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, 2011

Commission file number: 001-33153

ENDEAVOUR SILVER CORP.

(Exact Name of Registrant as Specified in its Charter)

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

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

(Address and Telephone Number of Registrant's Principal Executive Offices)

Dorsey & Whitney LLP,
1400 Wewatta Street, Suite 400
Denver, Colorado 80202-5549
(303) 629-3400

(Name, address (including zip code) and telephone number (including area code) of agent for service in the United States)

Copies to:
Kenneth G. Sam
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: **N/A**

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

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

☒ 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, 2011, **87,378,748** common shares of the Registrant were issued and outstanding.

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

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;
- risks related to operating or technical difficulties in mineral exploration, development and mining activities
- uncertainty in our ability to fund the development of our mineral properties or the completion of further exploration programs;
- uncertainty as to actual capital costs, operating costs, production and economic returns, and uncertainty that our development activities will result in profitable mining operations;
- risks related to our reserves and mineral resource figures being estimates based on interpretations and assumptions which may result in less mineral production under actual conditions than is currently estimated;
- risks related to to diminishing quantities or grades of mineral reserves as our properties are mined;
- risks related to governmental regulations and obtaining necessary licenses and permits;

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

This list is not exhaustive of the factors that may affect our forward-looking statements. Some of the important risks and uncertainties that could affect forward-looking statements are described further in the exhibits attached to this annual report on Form 40-F. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in the forward-looking statements. The Company's forward-looking statements are based on beliefs, expectations and opinions of management on the date the statements are made and the Company does not assume any obligation to update forward-looking statements if circumstances or management's beliefs, expectations or opinions change, except as required by law. For the reasons set forth above, investors should not place undue reliance on forward-looking statements.

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

The Company is permitted, under the multi-jurisdictional disclosure system adopted by the United States Securities and Exchange Commission (the "SEC"), to prepare this annual report in accordance with Canadian disclosure requirements, which differ from those of the United States. The Company has prepared its financial statements, which are filed as Exhibit 2 to this annual report on Form 40-F, in accordance with International Financial Reporting Standards ("IFRS") and they are subject to IFRS auditing and auditor independence standards. Accordingly, the Company's financial statements are not comparable to financial statements of United States companies.

RESOURCE AND RESERVE ESTIMATES

The Company's Annual Information Form ("AIF") filed as Exhibit 1 to this annual report on Form 40-F has been prepared in accordance with the requirements of the securities laws in effect in Canada, which differ from the requirements of United States securities laws. The terms "mineral reserve", "proven mineral reserve" and "probable mineral reserve" are Canadian mining terms as defined in accordance with Canadian National Instrument 43-101 – Standards of Disclosure for Mineral Projects ("NI 43-101") and the Canadian Institute of Mining, Metallurgy and Petroleum (the "CIM") - *CIM Definition Standards on Mineral Resources and Mineral Reserves*, adopted by the CIM Council, as amended. These definitions differ from the definitions in SEC Industry Guide 7 under the United States Securities Act of 1933, as amended (the "Securities Act").

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

In addition, the terms "mineral resource", "measured mineral resource", "indicated mineral resource" and "inferred mineral resource" are defined in and required to be disclosed by NI 43-101; however, these terms are not defined terms under SEC Industry Guide 7 and are normally not permitted to be used in reports and registration statements filed with the SEC. Investors are cautioned not to assume that 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, 2011, based upon the noon exchange rate as quoted by the Bank of Canada, was U.S.$1.00 = Cdn.$1.017.

ANNUAL INFORMATION FORM

The Company's AIF for the fiscal year ended December 31, 2011 is filed as Exhibit 1 and incorporated by reference in this annual report on Form 40-F.

AUDITED ANNUAL FINANCIAL STATEMENTS

The audited consolidated financial statements of the Company for the years ended December 31, 2011 and 2010, including the report of the independent auditor with respect thereto, are filed as Exhibit 2 and incorporated by reference in this annual report on Form 40-F.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Company's management's discussion and analysis ("MD&A") is filed as Exhibit 4 and incorporated by reference in this annual report on Form 40-F.

TAX MATTERS

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

CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

At the end of the period covered by this annual report on Form 40-F for the fiscal year ended December 31, 2011, 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, 2011. 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, 2011, 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, 2011. 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, 2011. 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 3 and is incorporated by reference in this annual report on Form 40-F.

Changes in Internal Control over Financial Reporting

Management, including the CEO and CFO, has evaluated the Company's internal control over financial reporting to determine whether any changes occurred during the period covered by this annual report on Form 40-F that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. There have been no changes that occurred during the Company's fiscal year ended December 31, 2011 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

CORPORATE GOVERNANCE

The Company's Board of Directors (the "Board of Directors") is responsible for the Company's Corporate Governance policies and has separately designated standing Compensation, Corporate Governance and Nominating, and Audit Committees. The Board of Directors has determined that all the members of the Compensation, Corporate Governance and Nominating, and Audit Committees are independent, based on the criteria for independence prescribed by section 303A.02 of the NYSE Listed Company Manual.

Compensation Committee

Compensation of the Company's CEO and all other officers is recommended by management to the Compensation Committee, 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 three independent directors: Leonard Harris (Chair), Geoffrey Handley and Mario Szotlender. The Company's Compensation Committee Charter is available on the Company's website at www.edrsilver.com.

Corporate Governance and Nominating Committee

The Company's Corporate Governance and Nominating Committee, established in accordance with section 303A.04 of the NYSE Listed Company Manual, is tasked with (a) developing and recommending to the Board of Directors corporate governance principles applicable to the Company; (b) identifying and recommending qualified individuals for nomination to the Board of Directors; and (c) providing such assistance as the Chair of the Board of Directors, if independent, or alternatively the lead director of the Board of Directors, may require. The Corporate Governance and Nominating Committee is composed of three independent directors: Geoffrey Handley (Chair), Leonard Harris, and Mario Szotlender. The Corporate Governance and Nominating Committee Charter is available on the Company's website at www.edrsilver.com.

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

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

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

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

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

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

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

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

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

AUDIT COMMITTEE

The Company's Board of Directors has a separately designated standing Audit Committee established in accordance with section 3(a)(58)(A) of the Exchange Act and section 303A.06 of the NYSE Listed Company Manual. The Company's Audit Committee is comprised of:

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

In the opinion of the Company's Board of Directors, all members of the Audit Committee are independent (as determined under Rule 10A-3 of the Exchange Act and section 303A.02 of the NYSE Listed Company Manual.) and are financially literate. The 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) 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.

	2011	2010
Assurance Fees (1)	$440,000	$542,105
Tax Fees (2)	$0	$0
All other fees (3)	$0	$53,000
Total*	$440,000	$595,105

* 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, 2011 were pre-approved by the Audit Committee of the Company. No non-audit services were approved pursuant to the *de minimis* exemption to the pre-approval requirement.

OFF-BALANCE SHEET TRANSACTIONS

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

CODE OF ETHICS

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

During the fiscal year ended December 31, 2011, 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, 2011 information with respect to the Company's known contractual obligations.

Payments due by period (in thousands of dollars)

Contractual Obligations	Total	Less than 1 year	1 – 3 years	3 – 5 years	More than 5 years
Operating Lease	$1,548	$ 268	$ 550	$ 565	$ 165
Other Long-Term Liabilities[1]	$2,729	-	884	1,845	-
Total	$4,277	$ 268	$1,434	$2,410	$ 165

(1) The $2.7 million of other long-term liabilities is the discounted cost estimate to settle the Company's reclamation costs of the Guanacevi mine and Guanajuato mine in Mexico. These costs include land rehabilitation, decommissioning of buildings and mine facilities, on-going care and maintenance and other costs.

NOTICES PURSUANT TO REGULATION BTR

There were no notices required by Rule 104 of Regulation BTR that the Registrant sent during the year ended December 31, 2011 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, 2011, 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 with the SEC on November 14, 2006, with respect to the class of securities in relation to which the obligation to file this annual report on Form 40-F arises.

EXHIBIT INDEX

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

Exhibit	**Description**
Annual Information	
1.	Annual Information Form of the Company for the year ended December 31, 2011
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, 2011, 2010 and January 1, 2010 Consolidated Statements of Comprehensive Income for the year ended December 31, 2011 and December 31, 2010 Consolidated Statement of Changes in Equity for the years ended December 31, 2011 and December 31, 2010 Consolidated Statements of Cash Flow for the years ended December 31, 2011 and December 31, 2010 Notes to Consolidated Financial Statements
3.	Independent Registered Public Accounting Firm’s Report on Consolidated Financial Statements and Attestation on Internal Control Over Financial Reporting
4.	Management’s Discussion and Analysis
Certifications	
5.	Certificate of Chief Executive Officer Pursuant to Rule 13a-14(a) of the Exchange Act
6.	Certificate of Chief Financial Officer Pursuant to Rule 13a-14(a) of the Exchange Act
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
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	
9.	Consents of William J. Lewis, B.Sc., P.Geo. of Micon International Ltd (“Micon”)
10.	Consents of Alan J. San Martin, MAusIMM(CP) of Micon
11.	Consents of Charley Z. Murahwi, M.Sc., P.Geo, FAusIMM of Micon
12.	Consent of KPMG LLP

SIGNATURES

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

ENDEAVOUR SILVER CORP.

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

Date: March 30, 2012

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: March 30, 2012	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: March 30, 2012

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, 2011 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Bradford Cooke, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in this Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

March 30, 2012 /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, 2011 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Dan Dickson, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in this Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

March 30, 2012 /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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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, 2011, December 31, 2010 and January 1, 2010, the consolidated statements of comprehensive income (loss), changes in equity and cash flows for the years ended December 31, 2011 and December 31, 2010, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with 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 audits 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, 2011, December 31, 2010 and January 1, 2010, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2011 and December 31, 2010, 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, 2011, 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 29, 2012 expressed an unqualified opinion on the effectiveness of Endeavour Silver Corp.'s internal control over financial reporting.

KPMG LLP

Chartered Accountants

March 29, 2012
Vancouver, Canada

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, 2011, 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, 2011, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

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, 2011, December 31, 2010 and January 1, 2010, and the related consolidated statements of comprehensive income (loss), changes in equity and cash flows for the years ended December 31, 2011 and December 31, 2010, and our report dated March 29, 2012 expressed an unqualified opinion on those consolidated financial statements.

KPMG LLP

Chartered Accountants

March 29, 2012
Vancouver, Canada

KPMG LLP
Chartered Accountants
PO Box 10426 777 Dunsmuir Street
Vancouver BC V7Y 1K3
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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 29, 2012 on the consolidated statements of financial position of Endeavour Silver Corp. (the "Company") as at December 31, 2011, December 31, 2010, and January 1, 2010, and the consolidated statements of comprehensive income (loss), changes in equity and cash flows for the years ended December 31, 2011 and December 31, 2010; and
- our Report of Independent Registered Public Accounting Firm dated March 29, 2012 on the effectiveness of the Company's internal control over financial reporting as of December 31, 2011,

each of which is included in this annual report on Form 40-F of the Company for the fiscal year ended December 31, 2011.

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 30, 2012
Vancouver, Canada

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 29, 2012

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"). All amounts are stated in US dollars unless otherwise indicated.

