cost operation which has been operating at a loss since acquisition, resulting in a reduced gross margin on a consolidated basis. The costs for the El Cubo mine include write downs of inventory to net realizable values during the year of $6.2 million. The write down of inventory to net realizable value of $6.2 million is comprised of write downs of both finished goods and work in process inventories at the El Cubo mine. The Company took a write down of $3.3 million on the inventory that was held at September 30, 2012, which was sold during Q4, and took a write down of $2.9 million on the inventory held at December 31, 2012. The December 31, 2012 write down consists of a write down of finished goods inventory of $1.5 million and a write down of work in process inventory of $1.4 million.

Exploration expenses increased to $11.2 million from $10.2 million in 2011 reflecting management's decision to increase exploration activities in 2012. General and administrative expenses increased by 18% to $13.1 million for 2012 as compared to $11.1 million in 2011 primarily due to increased corporate development costs, listing and regulatory fees, human resource costs, share-based compensation and additional costs incurred related to due diligence activities and acquisition costs.

A significant number of the Company's share purchase warrants are classified and accounted for as a financial liability at fair value with adjustments recognized through net earnings because these warrants have an exercise price denominated in a currency which is different from the functional currency of the Company. During 2012, there was a mark to market gain on derivative liabilities (see adjusted earnings comment on page 21) of $1.9 million, while in 2011 there was a mark to market loss on derivative liabilities of $13.7 million. The gain is a reflection of the Company's share price decreasing from CAN$9.89 at December 31, 2011 to CAN$7.84 at period-end offset by a number of warrant exercises during the year when the Company's share price was slightly higher.

The mark to market loss on the contingent liability is a result of a revaluation, based on the Monte Carlo approach, of the contingent consideration related to the acquisition of Mexgold. An increase in the gold price and movement in the gold forward curve resulted in a $0.6 million mark to market loss from the date of acquisition.

The Company experienced a foreign exchange gain of $3.4 million as compared to a loss of $4.7 million in 2011. The $3.4 million gain is primarily due to the strengthening of the Mexican Peso against the US Dollar, which resulted in higher valuations on the Mexican Peso cash accounts and the Mexican Peso denominated inventory amounts.

Investment and other income decreased to $2.2 million from $6.5 million in 2011 primarily due to decreased activity in short term silver and gold options that the Company enters into from time to time as part of its metal sales strategy. There was an income tax provision of $18.0 million in 2012 as compared to $16.8 million in 2011. The Mexican subsidiaries have been more profitable due to the increased production in 2012 compared to 2011, however improved tax strategies have slightly reduced the Company's 2012 tax on income relative to 2011.

Three months ended December 31, 2012 compared with the three months ended December 31, 2011

For the three month period ended December 31, 2012, the Company's mine operating earnings were $17.9 million (2011: $6.8 million) on sales of $66.7 million (2011: $17.5 million) with cost of sales of $48.8 million (2011: $10.7 million).

Operating earnings were $10.5 million (2011: $0.5 million) after exploration costs of $3.9 million (2011: $3.3 million) and general and administrative costs of $3.5 million (2011: $3.0 million).

Earnings before taxes were $17.3 million (2011: loss of $1.8 million) after mark to market loss on derivative liabilities (see adjusted earnings comment on page 25) of $1.9 million (2011: loss of $0.3 million), a foreign exchange gain of $0.4 million (2011: loss of $1.5 million), a mark to market gain on contingent liabilities of $4.4 million (2011: $nil), investment and other income of $0.4 million (2011: gain of $3.5 million) and finance costs of $0.3 million (2011: $9 thousand). The Company realized net earnings for the period of $14.8 million (2011: loss of $1.8 million) after an income tax provision of $3.5 million (2011: $0.5 million).

Sales of $66.7 million for the period represent a 281% increase over the $17.5 million for the same period in 2011. There was a 236% increase in silver ounces sold with a 21% increase in the realized silver price resulting in a 308% increase in silver sales, and there was a 226% increase in gold ounces sold with 4% increase in realized gold prices resulting in a 238% increase in gold sales. During the period, the Company sold 1,345,832 oz silver and 13,037 oz gold, for realized prices of $32.87 and $1,725 per oz respectively as compared to sales of 400,000 oz silver and 4,000 oz gold, for realized prices of $27.12 and $1,664 per oz respectively in the same period of 2011. The realized prices of silver and gold during the period are consistent with the average silver spot price during the period of $32.64 and average gold spot price during the period of $1,719 due to the timing of sales.

The Company accumulated 611,661 oz silver and 8,934 oz gold finished goods at December 31, 2012 as compared to 734,816 oz silver and 9,159 oz gold at September 30, 2012. The cost allocated to these finished goods is $18.7 million, net of a $1.5 million write down of the El Cubo finished goods, compared to $18.9 million, net of a $2.3 million write-down of the El Cubo finished goods, at September 30, 2012.

Due to the downward correction in metal prices in the 4th quarter 2011, Endeavour elected to hold a significant portion of the Q4, 2011 silver and gold production in inventory rather than sell at the lower prices. In 2012, the increased significance of Bolanitos substantially increased the inventory held as concentrate. Subsequent to December 31, 2012, management is investigating the direct sale of concentrate as an option to processing the inventory at the Guanacevi and El Tajo plants.

Cost of sales for the period was $48.8 million, an increase of 356% over the cost of sales of $10.7 million for the same period of 2011. The 356% increase in the cost of sales is a result of a couple of factors. The Company sold 236% more silver ounces during the period as compared to the comparative period, experienced a 159% increase in depreciation and depletion as the Company had higher accumulated cost bases and the Company experienced additional labour cost pressures at both the Guanacevi and Bolanitos operations as well as increases in other input cost. Furthermore, the Company acquired the El Cubo mine, a high cost operation which has been operating at a loss since acquisition, resulting in a reduced gross margin on a consolidated basis. During the quarter the Company took a write down to net realizable value of $2.9 million on the El Cubo Mine. The write down is comprised of write downs of both finished goods and work in process inventories.

Exploration expenses increased in Q4 2012 to $3.9 million from $3.3 million in the same period of 2011 based on the timing of the exploration activities in 2012. General and administrative expenses increased to $3.5 million for the period as compared to $3.0 million in the same period of 2011 primarily due to increased corporate development costs, listing and regulatory fees, human resource costs, share-based compensation and additional costs incurred related to due diligence activities and acquisition costs offset by a weakened Canadian Dollar.