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

Type of Document	Effective Date / Period Ended	Date Filed / Posted	Document name which may be viewed at the SEDAR website at **www.sedar.com** (or alternative location for non-SEDAR documents)
NI 43-101 Technical Report on the Resource and Reserve Estimates for the Guanacevi Project, Durango State, Mexico	December 31, 2011	March 30, 2011	Technical Report (43-101) – English Qualification Certificate(s) and Consent(s)
NI 43-101 Technical Report on the Resource and Reserve Estimates for the Guanajuato Mines Project, Guanajuato State, Mexico	December 31, 2011	March 30, 2011	Technical Report (43-101) – English Qualification Certificate(s) and Consent(s)

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

1.2 Date of Information

All information in this AIF is as of December 31, 2011 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 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 1993, as amended (the "Securities Act"). Under SEC Industry Guide 7 standards, a "final" or "bankable" feasibility study is required to report reserves, the three-year historical average price is used in any reserve or cash flow analysis to designate reserves and the primary environmental analysis or report must be filed with the appropriate governmental authority.

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

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

ITEM 2: CORPORATE STRUCTURE

2.1 Name, Address and Incorporation

The Company was incorporated under the laws of the Province of British Columbia on March 11, 1981 under the name, "Levelland Energy & Resources Ltd". Effective August 27, 2002 the Company changed its name to "Endeavour Gold Corp.", consolidated its share capital on the basis of four old common shares for one new common share and increased its share capital to 100,000,000 common shares without par value. 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 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 y Garibaldi, S.A. de C.V.	Mexico	100
Refinadora Plata Guanacevi, S.A. de C.V.	Mexico	100
Metallurgica Guanacevi, S.A. de C.V.	Mexico	100
Mina Bolanitos S.A de C.V.	Mexico	100
Guanacevi Mining Service, S.A. de C.V.	Mexico	100
Recursos Humanos Guanacevi, S.A. de C.V.	Mexico	100
Minera Plata Carina S.P.A.	Chile	100

ITEM 3: GENERAL DEVELOPMENT OF THE BUSINESS

3.1 Three Year History

Overview

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

Guanacevi Mines Project

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

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

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

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

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

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

The Guanacevi Mines Project and the Guanajuato Mines Project have been the primary focus of business activity for the last 3 years with the Guanacevi Mines Project the primary focus for the preceding 2 years. See Item 4.4 for further details.

<u>Three Year History</u>

2012 to Present

On March 30, 2012 the Company released updated NI 43-101 Reserve and Resource estimates as at December 31, 2011 for its active silver mining and exploration projects in Mexico, the Guanacevi Mines Project and the Guanajuato Mines Project.

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 only held an option to purchase on 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 slightly rose 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 an annual earnings per share of $0.23. Management also elected to hold a substantial inventory balance accumulating $36 million worth 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 Guanajuato 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 Guanajuato, thereby confirming once again 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 will 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 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's financial position continues to improve with the operating growth, higher margins and resource growth. In addition to organic growth the Company raised an additional $19.9 million through the exercise of warrants and options issuing 6,658,328 common shares during the year. The Company's continuous growth, improved position and outlook resulted in the Company being invited to transfer the listing of its common shares from the NYSE Amex Equities ("NYSE Amex") 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 only held an option to purchase on the Guanacevi project at that time). During 2010, escalating prices and increased production drove sales 70% higher to $86.5 million and increased mine operating cash-flow 111% to $45.0 million 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 kilometers northwest of the operating Porvenir silver mine, part of the Company's Guanacevi's Mines project in Durango, Mexico. The Company acquired a 100% interest in the Porvenir Cuatro properties by paying a total consideration of US$700,000 to the vendors, consisting of US$100,000 cash and 136,054 shares on signing of the agreement in February 2009 and an additional 71,428 shares and US$160,000 on the early exercise of the option to purchase. On the basis of positive internal resource and economic assessments, management elected to fast-track Porvenir Cuatro to production in 2010.

Endeavour achieved its sixth consecutive year of combined reserve and resource growth in 2010. New high grade silver-gold discoveries were made in both Guanacevi and Guanajuato, thereby confirming once again the prolific exploration potential of these two historic mining districts. The Company also acquired an option to purchase a new property called San Sebastian located in Jalisco, Mexico. The San Sebastian property represents a new, district scale, silver-gold exploration opportunity for the Company. The Company can acquire a 100% interest in the San Sebastian property from IMMSA (Grupo Mexico) by making cash payments totaling US$2.75 million and spending US$2.0 million on exploration over a three year period. IMMSA will retain a 2% NSR royalty on any mineral production from the properties.

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

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

2009

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

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

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

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

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

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

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

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

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

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

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

3.2 Significant Acquisitions

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

ITEM 4: DESCRIPTION OF THE BUSINESS

4.1 General Description

The Business of the Company

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

Number of Employees

The Company has approximately 950 full and part-time employees.

4.2 Risk Factors

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

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

Fluctuations in the price of consumed commodities
Prices and availability of commodities consumed or used in connection with exploration, development and mining, such as natural gas, diesel, oil, electricity, cyanide and other 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 affect on our business.

Mining Operations

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

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

Infrastructure

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

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

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

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

Calculation of Reserves and Resources and Precious Metal Recoveries
There is a degree of uncertainty attributable to the calculation and 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 and Guanajuato mines are the Company's current sources of production. Current life-of-mine plans provide for a defined production life for mining at the Company's mines. If the Company's mineral reserves and resources are not replaced either by the development or discovery of additional reserves and/or extension of the life-of-mine at its current operating mines or through the acquisition or development of an additional producing mine, this could have an adverse impact on the Company's future cash flows, earnings, 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.

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

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

Foreign Operations

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

Local opposition to mine development projects could arise in Mexico, and such opposition could be violent. There can be no assurance that such local opposition will not arise with respect to the Company's Mexican operations. If the Company were to experience resistance or unrest in connection with its Mexican operations, it could have a material adverse effect on its operations and profitability. To the extent the Company acquires mineral properties in jurisdictions other than Mexico, it may be subject to similar and additional risks with respect to its operations in those jurisdictions.

Government Regulation

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

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

Mexican Tax Assessments

As disclosed under "Legal Proceeding" on page 48, two 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, 2011. 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.

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

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

Current market events and conditions
In 2007, 2008 and 2009, the U.S. credit markets experienced serious disruption due to a deterioration in residential property values, defaults and delinquencies in the residential mortgage market (particularly, sub-prime and non-prime mortgages) and a decline in the credit quality of mortgage backed securities. In 2010 and 2011, this was compounded by the still emerging sovereign debt crisis in Europe.As a result, general economic conditions have deteriorated, including declining consumer sentiment, increased unemployment, declining economic growth and uncertainty about corporate earnings.

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

Substantial Volatility of Share Price
In recent years, the securities markets in the United States and Canada have experienced a high level of price and volume volatility, and the securities of many mineral exploration companies have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. The price of the Company’s common shares is also likely to be significantly affected by short-term changes in mineral prices or in the Company’s financial condition or 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 allowed by the Instrument, to reproduce the summaries from the technical reports on the respective material properties.

Guanacevi Mines Project, Durango State, Mexico

The following summary of the Guanacevi Mines Project is extracted from a technical report titled "*NI 43-101 Technical Report 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, FAusIMM, and Alan San Martin, MAusIMM(CP) of Micon International Limited with an effective date of December 31, 2011 and dated March 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.

INTRODUCTION

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, Audit of the Resource and Reserve Estimates for the Guanaceví Mines Project, Durango State, Mexico" and dated March 15, 2011. The 2011 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 31, 2011 mineral resources and reserves of the Guanaceví Mines project. 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 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 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. 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 was 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

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 properties is approximately 300,756 Mexican pesos (pesos), which is equal to about US $23,756 at an exchange rate of 12.66 pesos to US $1.00 dollar.

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

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

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

In June, 2011, Endeavour Silver acquired the La Brisa and La Brisa 2 properties (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 hectares) 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 properties 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 properties (37 hectares) for $150,000 in cash payments over a 2 year period.

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

Surface Exploration Program

In 2011, exploration drilling at Guanaceví focused on exploring the Santa Cruz vein structure to the north of the Porvenir mine, including on the Milache claim, and to the south, in the Santa Cruz and Alex Breccia mines. Any new mineralization found in these areas could be added to the mine plan for development and production. Exploration drilling also focused on discovering new high-grade silver-gold-base metal mineralized zones in the San Pedro sub-district located in the northern part of the Guanaceví district, as well as in the La Brisa area, situated in the southern part.

A total of 1,183 rock and soil samples were collected on the Guanaceví property during the 2011 geological mapping program. In 2011, surface and underground geological mapping and sampling were completed on the Martir, El Soto and adjoining claims in the San Pedro area, as well as the Santa Isabel, Terremoto, Alajaa and neighbouring claims in the San Pedro sub-district.

In 2011, Endeavour Silver acquired an option on the La Brisa and La Brisa 2 properties (90 ha), located approximately 10 km southeast of Endeavour Silver's active Porvenir silver-gold mine. Endeavour Silver has also secured through staking several new claims which include La Brisa 3, La Brisa 4, La Brisa 4 Fraccion 1, La Brisa 5 and La Gloria. These new claims cover 2,877 hectares and surround the La Brisa and La Brisa 2 properties in order to cover possible extensions of recently identified veins.

The Brisa veins have received little exploration work historically. This is probably because surface exposures of veins are typically narrow and low grade. Only shallow pits have been excavated on the veins, without any apparent production. The veins have never been drill tested.

In 2011, surface diamond drilling commenced in the La Brisa area using one drill rig. By mid-December, Endeavour Silver had completed a total of 988.15 m in five holes. Exploration is ongoing in this area.

Mine Area Exploration Program

In 2011, surface drilling was continued in the mine area in order to increase the understanding of the extent of the mineralization within the Santa Cruz vein in the Porvenir North Zone 1 area, thereby potentially increasing the resources and reserves at the mine. By the end of 2011, a total of 7 drill holes had been completed, totalling 3,586.50 m.

At the Santa Cruz mine, an underground drilling program was conducted to cut the Santa Cruz vein at different depths from the previous exploration area, down to the unexploited areas below the old workings. The goal of the program was to demonstrate that economic mineralization could continue at depth in order to increase the resources and possibly reserves in this portion of the mine. In addition, a number of infill drill holes were designed to verify the information from previous drilling. In total, 16 holes were drilled in the Santa Cruz underground program.

As a check against the Alex Breccia results which were obtained from previous drilling by regional exploration personnel and the results obtained from direct sampling, a decision was made to initiate drilling in the Alex Breccia zone towards the north extent of the property. This drilling was conducted to determine whether or not the resources could continue to be increased in this area.

Micon has reviewed the 2011 exploration programs and concludes that the programs were conducted according to the exploration best practices as outlined by the CIM and with a good QA/QC program in place. It is Micon’s opinion that the data acquired by Endeavour Silver through its exploration programs for the Guanaceví Mines project can be used in estimating the mineral resources and ultimately the mineral reserves.

2012 Exploration Program

In 2012, Endeavour Silver plans a follow-up surface exploration program focused on several of the new discoveries made in the San Pedro sub-district, Milache and La Brisa, 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 for potential acquisition in the Guanaceví district for future growth.

Table 1.1 summarizes the planned 2012 exploration budget for the Guanacevi Mines project.