A significant number of the Company's share purchase warrants are classified and accounted for as a financial liability at fair value with adjustments recognized through net earnings because these warrants have an exercise price denominated in a currency which is different from the functional currency of the Company. During the period, there was a mark to market gain on derivative liabilities (see adjusted earnings comment on page 25) of $1.9 million, while the same period in 2011 had a mark to market loss on derivative liabilities of $0.3 million. The gain is a reflection of the Company's share price decreasing from CAN$9.80 at September 30, 2012 to CAN$7.84 at period end.

The mark to market gain on the contingent liability is a result of a revaluation, based on the Monte Carlo model, of the contingent consideration related to the acquisition of Mexgold. A decrease in the gold price and movement in the forward curve resulted in a $4.4 million mark to market gain during the fourth quarter of 2012.

The Company experienced a foreign exchange gain of $0.4 million in Q4 2012 as compared to a loss of $1.5 million for the same period of 2011. The $0.4 million gain is primarily due to the strengthening of the Mexican Peso against the US Dollar during the quarter, which resulted in higher valuations on the Mexican Peso cash accounts and the Mexican Peso denominated inventory amounts.

There was an income tax provision of $3.5 million in Q4 2012 as compared to $0.5 million for the same period of 2011 due to the increased profitability during the fourth quarter of 2012 compared to the same period in 2011.

Summary of Quarterly Results

(in US$000s except per share amounts)	Dec. 31, 2012 Period End				Dec. 31, 2011 Period End			
	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31
Total revenues	$ 66,719	$ 51,880	$ 40,434	$ 49,046	$ 17,506	$ 38,776	$ 36,363	$ 35,352
Direct costs	34,814	24,485	15,890	16,611	5,944	10,997	12,109	10,359
Royalties	469	454	482	461	516	636	631	445
Mine operating cash flow	$ 31,436	$ 26,941	$ 24,062	$ 31,974	$ 11,046	$ 27,143	$ 23,623	$ 24,548
Stock-based compensation	124	146	216	59	129	170	132	35
Amortization and depletion	10,517	6,353	4,328	8,496	4,063	4,841	4,247	3,943
Write down of inventory to net realizable value	2,876	3,345	-	-	-	-	-	-
Mine operating earnings / (loss)	$ 17,919	$ 17,097	$ 19,518	$ 23,419	$ 6,854	$ 22,132	$ 19,244	$ 20,570
Net earnings (loss):	$ 14,821	$ 16	$ 7,505	$ 19,775	$ (1,793)	$ 3,097	$ 16,966	$ 485
Loss (gain) on derivative liabilities	(1,881)	1,728	(1,632)	(143)	250	5,777	(6,334)	13,965
Adjusted net earnings (loss)	$ 12,940	$ 1,744	$ 5,873	$ 19,632	$ (1,543)	$ 8,874	$ 10,632	$ 14,450
(i) Basic earnings per share	$ 0.15	$ 0.00	$ 0.09	$ 0.23	$ (0.03)	$ 0.04	$ 0.20	$ 0.01
(ii) Diluted earnings per share	$ 0.13	$ 0.00	$ 0.06	$ 0.22	$ (0.03)	$ 0.04	$ 0.12	$ 0.01
(iii) Diluted adjusted earnings per share	$ 0.13	$ 0.02	$ 0.06	$ 0.22	$ (0.03)	$ 0.10	$ 0.12	$ 0.17

Mine Operating Cash Flow and Adjusted Earnings (Non-IFRS Measures)

Ad justed earnings and adjusted EPS are non-IFRS measures that do not have standardized meanings prescribed by IFRS and therefore may not be comparable to similar measures presented by other issuers. The Company previously issued share purchase warrants that have an exercise price denominated in a currency which is different from the functional currency of the Company. Under IFRS, the warrants are classified and accounted for as a financial liability at fair value with adjustments recognized through net earnings. These adjustments fluctuate significantly quarter to quarter primarily based on the change in the Company's quoted share price and have a significant effect on reported earnings, while the dilutive impact remains unchanged. Adjusted earnings are used by management and provided to investors as a measure of the Company's operating performance.

Mine operating cash flow is a non-IFRS measure that does not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other issuers. Mine operating cash flow is calculated as revenues minus direct production costs and royalties. Mine operating cash flow is used by management and provided to investors as a measure of the Company's operating performance.

EBITDA is a non-IFRS financial measure, which excludes the following from net earnings:

- Income tax expense;
- Finance costs;
- Finance income; and
- Depreciation and depletion

Management believes that EBITDA is a valuable indicator of the Company's ability to generate liquidity by producing operating cash flow to: fund working capital needs, service debt obligations, and fund capital expenditures. Management uses EBITDA for this purpose. EBITDA is also frequently used by investors and analysts for valuation purposes whereby EBITDA is multiplied by a factor or "EBITDA multiple" that is based on an observed or inferred relationship between EBITDA and market values to determine the approximate total enterprise value of a Company.

EBITDA is intended to provide additional information to investors and analysts and does not have any standardized definition under IFRS and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. EBITDA exclude the impact of cash costs of financing activities and taxes, and the effects of changes in operating working capital balances, and therefore is not necessarily indicative of operating profit or cash flow from operations as determined by IFRS. Other companies may calculate EBITDA differently.

Quarterly Trends and Analysis

In the 1st quarter of 2011, the Company continued to increase production while revenues increased with the significant rise in silver and gold prices. The Company's operating costs remained relatively constant; however, the Company acknowledges that the shortage of skilled mining professionals is driving labour costs higher across the industry. The Company incurs a significant portion of its operating costs in Mexican Pesos which have appreciated thereby putting upward pressure on our near-term operating costs.

In the 2nd quarter of 2011, the Company continued to increase production while revenues increased with the significant rise in silver and gold prices. A number of factors affected our cost per tonne in this quarter including an extremely competitive labour market, rising power costs, appreciation of the Mexican Peso relative to the US dollar, supply constraints on re-agents, mining in zones subject to royalties, and the presence of equipment availability issues affecting our mined tonnes and plant throughput at Guanacevi. Some of these costs were expected, while an expected increase in mined tonnes at Bolanitos helped mitigate rising costs going forward.

In the 3rd quarter of 2011, the Company continued to increase production while revenues increased with the continued appreciation of silver and gold prices. A number of factors affected our cost per tonne in this quarter including an extremely competitive labour market, rising power costs, appreciation of the Mexican Peso relative to the US dollar, and supply constraints on re-agents. Some of these costs were expected to continue, while an expected increase in mined tonnes at Bolanitos starting in the fourth quarter of 2011 helped mitigate rising costs going forward.

In the 4th quarter of 2011, the Company continued to increase production, but the period witnessed a decline in silver and gold prices. Endeavour elected to hold a significant portion of the Q4 silver and gold production in inventory rather than sell at the lower prices. Management planned to monitor the metal prices closely and sell some or all of the silver and gold in inventory at appropriately higher metal prices. A number of factors continued to affect our cost per tonne including an extremely competitive labour market, rising power costs and supply constraints on re-agents. These additional costs were offset by the significant production increase at Bolanitos with the plant expansion completed at the end of Q3, 2011 and the devaluation of the Mexican Peso in the fourth quarter of 2011.

In the 1st quarter of 2012, the Company experienced a slight reduction in production compared to Q4 2011 due to slightly lower silver grades at both the Guanacevi and Bolanitos operations. A number of factors continued to affect our cost per tonne including an extremely competitive labour market, rising power costs, supply constraints on re-agents and a strengthening of the Mexican Peso against the US dollar. In January and February 2012, gold and silver prices enjoyed a significant rebound from their lows in December 2011. The Company then sold most of the precious metal inventory it accumulated in Q4, 2011 in order to capture the higher gold and silver prices. However, gold and silver prices corrected sharply once again in March 2012 and the Company once again chose to accumulate its precious metal production in Q1 2012 rather than sell at depressed prices. Management planned to monitor precious metal prices closely and sell some (or all) of the silver and gold inventory at higher metal prices.

In the 2nd quarter of 2012, the Company experienced a slight reduction in production compared to Q1 2012 due to slightly lower silver grades at both the Guanacevi and Bolanitos operations. During the quarter, gold and silver prices continued to trend downwards as global economic uncertainty and debt fears continued to dominate the macroeconomic headlines. Management continued to hold inventories and monitor precious metal prices closely to sell some (or all) of the silver and gold inventory as the need arose for more cash. The Guanacevi operations' cost per tonne dropped 12% during the quarter as mine production improved to offset the rising labour costs that were implemented in Q1, 2012. The Company expected the costs per tonne to remain at that level for the remainder of the year, provided the Mexican peso remained flat.

During the 3rd quarter of 2012, gold and silver prices began to trend upwards near the end of the quarter.. Management continued to hold inventories and planned to monitor precious metal prices closely to sell some (or all) of the silver and gold inventory as the need arose for more cash. An industry wide skilled labour shortage continued to put upward pressures on technical staff costs, while the Company was able to offset these cost pressures with increased tonnage reducing the effect on a per ounce basis.

In the 4th quarter of 2012, gold and silver prices reversed the Q3 trend upwards, declining slightly in Q4 2012. The reported economic data has been unable to provide consistent insight toward the global economic trend resulting in a relatively flat outlook, contributing to the lack of direction in precious metal prices. The industry wide skilled labour shortage continues to put upward pressures on technical staff costs. The Company continues to focus on the turnaround of the El Cubo operations. Investment and training programs are well underway, while operations continue to underperform as these measures take hold.

Transactions with Related Parties

The Company shares common administrative services and office space with Canarc Resource Corp., Caza Gold Corp., BYG Ventures Ltd. and Aztec Metals Corp. ("Aztec"), who are related party companies by virtue of having Brad Cooke as a common director. From time to time, Endeavour will incur third-party costs on behalf of the related parties which was charged on a full cost recovery basis. The Company has $136,000 receivable related to administration costs outstanding as at December 31, 2012 (December 31, 2011 – $55,000).

The Company has previously provided an allowance for amounts due from Aztec totalling $181,000. The balance had accumulated betweene 2008 and 2011 and related to use of office space, administrative services and property taxes paid on behalf of a 2007 property transaction.

During the year ended December 31, 2012, the Company was charged $527,000 (2011 - $108,000) for legal services by Koffman Kalef LLP, a firm in which the Company's Corporate Secretary is a partner. As at December 31, 2012 the Company has a payable of $10,000 relating to these legal services (December 31, 2011 - $4,000).

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents have decreased from $75.4 million at December 31, 2011 to $18.6 million at December 31, 2012. The Company had working capital of $50.9 million at December 31, 2012 (December 31, 2011 - $142.3 million). The $91.4 million decrease in working capital is primarily a result of $100 million in cash used in the purchase of Mexgold offset by cash generated from operations of $114.4 million and $2.6 million from the exercise of stock options and share purchase warrants, less expenditures on property, plant and equipment, offset by operating fluctuations in current asset balances.

Operating activities provided cash of $76.0 million during 2012 compared to $48.8 million during 2011. The significant non-cash adjustments to net earnings of $42.1 million were for depreciation and depletion of $30.0 million, stock-based compensation of $4.7 million, an unrealized foreign exchange gain of $1.2 million, a gain on the sale of marketable securities of $0.2 million, deferred income tax provision of $2.1 million, a mark to market loss on contingent liabilities of $0.6 million, write down of inventory of $6.2 million, finance costs of $0.5 million and a change in non-cash working capital of $6.9 million. The change in non-cash working capital is primarily due to increased accounts payable and accrued liabilities, an increase in accounts receivable due to increased valued added tax ("IVA") and income tax receivables during the period, an increase in cash charges to inventory balances and increased prepaid expenses, which are all related to the overall increased activity of the Company.

Investing activities during the period used $144.3 million as compared to $59.8 million in the same period of 2011 with the largest item being the $100 million in cash used towards the purchase of Mexgold. There were investments in property, plant and equipment totalling $66.2 million compared to $46.9 million in 2011 primarily due to increased development and plant expansion expenditures at Bolanitos and El Cubo. There was also $22.1 million in net receipts from short term investments compared to a net investment in short term investments of $13.1 million in 2011.

In addition to the acquisition of Mexgold, the Company invested a total of $66.2 million in property, plant and equipment during 2012, with all of the amounts settled for cash. Approximately $19.3 million was invested at Guanacevi with $12.6 million spent on mine development, $1.3 million spent on the refining facilities, $4.8 million on mine equipment and $0.6 million on office equipment, building upgrades and light vehicles. Guanacevi mine development included 7.3 km of underground development and the refining facilities expenditures include $0.7 million on the dry stack tailings facility. The mine equipment expenditures include $1.2 million on pumps and supplies, $0.7 million on the electrical substation, $0.3 million on rescue chambers with the remaining amount primarily related to the purchase of additional scoop trams and jumbos.