Table 1.1
Guanaceví Exploration Priority Targets – 2012

Project Area	2012 Program			Budget US $
	Holes	Metres	Samples	
Surface Exploration Drilling				
San Pedro	10	3.000	1,200	490,000
Milache	12	6,000	2,400	1,010,000
La Brisa	15	6,000	2,600	1,019,200
Guanaceví Regional Exploration	5	1,500	1,000	366,900
Subtotal	**42**	**16,500**	**7,200**	**2,886,100**
Mine Operations Exploration Drilling				
Porvenir North	6	1,511	----	226,704
Santa Cruz	7	2,142	----	321,279
Ramp 4115	27	1,290	----	219,230
Alex Breccia	26	10,272	----	1,540,736
La Prieta	8	2,113	----	316,918
Subtotal	**74**	**17,328**	**----**	**2,624,867**
Total	**116**	**33,828**	**----**	**5,510,967**

Table provided by Endeavour Silver Corp.

2011 MINERAL RESOURCE ESTIMATE

Mineral Resource Statement

The mineral resources for the Guanaceví Mines project as of December 31, 2011 are summarized in Table 1.2. The resources are exclusive of the mineral reserves.

Table 1.2
December 31, 2011 Mineral Resource Estimate, **Guanaceví** Mines Project

Category	Tonnes	Silver (g/t)	Gold (g/t)	Silver (oz)	Gold (oz)	Silver Eq (oz)
Measured (M)						
Indicated (I)	2,849,000	217	0.42	19,922,300	38,800	22,056,300
Total M and I	**2,849,000**	**217**	**0.42**	**19,922,300**	**38,800**	**22,056,300**
Inferred	**2,013,000**	**217**	**0.40**	**14,050,900**	**26,200**	**15,491,900**

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 assumptions and parameters:

- Minimum mining width – 1.5 m.

- Silver equivalent – 55:1, based on prices of US $1,650/oz for gold and US $30/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 have been estimated by Micon using the 3D modelling technique and the inverse distance cubed (ID^3) method for interpolating grade. Resources from the exploration areas (Milache, San Joaquin, La Blanc-Mi Nina and Epsilon-Soto) 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. Currently there are no Measured resource blocks at Guanaceví.

- 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.

2011 MINERAL RESERVE ESTIMATE

Mineral Reserve Statement

The mineral reserves for the Guanaceví Mines project as of December 31, 2011 are summarized in Table 1.3.

Table 1.3
December 31, 2011 Proven and Probable Mineral Reserve Estimate

Category	Tonnes	Silver (g/t)	Gold (g/t)	Silver (oz)	Gold (oz)	Silver Eq (oz)
Proven	773,000	304	0.65	7,555,500	16,200	8,446,500
Probable	799,000	231	0.39	5,935,400	10,100	6,490,900
Total Proven & Probable	**1,572,000**	**267**	**0.52**	**13,490,900**	**26,300**	**14,937,400**

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$1,000 per oz.
- Silver price - US$16 per oz.
- Gold recovery (overall) - 75%.
- Silver recovery (overall) - 71%.

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 at the time of reporting 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 31, 2011, the Guanaceví Mines project had a roster of 401 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 31, 2011, silver production was 2,659,956 oz and gold production was 6,845 oz. Plant throughput for 2011 was 363,076 tonnes at an average grade of 311 g/t silver and 0.69 g/t gold. In 2011, mill recoveries averaged 73.3% for silver and 84.8 % 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 2011, 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 2011, the grinding circuit had an average capacity of 1,000 t/d. The metallurgical complex continued to process the Bolañitos (Guanajuato) flotation concentrate in 2011.

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 2011 was $9.71 per ounce, compared to $8.34 per ounce in 2010. 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 2011 averaged US $100.35/t compared to US $113.69/t in 2010.

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 442,800 t for 2012.

For 2012, Endeavour Silver is forecasting to produce 2.87 million ounces of silver and 7,580 ounces of gold from the Guanaceví Mines project. Plant throughput for 2012 is forecast at 442,800 t at an estimated average grade of 269 g/t silver and 0.63 g/t gold. Recoveries are forecast to average 76.3% and 82.8% for silver and gold, respectively. Plant throughput is based on production from the Porvenir North mine, Porvenir Dos mine and third party ore bought from local miners.

The property has a substantial undeveloped resource potential. Beyond 2012, 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 properties 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. 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 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 the year ended December 31, 2011 have been met, as evidenced by the continuing discovery of areas of mineralization which have been added to the resources and reserves on the project. Micon believes that the program for further exploration on the Guanaceví Mines project proposed by Endeavour Silver is both warranted and justified, as the potential for the continuing discovery of additional resources is good.

Recommendations

Micon has reviewed Endeavour Silver's 2012 proposal for further exploration on its Guanaceví Mines property and recommends that Endeavour Silver conducts the exploration program as proposed subject to funding and any other matters which may cause the proposed exploration program to be altered in the normal course of its business activities or alterations which may affect the program as a result of exploration activities themselves.

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

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

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

3) Micon recommends that 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

Guanajuato Mines Project, Guanajuato State, Mexico

The following summary of the Guanajuato Mines Project is extracted from the technical report titled "NI 43-101 Technical Report on the Resource and Reserve Estimates For the Guanajuato Mines Project Guanajuato State Mexico" prepared by William J. Lewis, BSc., P.Geo., Charley Murahwi, M.Sc., P.Geo, FAusIMM, and Alan San Martin MAusImm(CP), Micon International Limited, with an effective date of December 31, 2011and dated March 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.

INTRODUCTION

Endeavour Silver has retained Micon International Limited (Micon) to provide an independent resource and reserve estimation for the Guanajuato 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, Audit of the Resource and Reserve Estimates for the Guanajuato Mines Project, Durango State, Mexico" and dated March 15, 2011. The 2011 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 31, 2011 mineral resources and reserves of the Guanajuato Mines 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 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 Guanajuato Mines project.

The term Guanajuato Mines property, in this report, refers to the entire area covered by the mineral license, while the term Guanajuato Mines project refers to the area within the mineral license 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 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 was 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

The Guanajuato Mines project consists of three operating mines in two areas. Mina Cebada is located about 5 km north of the city of Guanajuato. The Bolañitos mine and the processing plant are situated approximately 5 km west of Cebada, and both properties are readily accessed by paved and gravel roads. The Golondrinas mine is 3.5 km to the southwest of Cebada. Endeavour Silver did not operate the Golondrinas mine during 2009, 2010 or 2011. The Bolañitos and Golondrinas mines are located near the town of La Luz, about 12 km to the northeast of Guanajuato.

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

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

OWNERSHIP

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

In 2007, Endeavour Silver acquired the Guanajuato Mines project from Industrias Peñoles S.A. de C.V. (Peñoles), the owner at the time, and Minas de la Luz, S.A. de C.V. (Minas de la Luz), the operator at the time. The acquisition included the Mina Cebada, Mina Bolañitos, Mina Golondrinas and Mina 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 Guanajuato Mines project consists of 17 properties which are not all contiguous and vary in size for a total of 2,314 hectares (ha). The project includes three operating silver (gold) mines (Bolañitos, Lucero and Cebada), several past-producing silver (gold) mines, and the 1,000 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.

In addition to the mineral rights, Endeavour Silver has agreements with various private ranch owners and a local ejido (Mesa Cuata) that provide surface access for exploration and exploitation purposes. The current cost of maintaining the surface access rights is 399,000 pesos per annum which is equivalent to approximately US $30,700.

HISTORY

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

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

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

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

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

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

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

GEOLOGY AND MINERALIZATION

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

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 the 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 (Mine)

In 2011, Endeavour Silver conducted an underground diamond drilling program focused on expanding the resources at the operating Cebada mine. The program included drilling below the 515 level in the central part, approximately 100 m down dip from the level, and below the 315 level in the northwest area, approximately 200 m down dip from the level.

The program led to the discovery of new resources. The new discovery in the central part is mineable from the 515 level and accessible from the level for further exploration. The northwest area is both mineable and accessible from the 315 level.

During 2011, Endeavour Silver completed 8,476 metres of drilling in 45 underground diamond drill holes at the Cebada mine. A total of 3,727 samples were collected and submitted for assay (3,108 regular and 619 control samples).

Surface Drilling (Exploration)

During 2011, Endeavour Silver completed 32,005 m of drilling in 115 surface diamond drill holes at the Guanajuato Mines project. A total of 6,582 samples were collected and submitted for assay.

Other Surface Exploration Activities

Endeavour Silver also conducted geological mapping and sampling programs on a number of areas and veins in the Guanajuato mining district during 2011. The results of these programs are being evaluated to determine the extent of the further work to be conducted in these areas in 2012.

2011 MINERAL RESOURCE AND RESERVE ESTIMATION

2011 Mineral Resource Estimate

Mineral Resource Statement

The mineral resources for the Guanajuato mines project as of December 31, 2011 are summarized in Table 1.1. The resources are exclusive of the mineral reserves.

Table 1.1
December 31, 2011 Measured, Indicated and Inferred Mineral Resource Estimate, Guanajuato Mines Project

Category	Tonnes	Silver (g/t)	Gold (g/t)	Silver (oz)	Gold (oz)	Silver Eq (oz)
Measured (M)	258,000	177	2.51	1,470,900	20,800	2,614,900
Indicated (I)	2,539,000	161	2.20	13,154,500	179,600	23,032,500
Total M and I	**2,797,000**	**162**	**2.23**	**14,625,400**	**200,400**	**25,647,400**
Inferred	**1,858,600**	**164**	**1.91**	**9,779,600**	**114,100**	**16,055,100**

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 assumptions and parameters:

- Minimum mining width – 1.5 m.
- Silver equivalent – 55:1 for silver to gold, based on average prices of US $1,650/oz for gold and US $30/oz for silver.
- Cut-off grade – 100 g/t silver equivalent.

Methodology

Resources for the Cebada, Bolañitos, Daniela, Karina and Lucero sections of the Guanajuato Mines project have been estimated by Micon using the 3D modelling technique and the inverse distance cubed grade interpolation (ID^3) method. Resources from the exploration areas (Belén, Fernanda, Golondrinas and La Joya) 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.

- 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.

2011 Mineral Reserve Estimate

Mineral Reserve Statement

The mineral reserves for the Guanajuato Mines project as of December 31, 2011 are summarized in Table 1.2.

Table 1.2
December 31, 2011 Proven and Probable Mineral Reserve Estimate, Guanajuato Mines Project

Category	Tonnes	Silver (g/t)	Gold (g/t)	Silver (oz)	Gold (oz)	Silver Eq (oz)
Proven	337,000	186	2.4	2,019,700	26,000	3,449,700
Probable	179,000	225	2.63	1,297,200	15,200	2,133,200
Total Proven & Probable	**516,000**	**200**	**2.48**	**3,316,900**	**41,200**	**5,582,900**

Mineral Reserve Parameters

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

- Cut-off grade – 102 g/t Ag.
- Minimum width – 2 m.
- Gold price – US $1,000 per oz.
- Silver price – US $16 per oz.
- Gold recovery (overall) – 75%.
- Silver recovery (overall) – 71%.

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 at the time of reporting 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 Guanajuato Mines project consists of both current and former producing mines as well as a number exploration targets. The Guanajuato Mines project 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 Guanajuato Mines project efficiently and to all regulatory standards imposed on the project by the various government agencies.