Approximately $31.3 million was invested at Bolanitos with $18.5 million spent on mine development, $6.6 million on the plant expansion, $4.6 million on mine equipment and $1.6 million on office equipment, building upgrades and light vehicles. Bolanitos mine development included 8.5 km of underground development and refining facilities expenditures relate to engineering and equipment upgrades at the plant to handle 1600 tpd by year end. The mine equipment expenditure was to increase our mobile equipment fleet to meet the increased production, to purchase communications and rescue equipment and rehabilitate the Ascunsion shaft. The expenditures on office equipment include Vulcan upgrades and the building expenditures includes refurbishing the Ascunsion head frame.

Approximately $14.5 million was invested at El Cubo with $9.7 million spent on mine development, $4.1 million on the plant rehabilitation and expansion, $0.4 million on mine equipment and $0.3 million on office equipment, building upgrades and light vehicles. El Cubo mine development included 5.4 km of underground development.

The Company spent $1.1 million on exploration property costs and capital assets for the exploration and corporate offices.

As at December 31, 2012, the Company held no short term investments and $8.5 million in available for sale investments. The available for sale investments consist primarily of Notes receivable (formerly asset backed commercial paper) valued at $4.3 million and marketable securities valued at $4.2 million.

Financing activities during 2012 generated $10.3 million, as compared to $19.9 million during the same period in 2011. During 2012 there was $1.2 million realized from the exercise of stock options and $1.4 million realized from the exercise of share purchase warrants, offset by $204 thousand in share issue costs. During the same period in 2011 there was $5.8 million realized from the exercise of stock options and $14.2 million realized from the exercise of share purchase warrants, offset by $100 thousand in share issue costs.

As at December 31, 2012, the Company's issued share capital was $357.3 million representing 99,541,522 common shares compared to $259.4 million representing 87,378,748 common shares at December 31, 2011. Of the 12,162,774 common shares issued during the period, 11,037,528 were issued as part of the consideration for the purchase of Mexgold, 332,729 were issued upon stock option exercises and 792,517 were issued on exercise of share purchase warrants.

As at December 31, 2012, the Company had options outstanding to purchase 4,171,450 common shares with a weighted average exercise price of CAN $5.87 and had share purchase warrants outstanding to purchase 1,249,597 common shares with a weighted average exercise price of CAN $1.94.

On July 24, 2012, the Company entered into a $75 million revolving credit facility ("the Facility") reducing over 3 years with Scotia Capital. The purpose of the Facility is for general corporate purposes and is principally secured by a pledge of the Company's equity interests in its material operating subsidiaries, including Refinadora Plata Guanacevi S.A de C.V., Minas Bolanitos S.A. de C.V. and Compania Minera del Cubo S.A. de C.V. The interest rate margin on the Facility ranges from 2.75% to 4.25% over LIBOR based on the Company's net debt to EBITDA ratio, where EBITDA is adjusted for gains or losses on derivative liabilities. The Company agreed to pay a commitment fee of between 0.69% and 1.05% on undrawn amounts under the facility based on the Company's net debt to EBITDA ratio. The Facility is subject to various qualitative and quantitative covenants, including EBITDA leverage ratio, interest service coverage ratio and tangible net worth calculation; the Company is in compliance with all such debt covenants as at December 31, 2012. At year end, the Company has drawn $9.0 million on this facility and has recognized $452,000 in financing costs during the year. The Company has deferred commitment fees and legal costs of $732,000 which are being amortized over the life of the facility and $71,000 of deferred commitment fees and legal costs were amortized during the year. The Company expects to continue to draw down the Facility while the Company rebuilds the El Tajo plant at El Cubo. As of March 6, 2013, the Company has drawn $23.0 million on this facility.

<u>Contingencies</u>

Minera Santa Cruz y Garibaldi S.A. de C.V., a subsidiary of Endeavour, received a MXN$238 million (US$18.3 million) assessment on October 12th, 2010 from 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 major international accounting firm and external counsel to expedite the audit process and to ensure the delivery of the appropriate documentation. Based on the advice of our tax advisors and legal counsel, it is the Company's view that the appropriate documentation and support for the expenses was provided and the tax assessment has no legal merit, other than explained as below:

As a result of a detailed review by the Company of its accounting records and available information to support the deductions taken, the Company has estimated a potential tax exposure of $40,000, plus an estimated additional interest and penalties of $40,000, for which the Company has made a provision in the consolidated financial statements. The Company commenced the appeal process in 2010.

Refinadora Plata Guanacevi S.A. de C.V., a subsidiary of Endeavour, received a MXN$63 million (US$4.8 million) assessment on April 12, 2011 by Mexican fiscal authorities for failure to provide the appropriate support for certain expense deductions in its 2006 tax return. During the audit process the Company retained a major international accounting firm and external counsel to expedite the audit process and to ensure the delivery of the appropriate documentation. Based on the advice of our tax advisors and legal counsel, it is the Company's view that the appropriate documentation and support for the expenses was provided and the tax assessment has no legal merit, other explained below:

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 $425,000, plus an additional interest and penalties of $460,000, for which the Company has made a provision in the consolidated financial statements. The Company has provided the government a 3% bond and commenced the appeal process.

Metales Interamericanos S.A. de C.V., a subsidiary of Endeavour, acquired in the El Cubo transaction received a MXN$68 million (US$5.2 million) assessment on August 24, 2010 by Mexican fiscal authorities for failure to provide the appropriate support for certain expense deductions in the 2006 tax return. Based on the advice of legal counsel, it is the Company's view the tax assessment has no legal merit. The appeal process was initiated in 2010, while legal advisors expect a resolution in 2013.

On November 29, 2012 a decree reformed the Mexican Federal Labour Law, which included reformation and provisions over employee outsourcing. These provisions and the conditions could have an impact on the corporate structures by which businesses are organized in Mexico. Under this reformed system, the workforce provided by a service company could be considered as entirely outsourced to the operating company, which could imply that the operating company is deemed as the employer of all workers for all legal effects under the Mexico Federal Labour Law, including expanded obligations regarding the payment of profit sharing. The Company has reviewed the new legislation with legal advisors and has recognized there could be a potential impact to the Company. Due to the ambiguity and lack of definitions provided by the law, the Company is unable to determine such impact at this time. The Mexican government has indicated it will publish regulations providing clarity on this matter later in 2013.

Capital Requirements

The Company plans to invest a total of $85.8 million on capital projects in 2013. The Company has budgeted $44.9 million at El Cubo, $21.4 million at Bolanitos and $19.5 million at Guanacevi, all which is anticipated to be covered by the Company's 2013 cash flow. The timing of the capital investments are planned for the first half of 2013, and the Company will utilize its $75 million credit facility as needed.

The investment at El Cubo of $44.9 million will be used primarily to rebuild the El Tajo plant ($23.6 million), for mine development and to purchase new underground equipment.

The investment at Bolanitos of $21.4 million will focus on the continued development of the veins discovered in 2011. The increased production also requires an additional investment in the tailings dam, totaling $4.2 million.

The investment at Guanacevi of $19.5 million, includes $12.2 million of underground development, while $2.4 million will be spent on the tailings dam to ensure there is sufficient capacity into the future. The remaining investment is for various equipment and upgrades.

Financial Instruments and Other Instruments

Financial Assets and Liabilities

As at December 31, 2012, the carrying and fair values of our financial instruments by category are as follows:

In thousands of US Dollars

	Held for trading $	Loans & receivables $	Available for sale $	Financial liabilities $	Carrying value $	Fair value $
Financial assets:						
Cash and cash equivalents	-	18,617	-	-	18,617	18,617
Investments	-	-	8,520	-	8,520	8,520
Accounts receivable	-	20,526	-	-	20,526	20,526
Total financial assets	-	39,143	8,520	-	47,663	47,663
Financial liabilities:						
Accounts payable and accrued liabilities	-	-	-	38,485	38,485	38,485
Revolving credit facility				9,000	9,000	9,000
Contingent liability				8,497	8,497	8,497
Derivative liabilities	-	-	-	5,336	5,336	5,336
Total financial liabilities	-	-	-	61,318	61,318	61,318

Fair value hierarchy:

IFRS 7 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. The fair values at December 31, 2012 are:

In thousands of US Dollars

	Total $	Level 1 $	Level 2 $
Financial assets:			
Investments	8,520	8,520	-
Total financial assets	8,520	8,520	-
Financial liabilities:			
Contingent liability	8,497		8,497
Derivative liabilities	5,336	-	5,336
Total financial liabilities	13,833	-	13,833

The three levels of the fair value hierarchy established by IFRS 7 are as follows:

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.

Money market investments, marketable securities and notes receivable are determined based on a market approach reflecting the closing price of each particular security at the reporting date. The closing price is a quoted market price obtained from the exchange that is the principal active market for the particular security. As a result, these financial assets have been included in Level 1 of the fair value hierarchy.

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly, for substantially the full contractual term.

The Company determines the fair value of the embedded derivative related to its Canadian dollar denominated common share purchase warrants based on the closing price that is a quoted market price obtained from the exchange that is the principal active market for the warrants for publicly traded warrants. For the non-publicly traded warrants, the Company uses Black-Scholes option pricing model to determine the fair value therefore this financial liability has been included in Level 2 of the fair value hierarchy.

The Company determines the fair value of the contingent liability related to its Mexgold acquisition contingent payments by valuations done using a Monte Carlo simulation. Monte Carlo approaches are a class of computational algorithms that rely on repeated random sampling to compute their results. Gold price paths were developed using a mathematical formula based on a stochastic process with mean reversion to a long term trend line incorporating current gold prices and the gold forward curve, both observable data points. Assumptions used in the Monte Carlo simulations are observable market data and therefore, the contingent consideration is classified in Level 2 of the fair value hierarchy.

Level 3: Inputs for the asset are not based on observable market data.

The Company has no financial assets or liabilities included in Level 3 of the fair value hierarchy.

Derivative Liability

Equity offerings were completed in previous periods whereby warrants were issued with exercise prices denominated in Canadian dollars. As the warrants have an exercise price denominated in a currency which is different than the Company's U.S. dollar functional currency, the warrants are treated as a derivative financial liability. The Company's share purchase warrants are classified and accounted for as a financial liability at fair value with adjustments recognized through net earnings. The publicly traded warrants and warrants with similar characteristics were valued using the quoted market price as of exercise or at period end. For the non-publicly traded warrants, the Company uses the Black-Scholes option pricing model to determine the fair value of the Canadian dollar denominated warrants. All warrants outstanding at December 31, 2012 will expire in 2014.

Balance at December 31, 2010	$ 29,349
Exercise of warrant	(29,877)
Mark to market loss (gain)	13,658
Balance at December 31, 2011	13,130
Exercise of warrant	(5,866)
Mark to market loss (gain)	(1,928)
Balance at December 31, 2012	$ 5,336

Assumptions used for Black-Scholes estimate for warrant derivative liability

	Year Ended Dec. 31, 2012	**Year Ended Dec 31, 2011**
Outstanding warrants	902,098	1,676,436
Weighted average fair value of warrants at period end	$5.92	$7.83
Risk-free interest rate	1.12%	0.95%
Expected dividend yield	0%	0%
Expected stock price volatility	46%	62%
Expected warrant life in years	1.2	2.2

(Expressed in US dollars unless otherwise noted) Date of Preparation: March 11, 2013

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, money market 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. IVA receivables are generated on the purchase of supplies and services to produce silver which are refundable from the Mexican government.

The carrying amount of financial assets represents the maximum credit exposure.

Below is an aged analysis of the Company's receivables:

	Carrying amount	**Gross impairment**	Carrying amount	Gross impairment
	December 31, 2012		December 31, 2011	
Less than 1 month	**$ 8,401**	**$ -**	$ 2,498	$ -
1 to 3 months	**5,257**	**-**	3,485	4
4 to 6 months	**1,493**	**-**	21	8
Over 6 months	**6,151**	**776**	2,164	764
Total accounts receivable	**$ 21,302**	**$ 776**	$ 8,168	$ 776

At December 31, 2012, 98% of the receivables that were outstanding over one month are comprised of IVA receivables in Mexico.

At December 31, 2012 an impairment loss of $595,000 relates to IVA receivable amounts from prior years and $181,000 relates to an allowance on related party receivables from prior years. At December 31, 2011 an impairment of $595,000 relates to IVA receivable amounts from prior years and $181,000 relates to an allowance on related party receivable.

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, money market investments, marketable securities, receivables and available cash under the revolving credit facility. 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.