As of December 31, 2011, the Guanajuato Mines project had a roster totalling 421 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 2011.

Table 1.3
Summary of 2011 Production by Area for the Guanajuato Mines Project

Mine	Description	Average/Total
Cebada	Silver (g/t)	159
	Gold (g/t)	1.21
	Silver (oz)	268,745
	Gold (oz)	2,051
	Tonnes	52,600
Bolañitos	Silver (g/t)	175
	Gold (g/t)	2.24
	Silver (oz)	945,346
	Gold (oz)	12,106
	Tonnes	167,869
Lucero Ramp	Silver (g/t)	178
	Gold (g/t)	2.04
	Silver (oz)	187,122
	Gold (oz)	2,153
	Tonnes	32,754

Table provided by Endeavour Silver Corp.

In 2011, the Bolañitos plant produced 1,192,335 oz silver and 16,608 oz gold from 238,797 tonnes of ore grading 183 g/t silver and 2.51 g/t gold. Silver and gold recoveries averaged 84.9% and 86.2%, respectively.

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

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 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 Guanajuato Mines project.

For 2012, Endeavour Silver is forecasting to produce 1.79 million ounces of silver and 23,062 ounces of gold from the Guanajuato Mines project. Plant throughput for 2012 is forecast at 453,400 t at an estimated average grade of 146 g/t silver and 1.87 g/t gold. Recoveries are forecast to average 84.3% and 84.5% 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 2012, 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 properties in the Guanajuato district.

Micon has not undertaken a cash flow analysis for the Guanajuato Mines project due to the fact that there are currently only mineral reserves sufficient for a short term operation.

The mine life, based on proven and probable reserves as of December 31, 2011, is less than two years at a projected production level of 1,300 t/d or 39,000 t/m for the first 11 months of 2012 and 1,600 t/d or 48,000 t/m thereafter. Endeavour Silver is hoping that ongoing exploration will add to the mineral inventory so that the mining and processing rate can be increased to 1,600 t/d by the end of 2012.

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 Endeavour Silver's Guanajuato Mines project.

Micon notes that, 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 2012, Endeavour Silver plans to conduct a follow-up underground exploration program in the Cebada and Bolañitos 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 and Lucero veins. In addition, since the Asunción mine will start operating during 2012, it is proposed that drilling the La Luz vein will be undertaken from that mine.

The 2012 planned underground exploration program consists of 89 drill holes totalling 15,800 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 US $3,014,000, mainly on underground diamond drilling, with an estimated total cost of drilling at US $191/m. The program envisions the use of two rigs with completion of the campaign estimated in early September, 2012.

Given the success of Endeavour Silver's surface exploration programs, it plans to continue exploration focused on following up several of the new discoveries made near its existing mining operations at Guanajuato.

In 2012, Endeavour Silver plans a follow-up surface exploration program in the La Luz sub-district, including the La Joya and Daniela veins 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 this program is to expand reserves and resources and to identify properties for potential acquisition in the Guanajuato district for future growth.

The 2012 surface exploration program is planned to include 38,000 m of core in approximately 140 surface diamond drill holes to target vein discoveries and new prospective areas, mainly in the La Luz sub-district of the Guanajuato district.

Endeavour Silver is budgeting to spend US $6,266,950, mainly on surface diamond drilling, in an effort to continue to expand the resource base through exploration on its properties during 2012. The estimated total cost of diamond drilling is US $160/m.

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 Guanajuato Mines project. In Micon's opinion, there are no significant technical, legal, environmental or political considerations which would affect the extraction and processing of the resources and reserves at the Guanajuato Mines project. 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 years' 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 Guanajuato Mines property and recommends that Endeavour Silver conducts the exploration program as proposed, subject to funding and any other matters which may cause the proposed exploration program to be altered in the normal course of its business activities or alterations which may affect the program as a result of exploration activities themselves.

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

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

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

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

5) Micon recommends that Endeavour Silver completes its conversion of the existing paper database 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 help in both future exploration and in infill drilling.

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

ITEM 5: DIVIDENDS

5.1 Dividends

The Company has not declared any dividends during the past three fiscal years ended December 31, 2011. 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, 2011:

	December 31, 2011
Authorized share capital	Unlimited number of common shares without par value
Number of shares issued and outstanding	87,378,748 common shares without par value

As at March 29, 2012, the Company has 87,773,861 common shares issued and outstanding.

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

6.2 Constraints

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

6.3 Ratings

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

ITEM 7: MARKET FOR SECURITIES

7.1 Trading Price and Volume

The Company's common shares are listed for trading on the Toronto Stock Exchange (the "TSX") under the symbol "EDR" and since March 14, 2011 on the New York Stock Exchange ("NYSE") under the symbol "EXK". Prior to March 14, 2011, the Company's common shares were listed on the NYSE Amex.

The price ranges for the Company's common shares in Canadian dollars and volume traded on the TSX for the most recently completed fiscal year ended December 31, 2011, the months of January and February 2012 and the period from March 1, 2012 to March 29, 2012 are set out below:

Date	Open	High	Low	Close	Volume Traded
Mar-12	10.23	10.52	8.98	9.33	4,929,912
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
Dec-11	12.25	12.25	9.03	9.89	7,436,117
Nov-11	10.42	12.47	10.31	12.08	8,411,998
Oct-11	9.69	11.48	8.04	10.81	9,384,093
Sep-11	11.60	13.10	9.34	9.44	10,840,189
Aug-11	9.77	11.98	8.25	11.70	14,605,508
Jul-11	8.00	10.73	8.00	9.33	8,815,181
Jun-11	9.85	10.05	7.30	8.12	14,882,753
May-11	10.07	10.70	7.83	9.98	16,079,956
Apr-11	9.38	12.19	9.22	10.88	14,336,588
Mar-11	7.42	10.02	7.39	9.50	12,987,403
Feb-11	6.30	7.49	6.22	7.14	4,790,939
Jan-11	7.18	7.19	5.40	6.19	6,159,096

The price ranges for the Company's common shares in US$ and volume traded on the New York Stock Exchange and the NYSE Amex for the most recently completed fiscal year ended December 31, 2011 the months of January and February 2012 and the period from March 1, 2012 to March 29, 2012 are set out below:

Date	Open	High	Low	Close	Volume Traded
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
Dec-11	11.98	12.08	8.81	9.71	37,148,841
Nov-11	10.26	12.33	9.92	11.81	45,909,342
Oct-11	9.25	11.58	7.55	10.84	48,374,247
Sep-11	11.86	13.10	8.95	8.98	54,139,371
Aug-11	9.72	12.26	8.36	11.88	77,730,330
Jul-11	8.28	11.33	8.01	9.75	60,366,973
Jun-11	10.15	10.35	7.46	8.40	56,449,988
May-11	10.75	11.30	8.00	10.29	83,866,509
Apr-11	9.79	12.75	9.54	11.49	94,833,992
Mar-11	7.60	10.33	7.60	9.82	82,632,678
Feb-11	6.34	7.60	6.23	7.41	27,711,041
Jan-11	7.47	7.69	5.40	6.17	31,778,630

The Company also had common share purchase warrants that were listed for trading on the TSX under the symbol "EDR.WT". These common share purchase warrants were issued under a prospectus offering completed on October 7, 2009 and had an exercise price of CDN$3.60 per share and expired on October 7, 2011.

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

Date	Open	High	Low	Close	Volume Traded
Dec-11	NA	NA	NA	NA	NA
Nov-11	NA	NA	NA	NA	NA
Oct-11	6.15	6.35	4.47	6.13	166,450
Sep-11	8.00	9.42	5.78	5.78	904,635
Aug-11	5.95	8.34	4.50	8.00	295,302
Jul-11	4.44	7.15	4.44	5.70	153,145
Jun-11	6.20	6.41	3.90	4.55	164,110
May-11	6.40	7.05	4.19	6.30	338,740
Apr-11	5.80	8.58	5.72	7.35	540,037
Mar-11	3.80	6.50	3.80	5.95	742,587
Feb-11	2.90	4.00	2.64	3.60	339,859
Jan-11	3.56	3.56	1.97	2.66	451,155

ITEM 8: ESCROWED SECURITIES

8.1 Escrowed Securities

As at December 31, 2011, 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	Chairman, CEO and Director of Endeavour Silver Corp.	Director, Chairman and Chief Executive Officer (From July 25, 2002)	1,267,837 1.44%
Godfrey J. Walton British Columbia, Canada	President, G.J. Walton & Associates Ltd. and Director, President and COO of Endeavour Silver Corp.	Director, President and Chief Operating Officer (From July 25, 2002)	164,189 0.19%
Leonard Harris (1) Colorado, USA	Retired, and Director of Corriente Resources Inc., Solitario Resources Corp., Cardero Resources Corp., Alamos Minerals Ltd, Alamos Gold Inc., Canarc Resource Corp., Sulliden Exploration Inc., IMA Exploration Inc., Morgain Minerals Inc., Indico Resources Ltd, Aztec Metals Corp., Golden Arrow Resources Corp	Director (From July 24, 2003)	50,000 0.06%
Mario D. Szotlender (1),(2) Caracas, Venezuela	President, Mena Resources Inc.	Director (From July 25, 2002)	170,100 0.19%

Geoffrey Handley [(1),(2)] Sydney, Australia	Past Executive VP Strategic Development, Placer Dome Inc., Currently Director of Eldorado Gold Ltd, PanAust Limited, Mirabela Nickel Ltd.	Lead Director (From June 14, 2006)	Nil
Rex McLennan [(2)] Alberta, Canada	Chief Financial Officer of Viterra Inc., Past Chief Financial Officer and Executive Vice President of 2010 Vancouver Olympics Organizing Committee, Past Chief Financial Officer & Executive Vice President of Placer Dome Inc.	Director (From June 14, 2007)	Nil
Ricardo Campoy [(2)] New York, USA	Managing director of Headwaters MB, Past managing director and head of minings and metal group for of WestLB. Currently Director of Bayswater Uranium Corporation, White Tiger Gold Ltd. and Forsys Metals Corp	Director (From July 9, 2010)	Nil
Daniel Dickson British Columbia, Canada	CFO of Endeavour since April 2008, Controller for Endeavour from March, 2007 to March, 2008;	Chief Financial Officer (From April 1, 2008)	Nil
Barry Devlin Washington, USA	VP of Exploration of Endeavour since May 2007, Prior Manager of Generative Exploration and Chief Geologist for Hecla Mining	Vice President, Exploration (From May 2, 2007)	5,000 0.01%

David Howe Durango, Mexico	VP of Operations of Endeavour since November 2007, Prior General Manager of St. Ann Jamaica Bauxite Ltd. & Vice President operations / GM of Hecla Venezuela	Vice President Operations, Mexico (From November 1, 2007)	20,000 0.02%
Hugh Clarke British Columbia, Canada	VP of Corporate Communications of Endeavour, Prior manager of Investor Relations for Endeavour Silver Corp. Investor Relations for Hunter Dickinson	Vice President, Corporate Communications (From April 1, 2008)	Nil
Bernard Poznanski British Columbia, Canada	Lawyer, Koffman Kalef Business Lawyers	Corporate Secretary (From 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 29, 2012 the directors and officers of the Company as a group beneficially owned, directly or indirectly, or exercised control or direction over an aggregate of 1,677,126 common shares of the Company, representing approximately 2% of the issued and outstanding common shares of the Company.