In the normal course of business the Company enters into contracts that give rise to future minimum payments. The following table summarizes the remaining contractual maturities of the Company's financial liabilities and operating and capital commitments at December 31, 2012:

	Less than 1 year $	1 to 3 years $	4 to 5 years $	Over 5 years $	Total $
Accounts payable and accrued liabilities	34,631	-	-	-	34,631
Income taxes payable	3,854	-	-	-	3,854
Revolving credit facility	-	9,000	-	-	9,000
Provision for reclamation and rehabilitation	-	918	5,578	-	6,496
Capital expenditure commitments	14,074	-	-	-	14,074
Minimum rental and lease payments	278	574	458	-	1,310
Acquisition contingent consideration	-	8,497	-	-	8,497
Total contractual obligations	52,837	18,989	6,036	-	77,862

Market Risk

The significant market risk exposures to which the Company is exposed are foreign currency risk, interest rate 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 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, 2011		December 31, 2011	
	Canadian Dollar	**Mexican Peso**	Canadian Dollar	Mexican Peso
Financial Assets	**$ 11,017**	**$ 22,598**	$ 65,339	$ 12,228
Financial Liabilities	**(7,480)**	**(13,763)**	(14,086)	(7,586)
Net Financial Assets	**$ 3,537**	**$ 8,835**	$ 51,253	$ 4,642

Of the financial assets listed above, $914,000 (2011 – $46,539,000) represents cash and cash equivalents held in Canadian dollars, and $1,638,000 (2011 - $3,839,000) represents cash held in Mexican Pesos. The remaining cash balance is held in U.S. dollars. The money market investments and asset backed commercial paper ("ABCP") notes are denominated in Canadian dollars.

As at December 31, 2012, with other variables unchanged, a 5% strengthening of the US dollar against the Canadian dollar would decrease net earnings by $168,000 due to these financial assets and liabilities.

As at December 31, 2012, with other variables unchanged, a 5% strengthening of the US dollar against the Mexican peso would decrease net earnings by $421,000 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. The revolving credit facility is subject to interest rate risk as amounts outstanding are subject to charges at a LIBOR-based rate (plus 2.75% to 4.25% depending on financial and operating measures) payable according to the quoted rate term. The interest rate charge for the year was approximately 3.2%. As at December 31, 2012, with other variables unchanged, a 100% change in the interest rate would be immaterial to the earnings for the year.

(Expressed in US dollars unless otherwise noted) Date of Preparation: March 11, 2013

Commodity Price Risk – Gold and silver prices have historically fluctuated significantly and are affected by numerous factors outside of the Company's control, including, but not limited to , industrial and retail demand, central bank lending, forward sales by producers and speculators, levels of worldwide production, short-term changes in supply and demand because of speculative hedging activities and certain other factors. The Company has not engaged in any hedging activities, other than short term metal derivative transactions less than 90 days, to reduce its exposure to commodity price risk.

Equity Price Risk – Fair values in the Company's derivative liabilities related to the outstanding warrants are subject to equity price risk. Changes in the market value of the Company's common shares may have a material effect on the fair value of the Company's warrants and on net income. As at December 31, 2012, with other variables unchanged, a 10% strengthening of the market price of the Company's common shares would decrease net earnings by $705,000.

Outstanding Share Data

As of March 10, 2013, the Company had the following securities issued and outstanding:

- 99,688,010 common shares
- 3,771,450 stock options with a weighted average exercise price of CAN$5.86 per share expiring between January 1, 2013 and June 14, 2017.
- 1,249,597 share purchase warrants with a weighted average exercise price of CAN$1.94 per share expiring 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

Production Outlook

Endeavour plans another year of organic growth in 2013. Silver production is forecast to rise 12-18% to 5.0-5.3 million ounces (oz) and gold production is anticipated to increase 19-27% to 46,000-49,000 oz as shown in the table below. Silver equivalent production is expected to climb 14-22% to 7.3-7.8 million oz (at a silver:gold ratio of 50:1).

Mine	Silver Production (M oz)	Gold Production (K oz)	Tonnes per Day (tpd)
Guanacevi	2.4-2.5	6.5-7.0	1250-1350
Bolanitos	1.7-1.8	25.0-26.0	1500-1650
El Cubo	0.9-1.0	14.5-16.0	1050-1200
Total	5.0-5.3	46.0-49.0	3800-4200

The Company recognizes that there are additional opportunities to grow production at all three mines. While these growth opportunities are still conceptual, once the El Cubo capital programs are completed, management will prioritize these opportunities and commence planning for future expansions.

At Guanacevi, the proposed underground development of the new Milache discovery is awaiting permitting for development in 2013-2014 with production anticipated in 2014-2015. Initial indications are that mill throughput would stay constant but the higher ore grades at Milache would increase Guanacevi production. Exploration will continue to test new targets in the district.

At Bolanitos, the Cebada, Bolanitos, Lucero, Karina, Fernanda, Daniela and Lana veins are capable of providing up to 2,000 tpd of mine output at the present time so management is currently reviewing the possibility of entering into smelter contracts to process any silver-gold concentrates produced over and above the 1,600 tpd capacity of the Bolanitos plant. The Company also plans to consider another plant expansion at Bolanitos in late 2013. With the new exploration targets in the La Luz, Plateros, La Joya and Puertocito veins, management is encouraged that Bolanitos continues to offer excellent potential for new discoveries.

At El Cubo, the reconstruction of the wholly owned plant will operate initially at 1,200 tpd but is targeted to have a capacity of 1,600 tpd. The main bottleneck to higher production is the mine output (tonnes and grades), but given Endeavour's exploration programs have just begun to test several exciting new targets over the next two years, management views El Cubo as also having excellent potential for new discoveries.

Consolidated cash costs of production (net of by-product gold credits) are expected to increase from the current range to the $9-10 range in 2013, largely due to the rising production from the higher cost El Cubo mine and the lower grades being mined at Guanacevi. However, El Cubo cash costs are expected to decline in 2013 due to rising operating efficiencies and upon completion of the capital projects.

Assuming US$30 per ounce of silver and US$1,650 per ounce of gold, Endeavour anticipates its mine operating (gross) profit margin will be around US$20-21 per oz in 2013. For every $100 increase in the price of gold, Endeavour's cash cost of production should drop by approximately $0.90-1.00 per oz of silver produced and the mine operating profit margin should climb by a similar amount per oz of silver production.

Exploration Outlook

In 2013, Endeavour plans to spend $17.3 million on exploration at the three operating mines and five district scale exploration properties. A total of 78,500 meters of drilling in approximately 180-200 holes are budgeted to test approximately 24 exploration targets, in addition to all of the underground mine exploration drilling.

Every year, management aims to acquire new properties, explore them, make new discoveries and fast-track them to production. This year, the Company will continue to aggressively explore its property portfolio, including the emerging new high grade silver-gold discovery in the Terronera vein on the San Sebastian property in Jalisco State.

In 2013 the Company will be drilling in Chile on the El Inca property acquired in 2012, at the Panuco property in Mexico, and around the three operating mines in the Guanajuato district and Guanacevi in Durango.

CHANGES IN ACCOUNTING POLICIES & CRITICAL ACCOUNTING ESTIMATES

Changes in Accounting Policies

Recently released IFRS accounting standards

Changes in accounting standards
A number of new standards, amendments to standards and interpretations, are not yet effective for the year ended December 31, 2012, and have not been applied in preparing these consolidated financial statements. The following pronouncements are those that the Company considers most significant and are not intended to be a complete list of new pronouncements that may affect the financial statements.

IFRS 9 Financial Instruments
In November 2009, the IASB issued IFRS 9 Financial Instruments as the first step in its project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on an entity's business model and the contractual cash flows of the financial asset. Classification is made at the time the financial asset is initially recognized, namely when the entity becomes a party to the contractual provisions of the instrument.

IFRS 9 amends some of the requirements of IFRS 7 Financial Instruments: Disclosures, including added disclosures about investments in equity instruments measured at fair value in OCI, and guidance on the measurement of financial liabilities and derecognition of financial instruments. In December 2011, the IASB issued an amendment that adjusted the mandatory effective date of IFRS 9 from January 1, 2013 to January 1, 2015. We are currently assessing the impact of adopting IFRS 9 on our consolidated financial statements, including the applicability of early adoption.

IFRS 10 Consolidated Financial Statements
In May 2011, the IASB issued IFRS 10 Consolidated Financial Statements to replace IAS 27 Consolidated and Separate Financial Statements and SIC 12 Consolidation – Special Purpose Entities. The new consolidation standard changes the definition of control so that the same criteria apply to all entities, both operation and special purpose entities, to determine control. The revised definition focuses on the need to have both power over the investee to direct relevant activities and exposure to variable returns before control is present. IFRS 10 will be applied starting January 1, 2013. We are currently finalizing our assessment of the impact of adopting IFRS 10 on our consolidated financial statements.

IFRS 11 Joint Arrangements
In May 2011, the IASB issued IFRS 11 Joint Arrangements to replace IAS 21 Interests in Joint Ventures. The new standard defines two types of arrangements: Joint Operations and Joint Ventures. Focus is on the rights and obligations of the parties to recognize the individual assets and liabilities to which they have rights or for which they are responsible, even if the joint arrangement operations are in a separate legal entity. IFRS 11 will be applied starting January 1, 2013. We are currently finalizing our assessment of the impact of adopting IFRS 11 on our consolidated financial statements.

IFRS 12 Disclosure of Interests in Other Entities
In May 2011, the IASB issued IFRS 12 Disclosure of Interests in Other Entities to create a comprehensive disclosure standard to address the requirements for subsidiaries, joint arrangements and associates and the reporting entity's involvement with other entities. It also includes the requirements for unconsolidated structured entities (i.e. special purpose entities). IFRS 12 will be applied starting January 1, 2013. We are currently finalizing our assessment of the impact of adopting IFRS 12 on our consolidated financial statements.

IFRS 13 Fair Value Measurement
In May 2011, the IASB issued IFRS 13 Fair Value Measurement as a single source of guidance for all fair value measurements required by IFRS to reduce the complexity and improve consistency across its application. The standard provides a definition of fair value and guidance on how to measure fair value as well as a requirement for enhanced disclosures. IFRS 13 will be applied starting January 1, 2013. We are currently finalizing our assessment of the impact of adopting IFRS 13 on our consolidated financial statements.

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 management judgement relate to the determination of mineralized reserves, plant and equipment lives, estimating the fair values of financial instruments and derivatives, estimating the fair value of convertible debenture components, impairment of long-lived assets, reclamation and rehabilitation provisions, recognition of deferred tax assets, and assumptions used in determining the fair value of non-cash stock-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 re-evaluated 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.

Provision for reclamation and rehabilitation
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.

Deferred 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 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 and 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.

Warrant derivative liability
Equity offerings were completed in previous periods whereby warrants were issued with exercise prices denominated in Canadian dollars. As the warrants have an exercise price denominated in a currency which is different to the functional currency of the Company (U.S. dollar), the warrants are treated as a financial liability. The Company's share purchase warrants are classified and accounted for as a financial liability at fair value with adjustments recognized through net earnings. The publicly traded warrants and warrants with similar characteristics were valued using the quoted market price as of exercise or at period end. For the non-publicly traded warrants, the Company uses Black-Scholes option pricing model to determine the fair value of the Canadian dollar denominated warrants.

Business Combinations
On the acquisition of a business, the acquisition method of accounting is used, whereby the purchase consideration is allocated to the identifiable assets, liabilities and contingent liabilities (identifiable net assets) on the basis of fair value at the date of acquisition. When the cost of acquisition exceeds the fair values attributable to the Company's share of identifiable net assets, the difference is treated as purchased goodwill, which is not amortized but is reviewed for impairment annually or more frequently where there is an indication of impairment. If the fair value attributable to the Company's share of the identifiable net assets exceeds the cost of acquisition, the difference is immediately recognized in the income statement. Incremental costs related to acquisitions are expensed as incurred.

Determination of the fair value of assets acquired and liabilities assumed and the resulting goodwill, if any, requires that management make estimates based on the information provided by the acquiree. Changes to the provisional values of assets acquired and liabilities assumed, deferred income taxes and resulting goodwill, if any, will be adjusted when the final measurements are determined (within one year of acquisition date)
When purchase consideration is contingent on future events, the initial cost of the acquisition recorded includes an estimate of the fair value of the contingent amounts expected to be payable in the future. When the fair value of contingent consideration as at the date of acquisition is finalized, before the end of the twelve month measurement period, the adjustment is allocated to the identifiable assets acquired and liabilities assumed. Changes to the estimated fair value of contingent consideration subsequent to the acquisition date are recorded in the consolidated statement of comprehensive income.

RISKS AND UNCERTAINTIES

Precious and Base Metal Price Fluctuations
The profitability of the precious metals operations in which the Company has an interest will be significantly affected by changes in the market prices of precious metals. Prices for precious 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 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 re-agents 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 that 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 effect 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, Bolanitos Mines and El Cubo Mines 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 estimation 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, Bolanitos and El Cubo 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, financial performance 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.

The positive effect on the Company's results arising from past and future acquisitions 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 including the existing work force, union arrangements and existing contracts; 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.

Past and future business or property acquistions 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", three of the Company's subsidiaries in Mexico have received a tax assessment from Mexican fiscal authorities. While the Company is of the view that the tax assessments have no legal merit and is contesting these, there is no assurance that the Company will be successful or that the Company will not have to pay the full amount of the assessments 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 financial information and delivery of appropriate requested documents to the Mexican fiscal authorities, the Company has estimated that there is no material potential tax exposure arising under the three assessments.

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 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.

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, financial performance 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 International Financial Reporting Standards. 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, 2012. 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 financial performance.