9.2 Cease Trade Orders, Bankruptcies, Penalties or Sanctions

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

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

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

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

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

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

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

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.

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, 2010 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$17.0 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. On January 3rd, 2011, the Company filed a nullity action with the Federal Court of Tax and Administrative Justice.

Refinadora Plata Guanacevi SA de CV’s, a subsidiary of Endeavour, received a MXN$63 million (US$4.4 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 period ended December 31, 2011. On July 2, 2011, the Company filed a nullity action with the Federal Court of Tax and Administrative Justice. The timing of the court of process has not been determined, but may take up to 3 years.

11.2 Regulatory Actions

During the year ended December 31, 2011, 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, 2011, 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, 2009 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

There are no contracts that are material to the Company that were entered into during the financial year ended December 31, 2011 or prior thereto but which are still in effect, other than contracts entered into in the ordinary course of business of the Company.

ITEM 15: INTERESTS OF EXPERTS

15.1 Names of Experts

KPMG LLP is the external auditor of the Company and reported on the fiscal 2011 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., FAusIMM and 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 16, 2012 filed on Sedar.

The Qualified Persons who completed the audit of the reserves and resources for the Guanajuato 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 Guanajuato Mines Project, Guanajuato State, Mexico*" dated March 16, 2011 filed on Sedar.

15.2 Interests of Experts

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

To the best of the Company's knowledge, the other experts named in Item 15.1 did not have any registered or beneficial interest, direct or indirect, in any securities or other property of the Company when the experts prepared their respective reports or afterwards, nor will they receive any such interest.

ITEM 16: ADDITIONAL INFORMATION

16.1 Additional Information

Additional information relating to the Company may be found on SEDAR at www.sedar.com. Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans, if applicable, is contained in the Company's Information Circular pertaining to its most recent Annual General Meeting of security holders held on June 29, 2011. 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, 2011.

16.2 Audit Committee

1. The Audit Committee's Charter

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

2. Composition of the Audit Committee

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

Geoff Handley	Ricardo Campoy	Mario D. Szotlender	Rex McLennan

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

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

3. Relevant Education and Experience

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

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

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

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

4. *Reliance on Certain Exemptions*

At no time since the commencement of the Company's most recently completed financial year has the Company relied on the following exemptions under NI 52-110:

(a) the exemption in section 2.4. *De Minimis Non-audit Services;,*
(b) the exemption in section 3.2 *Initial Public Offerings;*
(c) the exemption in section 3.3(2) *Controlled Companies;*
(d) the exemption in section 3.4 *Events Outside Control of Member;*
(e) the exemption in section 3.5 *Death, Disability or Resignation of Audit Committee Member;*
(f) the exemption in section 3.6 *Temporary Exemption for Limited and Exceptional Circumstances;*
(g) the exemption in section 3.8 *Acquisition of Financial Literacy;*
(h) an exemption from NI 52-110, in whole or part, granted under Part 8, *Exemptions*

5. *Audit Committee Oversight*

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

6. *Pre-Approval Policies and Procedures*

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

7. *External Auditor Service Fees (By Category)*

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

Financial Year End	**Assurance Fees**(1)	**Tax Fees**(2)	**All Other Fees**(3)
December 31, 2010	$542,105	Nil	$53,000
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.
(3) The aggregate fees billed in each of the last two fiscal years for products and services provided by the Company's external auditor, other than the services reported under clauses (1) and (2) above. The nature of the services in the fiscal period ending December 31, 2010 pertains to advisory over the Company's transition to IFRS.

SCHEDULE "A"

ENDEAVOUR SILVER CORP. (the "Company")

Audit Committee Charter

(effective October 31, 2006)

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

1 Purpose Of Audit Committee

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

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

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

2 Composition

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

3 Duties

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

The specific duties of the Committee are as follows:

- Management Oversight:

    - Review and evaluate the Company's processes for identifying, analyzing and managing financial risks that may prevent the Company from achieving its objectives;
    - Review and evaluate the Company's internal controls, as established by Management;
    - Review and evaluate the status and adequacy of internal information systems and security;
    - Meet with the external auditor at least one a year in the absence of Management;
    - Request the external auditor's assessment of the Company's financial and accounting personnel;
    - Review and evaluate the adequacy of the Company's procedures and practices relating to currency exchange rates; and
    - Review and evaluate the Company's banking arrangements.

- External Auditor Oversight

    - Review and evaluate the external auditor's process for identifying and responding to key audit and internal control risks;
    - Review the scope and approach of the annual audit;
    - Inform the external auditor of the Committee's expectations;
    - Recommend the appointment of the external auditor to the Board;
    - Meet with Management at least once a year in the absence of the external auditor;
    - Review the independence of the external auditor on an annual basis;
    - Review with the external auditor both the acceptability and the quality of the Company's accounting principles; and
    - Confirm with the external auditor that the external auditor is ultimately accountable to the Board of Directors and the Committee, as representatives of the shareholders.

- Financial Statement Oversight

    - Review the quarterly reports with both Management and the external auditor;
    - Discuss with the external auditor the quality and the acceptability of the generally accepted accounting principles applied by Management;
    - Review and discuss with Management the annual audited financial statements; and
    - Recommend to the Board whether the annual audited financial statements should be accepted, filed with the securities regulatory bodies and publicly disclosed.

- "Whistleblower" Procedures

    - Provide for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters; and
    - Provide for the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matter.

Consolidated Financial Statements

Prepared by Management

Years Ended December 31, 2011 and 2010

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 15, 2012

/s/ Bradford Cooke	*/s/ Dan Dickson*
Chief Executive Officer	Chief Financial Officer

KPMG LLP
Chartered Accountants
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Vancouver BC V7Y 1K3
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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, 2011, December 31, 2010 and January 1, 2010, the consolidated statements of comprehensive income (loss), changes in equity and cash flows for the years ended December 31, 2011 and December 31, 2010, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with 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, 2011, December 31, 2010 and January 1, 2010, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2011 and December 31, 2010 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

KPMG LLP

Chartered Accountants

March 15, 2012
Vancouver, Canada

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

	Notes	**December 31, 2011**	December 31, 2010 (Note 22)	January 1, 2010 (Note 22)
ASSETS				
Current assets				
Cash and cash equivalents	4	**$ 75,434**	$ 68,037	$ 26,702
Investments	5	**34,099**	23,641	4,521
Accounts receivable	6	**7,392**	8,456	6,682
Inventories	7	**34,195**	12,883	6,032
Prepaid expenses		**3,773**	2,061	1,028
Total current assets		**154,893**	115,078	44,965
Long term deposits		**600**	778	1,153
Mineral property, plant and equipment	9	**93,528**	71,241	55,425
Total assets		**$ 249,021**	$ 187,097	$ 101,543
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Accounts payable and accrued liabilities		**$ 9,084**	$ 9,464	$ 5,230
Current portion of promissory note	10	**-**	231	231
Accrued interest on convertible debentures	12	**-**	-	254
Income taxes payable		**3,482**	3,260	545
Total current liabilities		**12,566**	12,955	6,260
Promissory note	10	**-**	56	248
Provision for reclamation and rehabilitation	11	**2,729**	2,524	2,018
Deferred income tax liability	20	**20,806**	12,623	7,545
Liability portion of convertible debentures	12	**-**	-	3,666
Derivative liabilities	14	**13,130**	29,348	29,749
Total liabilities		**49,231**	57,506	49,486
Shareholders' equity				
Common shares, unlimited shares authorized, no par value, issued and outstanding 87,378,748 shares (Dec 31, 2010 - 80,720,420 shares and Jan 1, 2010 - 60,626,203 shares)	Page 6	**259,396**	205,862	109,413
Contributed surplus	Page 6	**8,819**	7,793	7,319
Accumulated comprehensive income (loss)	Page 6	**(1,700)**	1,444	537
Deficit		**(66,725)**	(85,508)	(65,212)
Total shareholders' equity		**199,790**	129,591	$ 52,057
Total liabilities and shareholders' equity		**$ 249,021**	$ 187,097	$ 101,543

Commitments (note 9 & note 21(b))

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

ENDEAVOUR SILVER CORP.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(expressed in thousands of US dollars, except for shares and per share amounts)

	Notes	Years Ended Dec 31, 2011	Dec 31, 2010 (Note 22)
Revenue		**$ 127,997**	$ 86,510
Cost of sales:			
Direct production costs	19	**39,409**	40,302
Royalties	19	**2,228**	1,212
Stock-based compensation	19	**466**	694
Amortization and depletion	19	**17,094**	14,913
		59,197	57,121
Mine operating earnings		**68,800**	29,389
Expenses:			
Exploration	15	**10,207**	4,826
General and administrative	16	**11,050**	8,998
		21,257	13,824
Operating earnings		**47,543**	15,565
Mark-to-market loss on derivative liabilities	14	**13,658**	22,113
Finance costs	17	**34**	7,233
Other income (expense):			
Foreign exchange (loss) gain		**(4,750)**	1,245
Investment and other income	3(c)	**6,477**	673
		1,727	1,918
Earnings (loss) before income taxes		**35,578**	(11,863)
Income tax expense:			
Current income tax expense	20	**8,778**	3,786
Deferred income tax expense	20	**8,045**	4,794
		16,823	8,580
Net earnings (loss) for the period		**18,755**	(20,443)
Other comprehensive income, net of tax			
Net change in fair value of available for sale investments	5	**(3,144)**	907
Comprehensive income (loss) for the period		**15,611**	(19,536)
Basic earnings (loss) per share based on net earnings		**$ 0.22**	$ (0.31)
Diluted earnings (loss) per share based on net earnings	13(h)	**$ 0.22**	$ (0.31)
Basic weighted average number of shares outstanding		**84,326,682**	65,646,786
Diluted weighted average number of shares outstanding	13(h)	**86,364,543**	65,646,786

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
January 1, 2010 (Note 22)		60,626,203	$ 109,413	$ 7,319	$ 537	$ (65,212)	$ 52,057
Issued on public offering		8,710,000	49,310				49,310
Exercise of options	13 (d)	1,762,500	7,080	(3,020)			4,060
Exercise of warrants	13 (g), 14 (a)	2,142,761	13,885	(356)			13,529
Exercise of convertible debentures	12, 14 (b)	6,658,382	23,091				23,091
Issued through stock bonus plan	13 (f)	41,500	193				193
Issued on acquisition of mineral properties	9(a)	642,204	2,358				2,358
Share appreciation rights	13(e)	136,870	532	(532)			-
Stock based compensation	13(d)			4,529			4,529
Unrealized gain (loss) on available for sale assets	5				1,102		1,102
Realized gain (loss) on available for sale assets					(195)		(195)
Expiry and forfeiture of options				(147)		147	-
Loss for the year						(20,443)	(20,443)
December 31, 2010 (Note 22)		80,720,420	205,862	7,793	1,444	(85,508)	129,591
Exercise of options	13 (d)	1,925,000	8,902	(3,066)			5,836
Exercise of warrants	13 (g), 14 (a)	4,633,898	44,109	(214)			43,895
Issued through stock bonus plan	13 (f)	3,600	39				39
Cancelled escrow shares	13(b)	(93,750)					-
Share appreciation rights	13(e)	189,580	484	(484)			-
Stock based compensation	13(d)			4,818			4,818
Unrealized gain (loss) on available for sale assets	5				(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
December 31, 2011		87,378,748	$ 259,396	$ 8,819	$ (1,700)	$ (66,725)	$199,790

ENDEAVOUR SILVER CORP.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(expressed in thousands of U.S. dollars)

	Notes	**Year Ended Dec. 31 2011**	Year Ended Dec. 31 2010 (Note 22)
Operating activities			
Net earnings (loss) for the period		**$ 18,755**	$ (20,443)
Items not affecting cash:			
Stock-based compensation	13(d)	**4,857**	4,613
Depreciation and depletion		**17,272**	15,132
Deferred income tax provision	20	**8,045**	4,794
Unrealized foreign exchange loss (gain)		**1,600**	(1,689)
Mark to market loss on derivative liability	14	**13,658**	22,113
Loss on conversion of convertible debentures	12	**-**	5,519
Finance costs	17	**34**	1,632
Allowance for related party receivable	8	**181**	-
Gain on marketable securities		**(542)**	(195)
Net changes in non-cash working capital	18	**(15,028)**	(892)
Cash from operating activities		**48,832**	30,584
Investing activites			
Property, plant and equipment expenditures	9	**(46,942)**	(29,984)
Investment in short term investments		**(35,569)**	(21,030)
Proceeds from sale of short term investments		**22,509**	3,215
Proceeds from long term deposits		**178**	375
Cash used in investing activities		**(59,824)**	(47,424)
Financing activities			
Common shares issued on exercise of options and warrants	13(d)(g)	**19,974**	7,946
Common shares issued on public offering	13(c)	**-**	52,431
Share issuance costs		**(119)**	(3,121)
Interest paid	12	**-**	(989)
Cash from financing activites		**19,855**	56,267
Effect of exchange rate change on cash and cash equivalents		**(1,466)**	1,908
Increase (decrease) in cash and cash equivalents		**8,863**	39,427
Cash and cash equivalents, beginning of period		**68,037**	26,702
Cash and cash equivalents, end of period		**$ 75,434**	$ 68,037

See note 18 for supplementary cash flow information.

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 and 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, 2011. These are the Company's first consolidated financial statements prepared in accordance with IFRS and IFRS 1 *First-time adoption of International Financial Reporting Standards* has been applied.

Subject to certain transition elections disclosed in Note 22, we have consistently applied the same accounting policies in our opening IFRS statement of financial position as at January 1, 2010 and throughout all periods presented, as if the policies had always been in effect. Note 22 discloses the impact of the transition from Canadian Generally Accepted Accounting Principles to IFRS on our reported financial position, operating earnings and cash flows, including the nature and effect of significant changes in accounting policies from those used in our Consolidated Financial Statements for the year ended December 31, 2010. IFRS 1, which governs the first-time adoption of IFRS, generally requires accounting policies to be applied retrospectively to determine the opening statement of financial position on our transition date of January 1, 2010 and allows certain exemptions on transition to IFRS. The elections that are considered significant to the Company and we have applied are disclosed in Note 22.

The Board of Directors approved the financial statements for issue on March 15, 2012.

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 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. and Minera Plata Carina Spa. All significant 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 on dates of transactions. 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 financial statements in conformity with IFRS requires management to make estimates and assumptions 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 debentures 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. Actual results could differ materially from those estimates.

(c) Financial instruments

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

Financial assets and liabilities at fair value through profit or loss are measured at fair value with changes in those fair values 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 values 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, and accounts payable and accrued liabilities 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.

(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 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 costs and net realizable value. Materials and supplies are valued at the lower of cost and replacement cost. Similar inventories within the consolidated group are measured using the same method, and the reversal of previous write-downs to net realizable value is required when there is a subsequent increase in the value of inventories.

(h) Mineral properties, plant and equipment

Property, 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 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 as capitalized exploration and evaluation costs in property, 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 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 are 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 basis using 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 property, plant and equipment and any changes arising from the assessment are applied by the Company prospectively.

(i) Impairment

The Company's tangible assets are reviewed for an indication of impairment at each statement of financial position date. If indication 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 inflows that are largely independent of the cash inflows 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 the asset's 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 mineral properties with internal and external mining related professionals. A decision to abandon, reduce or expand a specific project is based upon many factors including general and specific assessments of reserves, anticipated future prices, anticipated future costs of exploring, developing and operating a producing mine, expiration term and ongoing expense of maintaining leased mineral properties and the general likelihood that the Company will continue exploration. The Company does not set a pre-determined holding period for properties with unproven reserves. However, properties which have not demonstrated suitable mineral concentrations at the conclusion of each phase of an exploration program are re-evaluated to determine if future exploration is warranted and their carrying values are appropriate.

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

(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) Stock based payments

The Company has a share option plan which is described in Note 13(d). The Company records all stock-based compensation for options using the fair value method 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 retained 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) Changes in accounting standards

In October 2010, the IASB issued amendments to IFRS 7 – *Financial Instruments: Disclosures* that improve the disclosure requirements in relation to transferred assets. The amendments are effective for annual periods beginning on or after July 1, 2011, with earlier application permitted. The Company does not anticipate this amendment to have a significant impact on its consolidated financial statements.

In December 2010, the IASB issued an amendment to IAS 12 – *Income Taxes* which provides a practical solution to determining the recovery of investment properties as it relates to the accounting for deferred income taxes. This amendment is effective for annual periods beginning on or after July 1, 2011, with earlier adoption permitted. The Company does not anticipate this amendment to have a significant impact on its consolidated financial statements.

In June 2011, the IASB issued amendments to IAS 1 – *Presentation of Financial Statements* ("IAS 1") that require an entity to group items presented in the statement of other comprehensive income on the basis of whether they may be reclassified to profit or loss subsequent to initial recognition. For those items presented before tax, the amendments to IAS 1 also require that the tax related to the two separate groups be presented separately. The amendments to IAS 1 are effective for annual periods beginning on or after July 1, 2012, with earlier application permitted. The Company does not anticipate this amendment to have a significant impact on its consolidated financial statements.

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

4. CASH AND CASH EQUIVALENTS

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

	December 31 2011	December 31 2010	January 1 2010
Bank balances	**$ 63,215**	$ 25,253	$ 22,889
Short term deposits	**12,219**	42,784	3,813
	$ 75,434	$ 68,037	$ 26,702

5. INVESTMENTS

	December 31 2011	December 31 2010	January 1 2010
Money market investments	**$ 16,473**	$ 20,009	$ -
Notes receivable:			
Carrying value	**2,133**	2,133	2,133
Unrealized gain (loss)	**1,074**	953	-
Unrealized foreign exchange gain (loss)	**275**	465	343
	3,482	3,551	2,476
Investment in marketable securities, at cost	**17,173**	35	1,828
Unrealized gain (loss) on marketable securities	**(2,960)**	41	150
Unrealized foreign exchange gain (loss)	**(69)**	5	67
	14,144	81	2,045
	$ 34,099	$ 23,641	$ 4,521

The money market investments are designated as held for trading, are classified as Level 1 (see note 21) in the fair value hierarchy and have original maturities greater than 90 days and maturities less than one year.

At December 31, 2011 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, 2011	**Dec 31, 2010**	**Jan 1, 2010**
Notes	Maturity Dates	Interest Rate	Face Amount	Market Value	Market Value	Market Value
MAV II Class A-1	July 15, 2056	BA - 0.5%	$ 3,219	**$ 2,242**	$ 2,334	$ 1,629
MAV II Class A-2	July 15, 2056	BA - 0.5%	1,093	**675**	705	525
MAV II Class B	July 15, 2056	BA - 0.5%	198	**104**	84	-
MAV II Class C	July 15, 2056	BA + 20.0%	140	**47**	15	-
IA Tracking Class 15		BA - 0.5%	464	**414**	413	322
			$ 5,114	**$ 3,482**	$ 3,551	$ 2,476

The Company has classified the Notes as Level 1 in the fair value hierarchy and as available for sale. Management has recorded the Notes at their estimated fair market value with the impact of fair value fluctuations and any related foreign exchange gains or losses recognized in other comprehensive income, unless such gains or losses are declines in value that are concluded to be impairments, in which case the declines will be charged to operations. 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 marketable securities are classified as Level 1 in the fair value hierarchy and as available for sale. 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)

6. ACCOUNTS RECEIVABLE

	Note	**December 31 2011**	December 31 2010	January 1 2010
IVA receivables		**$ 5,693**	$ 7,895	$ 4,497
Income tax receivables		**1,489**	124	1,869
Due from related parties	8	**55**	218	243
Other receivables		**155**	219	73
Total accounts receivable		**7,392**	**8,456**	**6,682**

7. INVENTORIES

	December 31 **2011**	December 31 2010	January 1 2010
Warehouse inventory	**$ 5,336**	$ 3,703	$ 2,446
Stockpile inventory (1)	**10,078**	6,498	1,380
Finished Goods inventory (2)	**18,466**	2,388	1,810
Work in process inventory	**315**	294	396
	$ 34,195	$ 12,883	$ 6,032

(1) The Company has stockpiled 130,000 tonnes of mined ore as of December 31, 2011 (December 31, 2010 – 110,000 tonnes).
(2) The Company held 980,109 silver ounces and 5,407 gold ounces as of December 31, 2011 (December 31, 2010 - 127,097 and 957, respectively). These ounces are carried at cost, however as at December 31, 2011, the quoted market value of the silver is $27,619 (December 31, 2010 - $3,893) and the quoted market value of the gold is $8,278 (December 31, 2010 - $1,346)

8. RELATED PARTY TRANSACTIONS

The Company shares common administrative services and office space with related party companies, with directors and management in common 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 $55 net receivable related to administration costs and other items outstanding as of December 31, 2011 (December 31, 2010 – $104).

One of the companies that the Company administrative services and office space with has been unable to meet its obligations. The Company has provided an allowance totaling $181.

The Company paid $126 for legal services to a legal firm in which the Company’s Corporate Secretary is a partner (December 31, 2010 - $388). The Company has a $4 payable related to legal costs outstanding as of December 31, 2011 (December 31, 2010 - $39).

Key management personnel

The key management of the Company comprises the executive and non-executive directors, the members of the executive and the company secretary. Their compensation was as follows:

	2011	2010
Salaries and short-term employee benefits	**$ 2,916**	$ 2,421
Non-executive directors' fees	**154**	132
Share-based payments	**4,082**	3,745
	$ 7,152	$ 6,298

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

The amount disclosed for share-based payments is the expense for the period 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 charge in the period comprises parts of that year's awards and those of preceding years that vested within the period.

9. MINERAL PROPERTY, PLANT AND EQUIPMENT

Mineral property, plant and equipment comprise:

	Mineral property	Plant	Machinery & equipment	Building	Transport & office equipment	Total
Cost						
Balance at January 1, 2010	$ 46,937	$ 17,796	$ 11,498	$ 1,861	$ 1,926	$ 80,018
Additions	21,420	6,790	3,780	314	530	32,834
Disposals	-	(3)	-	-	(42)	(45)
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
Accumulated amortization						
Balance at January 1, 2010	$ 16,163	$ 5,018	$ 2,132	$ 359	$ 921	$ 24,593
Amortization	13,565	1,564	1,215	180	480	17,004
Disposals	-	-	-	-	(31)	(31)
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**
Net book value						
At January 1, 2010	$ 30,774	$ 12,778	$ 9,366	$ 1,502	$ 1,005	$ 55,425
At December 31, 2010	$ 38,629	$ 18,001	$ 11,931	$ 1,636	$ 1,044	$ 71,241
At December 31, 2011	$ 39,477	$ 28,799	$ 21,457	$ 2,061	$ 1,734	$ 93,528

As of December 31, 2011, the Company had $850 committed to capital equipment purchases for 2012.