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 financial performance 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 New York Stock Exchange, 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 notes received upon the restructuring of asset-backed commercial paper ("ABCP"). There can be no assurances that the value of the notes receivable 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.

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, including the CEO and CFO, conducted an evaluation of the effectiveness of the Company's disclosure controls and procedures pursuant to National Instrument 52-109 "Certification of Disclosure in Issuers Annual and Interim Filings" ("NI 52-109") and Rule 13a -15(b) of the

U.S. Securities 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 Company's 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(b) of the U.S. 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.

The Company acquired control of Mexgold on July 13, 2012. As permitted by Canadian Securities Commission rules related to business acquisitions, the Company excluded Mexgold operations from our annual assessment of internal controls over financial reporting for the year ending December 31, 2012.

Management, including our Chief Executive Officer and Chief Financial Officer, assessed the effectiveness of our internal control over financial reporting as of December 31, 2012. 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, 2012, 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, 2012.

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.

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New Brunswick Securities Commission
Nova Scotia Securities Commission
Prince Edward Island Securities Office
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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 Mineral Resource Estimate for the San Sebastian Project, Jalisco State, Mexico"* and dated March 6, 2013 (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 28, 2013, the Annual Report on Form 40-F dated March 28, 2013, the Management Discussion & Analysis dated March 11, 2013 and the news release dated February 25, 2013 (the "News Release"), of Endeavour Silver Corp.

I confirm that I have read the Annual Information Form dated March 28, 2013, the Annual Report on Form 40-F dated March 28, 2013, the Management Discussion &Analysis dated March 11, 2013 and the news release dated February 25, 2013 of Endeavour Silver Corp and that they fairly and accurately represent the information in the technical report.

Dated this 28 day of March, 2013

"William J. Lewis" {signed and sealed}

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

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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 Resource and Reserve Estimates for the Guanacevi Mines Project, Durango State, Mexico"* and dated March 27, 2013 (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 28, 2013, the Annual Report on Form 40-F dated March 28, 2013, the Management Discussion & Analysis dated March 11, 2013 and the news release dated February 25, 2013 (the "News Release"), of Endeavour Silver Corp.

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Dated this 28 day of March, 2013

"William J. Lewis" {signed and sealed}

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

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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 on the Resource and Reserve Estimates for the Bolanitos Mine Project (formerly the Guanajuato Mines Project), Guanajuato State, Mexico"* and dated March 28, 2013 (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 28, 2013, the Annual Report on Form 40-F dated March 28, 2013, the Management Discussion & Analysis dated March 11, 2013 and the news release dated February 25, 2013 (the "News Release"), of Endeavour Silver Corp.

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Dated this 28 day of March, 2013

"William J. Lewis" {signed and sealed}

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

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U.S. Securities and Exchange Commission
TSX Toronto Stock Exchange

Dears Sirs/Mesdames:

I, Charley Z. Murahwi, M.Sc., P.Geo., Pr.Sci.Nat., FAusIMM do hereby consent to the public filing of the technical report titled *"NI 43-101 Technical Report Resource and Reserve Estimate for the Guanecevi Mines Project, Durango State, Mexico"* and dated March 27, 2013 (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 28, 2013, the Annual Report on Form 40-F dated March 28, 2013, the Management Discussion & Analysis dated March 11, 2013 and the news release dated February 25, 2013 (the "News Release"), of Endeavour Silver Corp.

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Dated this 28 day of March, 2013

"Charley Z. Murahwi" {signed and sealed}

Charley Z. Murahwi, M.BSc., P.Geo., Pr.Sci.Nat., FAusIMM

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TSX Toronto Stock Exchange

Dears Sirs/Mesdames:

I, Charley Z. Murahwi, M.Sc., P.Geo., Pr.Sci.Nat., FAusIMM do hereby consent to the public filing of the technical report titled *"NI 43-101 Technical Report on the Resource and Reserve Estimate for the Bolanitos Mine Project (formerly the Guanajuato Mines Project), Guanajuato State, Mexico"* and dated March 28, 2013 (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 28, 2013, the Annual Report on Form 40-F dated March 28, 2013, the Management Discussion & Analysis dated March 11, 2013 and the news release dated February 25, 2013 (the "News Release"), of Endeavour Silver Corp.

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Dated this 28 day of March, 2013

"Charley Z. Murahwi" {signed and sealed}

Charley Z. Murahwi, M.BSc., P.Geo., Pr.Sci.Nat., FAusIMM

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Dears Sirs/Mesdames:

I, Charley Z. Murahwi, M.Sc., P.Geo., Pr.Sci.Nat., FAusIMM do hereby consent to the public filing of the technical report titled *"NI 43-101 Technical Report Audit of the Mineral Resource Estimate for the San Sebastian Project, Jalisco State, Mexico"* and dated March 6, 2013 (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 28, 2013, the Annual Report on Form 40-F dated March 28, 2013, the Management Discussion & Analysis dated March 11, 2013 and the news release dated February 25, 2013 (the "News Release"), of Endeavour Silver Corp.

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Dated this 28 day of March, 2013

"Charley Z. Murahwi" {signed and sealed}

Charley Z. Murahwi, M.BSc., P.Geo., Pr.Sci.Nat., FAusIMM

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Dears Sirs/Mesdames:

I, Alan J. San Martin, MAusIMM(CP) do hereby consent to the public filing of the technical report titled *"NI 43-101 Technical Report on the Resource and Reserve Estimate for the Bolanitos Mine Project (formerly the Guanajuato Mines Project), Guanajuato State, Mexico"* and dated March 28, 2013 (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 28, 2013, the Annual Report on Form 40-F dated March 28, 2013, the Management Discussion & Analysis dated March 11, 2013 and the news release dated February 25, 2013 (the "News Release"), of Endeavour Silver Corp.

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Dated this 28 day of March, 2013

"Alan J. San Martin" {signed and sealed}

Ing. Alan J. San Martin, MAusIMM(CP)

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Dears Sirs/Mesdames:

I, Alan J. San Martin, MAusIMM(CP) do hereby consent to the public filing of the technical report titled *"NI 43-101 Technical Report Resource and Reserve Estimate for the Guanecevi Mines Project, Durango State, Mexico"* and dated March 27, 2013 (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 28, 2013, the Annual Report on Form 40-F dated March 28, 2013, the Management Discussion & Analysis dated March 11, 2013 and the news release dated February 25, 2013 (the "News Release"), of Endeavour Silver Corp.

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Dated this 28 day of March, 2013

"Alan J. San Martin" {signed and sealed}

Ing. Alan J. San Martin, MAusIMM(CP)

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