(a) Guanacevi

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 2011, the Company paid $2,228 in royalties (2010 - $1,211)

On November 29, 2007, the Company signed an option to acquire a 100% interest in 15 properties within the San Pedro district in the state of Durango. The Company issued 120,000 common shares and 60,000 one-year warrants with an exercise price of $4.65. The fair value of the warrants was determined to be $48; the fair value was based on an expected stock price volatility of 55.5%, expected life of one year and an estimated risk-free rate of 3.98%. The warrants expired unexercised. During the year ended December 31, 2010, the Company issued 570,776 shares with a market value at the time of issuance of $2,118 to acquire 100% of the properties.

In February 2009, the Company signed an option agreement to acquire Porvenir Cuatro concessions located in the Guanacevi district for payments totaling $700 over two years. The Company paid $100 on ratification of the option and issued 136,426 shares equivalent to $200. To acquire the property, the Company was required to issue an additional $240 worth of shares within one year of the agreement date and $160 in cash or shares within two years of the agreement date. During the year ended December 31, 2010, the Company issued 71,428 shares with a market value at the time of issuance of $240 and paid $160 to acquire the property.

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

(b) Guanajuato

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

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

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

(c) Parral

In August 2009, the Company acquired the option to acquire a 100% interest in the San Juanico properties by making $130 payments over 18 months and a final payment of a minimum $300 up to a maximum of $1,900 based on the NI 43-101 compliant silver-equivalent resources at the exercise date (using gold as an equivalent based on a price ratio of silver and gold) within 24 months. The Company has paid $130 of the option as of December 31, 2011. As of December 31, 2010, the Company had completed a NI 43-101 compliant resource estimate indicating silver equivalent resources to be less than 10 million ounces resulting in a final payment of $300.

(e) San Sebastian

In February 2010, the Company acquired the option to acquire a 100% interest in the San Sebastian properties, located in Jalisco, Mexico by paying a total of $2,750 over three years, of which the Company has paid $300. Subsequent to year end, the Company made a $150 payment. The Company is required to pay a 2% NSR royalty on any production from the San Sebastian properties.

(f) Panuco

In August 2011, the Company acquired the option to acquire 51% interest in the Panuco property, located in Durango, Mexico by paying a total of $145 over one year, of which the Company paid $75 on ratification of the option agreement and completing $4,000 on exploration expenditures over 4 years. If the Company exercises its option to acquire 51% of the property a Joint Venture will be formed between the seller and the Company. The Company can acquire up to 70% of the Joint Venture by completing a resource estimate compliant with National Instruments 43-101 within 2 years of acquiring 51% of the property and completing a feasibility study within 4 years of acquiring 51% of the property.

(g) Lomas Bayas/Presidenta

In August 2011, the Company acquired the option to acquire a 100% interest in the La Presidenta property, located in Chile by paying a total of $400 over three years, of which the Company paid $15 on ratification of the option agreement. The agreement required a formula-based payment to the owners of the La Presidenta property within six months of the final option payment. The formula based payment would be payable in common stock based on NI 43-101 resource estimate, paying $0.25 per silver equivalent ounce of reserves and measured and indicated ounces and $0.15 per inferred silver equivalent ounce. A 2% NSR royalty would be paid on production of any subsequent discovered ounces. Subsequent to year end, the Company dropped its interest in the La Presidenta property resulting in a write off of $65 of acquisition costs during 2011.

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

In October 2011, the Company acquired the option to acquire a 100% interest in the Lomas Bayas properties, located in Chile by paying a total of $2,500 over two years, of which the Company paid $50 on ratification of the option agreement. The agreement required a formula-based payment to the owners of the Lomas Bayas properties within six months of the final option payment. The formula based payment would be payable in common stock based on NI 43-101 resource estimate, paying $15 per gold equivalent ounce for reserves, measured and indicated ounces and $10 per gold equivalent inferred ounce. Subsequent to year end, the Company dropped its interest in the Lomas Bayas property.

(h) Mineral property contingencies

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

10. PROMISSORY NOTE

In April 2009, the Company purchased $918 of mining equipment from Sandvik Mining and Construction de Mexico SA de CV (“Sandvik”). The Company financed $596 of the purchase by a promissory note, which was to be paid with equal installments over a 36 month period incurring simple annual interest of 10% on the outstanding balance. As of December 31, 2011 there is no remaining balance outstanding (Dec. 31, 2010 - $287). The promissory note was recognized at amortized cost.

11. PROVISON 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 and $858 for the Guanajuato 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 and 0.29% for Guanajuato and an inflation rate of 2.12% for Guanacevi and 1.64% for Guanajuato.

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

Balance at January 1, 2010	$	2,018
Changes during the period:		
Liabilities incurred at Guanacevi		269
Liabilities incurred at Guanajuato		90
Unwinding of discount for the period		147
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
Balance at December 31, 2011	**$**	**2,729**

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

12. CONVERTIBLE DEBENTURES

In February 2009, the Company issued CAN $13,993 in 10% subordinated unsecured convertible redeemable debentures (the "Debentures") maturing February 2014. The interest was 10% annually, paid quarterly in arrears. At any time, each Debenture was convertible by the holder into one unit consisting of one of the Company's common shares and one half of a common share purchase warrant at an initial conversion rate of 526.3 units for each CAN $1,000 Debenture, representing an initial conversion price of CAN $1.90 per unit. Additional units would have become issuable following the occurrence of certain corporate acts or events. Each full share purchase warrant entitled the holder to purchase one common share at an exercise price of CAN $2.05 per share. Subsequent to August 26, 2010, each Debenture could be redeemed by the Company for cash, plus a redemption fee of 7%, provided the closing share price was greater than CAN $2.85 per share. In August 2010, the Company provided redemption notices to all debenture holders providing ten business days to convert all outstanding debentures, subsequently all outstanding debentures were converted. During the period of December 31, 2010, $5,519 loss was recorded on conversion of Debentures to units.

The convertible debentures underlying unit is denominated in a currency other than the Company's functional currency and is therefore not considered to be indexed to the Company's own stock. Therefore, the conversion feature was separated from the host contract and accounted for as a derivative instrument. The liability element was recognized at amortized cost. The derivative liability was accounted for at fair value with adjustments recognized through the statement of comprehensive income. See note 14 for further detail on the derivative liability component.

Convertible debentures		
Opening balance at January 1, 2010	$	3,666
Opening accrued interest		254
Accretion expense		1,632
Interest paid		(989)
Loss on conversion into common shares		5,519
Conversion into common shares		(10,220)
Foreign exchange loss on revaluation		138
Closing balance as Dec 31, 2010	**$**	**-**

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, 2011, the Company is not subject to externally imposed capital requirements.

(b) During the period 93,750 common shares, which were held in escrow as of December 31, 2010 were cancelled.

(c) **Public Offering**

In December 2010, the Company issued 8,710,000 common shares in a prospectus offering at CAN $6.15 per common share for gross proceeds of CAN $53,566. The agents received a cash commission of 5% totaling $2,621, while other share issuance costs totaled an additional $494 and have been included in equity.

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

(d) Purchase Options

Options to purchase common shares have been granted to directors, officers, employees and consultants pursuant to the current Company's stock option plan approved by the Company's shareholders in fiscal 2009 at exercise prices determined by reference to the market value on the date of the grant. The stock option plan allows for, with approval by the board, granting of options to its directors, officers, employees and consultants to acquire up to 10% of the issued and outstanding shares at any time.

The following table summarizes the status of the Company's stock option plan and change during the period presented:

Expressed in Canadian dollars	**Year Ended December 31, 2011**		Year Ended December 31, 2010	
	Number of Shares	**Weighted average exercise price**	Number of Shares	Weighted average exercise price
Outstanding, beginning of period	**4,665,000**	**$3.17**	5,187,700	$2.63
Granted	**1,330,000**	**$8.22**	1,819,000	$3.73
Exercised [1]	**(2,205,000)**	**$3.02**	(2,120,700)	$2.39
Cancelled	**(93,000)**	**$3.56**	(221,000)	$2.49
Outstanding, end of period	**3,697,000**	**$5.07**	4,665,000	$3.17
Options exercisable at period-end	**2,547,400**	**$4.25**	3,575,200	$3.00

[1] 280,000 options priced with a weighted average price of CAN $3.14 were cancelled in exchange for 189,580 share appreciation rights in the period ended December 31, 2011 (December 31, 2010 – 358,200 options priced with a weighted average price of CAN $2.48 were cancelled in exchange for 136,870 share appreciation rights).

The following tables summarize information about stock options outstanding at December 31, 2011:

Expressed in Canadian dollars

Options Outstanding			Options Exercisable	
Number Outstanding as at Dec. 31, 2011	Weighted Average Remaining Contractual Life (Number of Years)	Weighted Average Exercise Prices	Number Exercisable as at Dec. 31, 2011	Weighted Average Exercise Prices
300,000	2.5	$1.87	300,000	$1.87
40,000	5.5	$2.01	40,000	$2.01
1,998,200	3.2	$3.53	1,679,600	$3.50
10,000	3.8	$4.57	2,000	$4.57
30,000	3.9	$5.69	10,000	$5.69
1,293,800	4.5	$8.19	510,800	$8.19
25,000	4.7	$9.77	5,000	$9.77
3,697,000	3.6	$5.07	2,547,400	$4.25

During the period ended December 31, 2011, the Company recognized stock-based compensation expense of $4,858 (December 31, 2010 - $4,529) based on the fair value of the vested portion of options granted in prior periods.

The weighted average fair values of stock options granted and the assumptions used to calculate compensation expense have been estimated using the Black-Scholes Option Pricing Model with the following assumptions for the period ended:

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

	Year Ended December 31, 2011	Year Ended December 31, 2010
Weighted average fair value of options granted during the period	$4.81	$1.94
Risk-free interest rate	2.02%	2.17%
Expected dividend yield	0%	0%
Expected stock price volatility	77%	77%
Expected option life in years	3.86	3.65

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 the grants. Volatility was estimated based on average daily volatility based on historical 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 on a straight line basis over the respective vesting period of each tranche of stock options awarded. As of December 31, 2011, the non vested stock option expense not yet recognized was $2,339 (December 31, 2010 -$1,229) which is expected to be recognized over the next 18 months.

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

(e) Share Appreciation Rights Plan

The Company' 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 and at no cost to the participant that number of Common Shares, disregarding fractions, which, when multiplied by the market price on the day immediately prior to the exercise of the Right have a total value equal to the product of that number of Common Shares subject to the Option times the difference between the market price on the day immediately prior to the exercise of the Right and the Option exercise price. During fiscal 2011, 280,000 options (2010 – 358,200) were cancelled for the exchange of 189,580 share appreciation rights (2010 – 136,870).

(f) Stock Bonus Plan

As of June 2, 2009, shareholders approved a stock bonus plan whereby the Board of Directors have the authority to grant common shares without par value in the Company to the directors, executive officers and employees of the Company up to, in aggregate, a maximum of 250,000 common shares per calendar year. During the year, 3,600 (2010 – 41,500) common shares were granted to employees of the Company valued at $39 (2010 - $193) expensed as stock based compensation.

(g) Warrants

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

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

The warrants with an expiry date of February 26, 2014, consisting of agents warrants issued for placing debentures and warrants issued on conversion of debentures, are eligible to be exercised “cashless” in which event no payment of the exercise price is required and the holder receives the number of shares based upon the intrinsic value of the warrants over the five day trading average prior to exercise. For the period ended December 31, 2011, 547,888 warrants (December 31, 2010 – 839,524) were elected by the holder to be exercised “cashless” resulting in 422,937 (December 31, 2010 – 464,268) cashless shares being issued.

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

(h) Diluted Earnings per Share

	Note	Year ended December 31 2011	Year ended December 31 2010
Basic and diluted earnings (loss)		**$ 18,755**	$ (20,443)
Effect of anti-dilutive derivative liabilities:			
Mark to market loss on warrant derivative liability	14	**13,658**	22,113
Adjusted diluted earnings		**$ 32,413**	$ 1,670
Basic weighted average number of shares outstanding		**84,326,682**	65,646,786
Effect of dilutive securities:			
Stock options		**1,726,589**	-
Share purchase warrants		**311,272**	-
Diluted weighted average number of share outstanding		**86,364,543**	65,646,786
Effect of anti-dilutive derivative liabilities:			
Share purchase warrants with embedded derivative liabilities		**1,327,495**	4,261,376
Adjusted diluted weighted average number of share outstanding		**87,692,038**	69,908,162
Diluted earnings (loss) per share		**$ 0.22**	**$ (0.31)**
Adjusted diluted earnings per share		**$ 0.37**	**$ 0.02**

The effect of the outstanding share purchase warrants with embedded derivatives is anti-dilutive for the years ended December 31, 2011 and 2010.

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

14. DERIVATIVE LIABILITIES

	Warrants	Debentures	Total
Balance at January 1, 2010	$ 7,823	$ 21,926	$ 29,749
Issuances of financial liability	7,517	-	7,517
Exercise of financial liability	(9,642)	(20,388)	(30,030)
Mark to market loss (gain)	23,651	(1,538)	22,113
Balance at December 31, 2010	29,349	-	29,349
Exercise of financial liability	(29,877)	-	(29,877)
Mark to market loss (gain)	13,658	-	13,658
Balance at December 31, 2011	$ 13,130	$ -	$ 13,130

(a) Warrants

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. All warrants outstanding at December 31, 2011 will expire in 2014.

	Year Ended Dec 31, 2011	**Year Ended Dec 31, 2010**
Outstanding warrants valued using Black-Scholes	1,676,436	2,826,946
Weighted average fair value of warrants at period end	$7.83	$5.83
Risk-free interest rate	0.95%	1.92%
Expected dividend yield	0%	0%
Expected stock price volatility	62%	78%
Expected warrant life in years	2.2	3.1
Outstanding warrants valued using market quotes	-	3,430,267
Quoted market price at period end	-	$3.75

(b) Debentures

The convertible debentures underlying units were denominated in a currency other than the Company's functional currency and is therefore not considered to be indexed to the Company's own stock. Accordingly, the conversion feature was separated from the host contract and accounted for as a derivative instrument. The derivative conversion option was valued using a bi-nominal lattice model taking into account underlying unit factors such as conversion price, volatility, risk-free rates, the Company's credit adjusted rates and dividend yield. On conversion of the debentures the liability amount was allocated to share capital and warrant derivative liability.

15. EXPLORATION

	Year ended	
	December 31 2011	December 31 2010
Depreciation and depletion	**$ 88**	$ 107
Stock based compensation	**394**	436
Salaries, wages and benefits	**1,420**	1,001
Direct costs	**8,305**	3,282
	$ 10,207	$ 4,826

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

16. GENERAL AND ADMINISTRATIVE

	Year ended			
	December 31 2011		December 31 2010	
Depreciation and depletion	**$**	**91**	$	69
Stock based compensation		**3,998**		3,483
Salaries, wages and benefits		**3,084**		2,276
Direct costs		**3,877**		3,170
	$	**11,050**	$	8,998

17. FINANCE COSTS

	Year ended			
	December 31 2011		December 31 2010	
Accretion on convertible debenture	**$**	**-**	$	1,632
Loss on conversion of convertible debentures		**-**		5,519
Accretion on provision for reclamation and rehabilitation		**30**		43
Interest expense on promissory note		**4**		39
	$	**34**	$	7,233

18. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	Year Ended December 31 2011		Period Ended December 31 2010	
Net changes in non-cash working capital				
Accounts receivable	**$**	**901**	$	(1,799)
Inventories		**(14,041)**		(4,951)
Prepaid expenses		**(1,712)**		(1,033)
Due from related parties		**(18)**		25
Accounts payable and accrued liabilities		**(380)**		4,151
Income taxes payable		**222**		2,715
	$	**(15,028)**	$	(892)
Non-cash financing and investing activities:				
Reclamation included in mineral property, plant and equipment	**$**	**175**	$	359
Fair value of exercised options allocated to share capital		**3,066**		3,020
Fair value of shares issued under the share appreciation rights plan		**484**		532
Fair value of exercised agent warrants allocated to share capital		**214**		356
Fair value of shares issued under stock bonus plan		**39**		193
Fair value of equity issued on acquisition of other mineral properties		**-**		2,358
Exercise of convertible debentures		**-**		7,408
Other cash disbursements:				
Income taxes paid	**$**	**8,977**	$	498
Interest paid on convertible debenture		**-**		989
Interest paid on promissory note		**4**		39

(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 two operating mining segments, Guanacevi and Guanajuato, which are both 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.

	December 31, 2011				
	Corporate	Exploration	Guanacevi	Guanajuato	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

	Year Ended December 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 finished goods and work in process 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 finished goods and work in process 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 finished goods and work in process 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 $3,005 (2010 - $nil) of costs incurred in Chile for the year ended December 31, 2011.

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

	December 31, 2010				
	Corporate	Exploration	Guanacevi	Guanajuato	Total
Cash and cash equivalents	$ 56,964	$ -	$ 10,918	$ 155	$ 68,037
Short term investments	20,009	-	-	-	20,009
Available for sale investments	3,632	-	-	-	3,632
Accounts receivables and prepaids	1,352	188	5,284	3,475	10,299
Inventories	-	-	10,521	2,362	12,883
Due from related parties	218	-	-	-	218
Long term deposits	-	235	406	137	778
Mineral property, plant and equipment	54	702	56,674	13,811	71,241
Total assets	82,229	1,125	83,803	19,940	187,097

	Year Ended December 31, 2010				
Silver revenue	$ -	$ -	$ 47,949	$ 16,033	$ 63,982
Gold revenue	-	-	7,727	14,801	22,528
Total revenue	-	-	55,676	30,834	86,510
Salaries, wages and benefits:					
mining	-	-	3,889	2,949	6,838
processing	-	-	1,915	718	2,633
administrative	-	-	2,056	1,485	3,541
stock based compensation	-	-	411	283	694
change in finished goods and work in process inventory	-	-	132	(40)	92
Total salaries, wages and benefits	-	-	8,403	5,395	13,798
Direct costs:					
mining	-	-	9,516	3,061	12,577
processing	-	-	7,714	3,685	11,399
administrative	-	-	2,429	949	3,378
change in finished goods and work in process inventory	-	-	(3)	(152)	(155)
Total direct production costs	-	-	19,656	7,543	27,199
Depreciation and depletion:					
deprecation and depletion	-	-	6,781	8,550	15,331
change in finished goods and work in process inventory	-	-	130	(549)	(419)
Total depreciation and depletion	-	-	6,911	8,001	14,912
Royalties	-	-	1,212	-	1,212
Total cost of sales	-	-	36,182	20,939	57,121
Earnings (loss) before taxes	(36,426)	(4,826)	19,494	9,895	(11,863)
Current income tax expense	-	-	3,042	744	3,786
Deferred income tax expense	-	-	2,239	2,555	4,794
Total income tax expense	-	-	5,281	3,299	8,580
Earnings (loss) after taxes	$ (36,426)	$ (4,826)	$ 14,213	$ 6,596	$ (20,443)

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

20. INCOME TAXES

(a) Tax Assessments

Refinadora Plata Guanacevi SA de CV's, a subsidiary of Endeavour, received a MXN$63 million (US$4.4 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 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 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, plus an additional interest and penalties of $460, for which the Company has made a provision in the consolidated financial statements for the period ended December 31, 2011. The Company has provided the government a 3% bond and has commenced the appeal process.

Minera Santa Cruz y Garibaldi SA de CV's, a subsidiary of Endeavour, received a MXN$238 million (US$17.0 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 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. 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 an additional interest and penalties of $40, for which the Company has made a provision in the consolidated financial statements for the period ended December 31, 2011.The Company commenced the appeal process.

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.

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

(b) Deferred Income Tax Liability

Mexico operations	**December 31, 2011**	December 31, 2010	January 1 2010
Deferred income tax assets:			
Tax loss carryforwards	**$ 176**	$ 80	$ 1,365
Provision for reclamation and rehabilitation	**651**	527	489
Other	**146**	487	133
Deferred income tax liabilities:			
Inventories	**(8,355)**	(2,687)	(1,024)
Mineral properties, plant and equipment	**(11,990)**	(10,069)	(8,301)
Other	**(1,434)**	(961)	(207)
Deferred income tax liabilities, net	**$ (20,806)**	$ (12,623)	$ (7,545)

As at December 31, 2011, the Company had available for deduction against future taxable income in Mexico non-capital losses of approximately $586 (2010 – $286). These losses, if unutilized, expire in 2020.

As at December 31, 2011, 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:

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

Canada operations		December 31, 2011		December 31, 2010
Deferred income tax assets:				
Tax loss carryforwards	**$**	**3,640**	$	7,524
Mineral properties, plant and equipment		**585**		665
Financing Costs		**834**		1,548
Other		**476**		287
Unrecognized deferred income tax assets, net	**$**	**5,535**	$	10,024

As at December 31, 2011, the Company had available for deduction against future taxable income in Canada non-capital losses of approximately CAN $14,170 (2010 – CAN $30,728). These losses, if unutilized, have expiration years ranging from 2012 to 2029.

(c) Income Tax Expense

		December 31, 2011		December 31, 2010
Current income tax expense				
Current income tax expense in respect of current year	**$**	**8,718**	$	3,786
Adjustments recognized in the current year in relation to prior years		**60**		-
Deferred income tax expense				
Deferred tax expense recognized in the current year		**8,045**		4,794
Total income tax expense	**$**	**16,823**	$	8,580

		December 31, 2011		December 31, 2010
Canadian statutory tax rates		**26.50%**		28.50%
Income tax charge/(benefit) computed at Canadian statutory rates	**$**	**9,428**	$	(3,380)
Foreign tax rates different from statutory rate		**2,319**		393
Mark-to-market loss on derivative liabilities		**3,642**		6,302
Finance Costs		**-**		2,061
Stock-based compensation		**1,289**		1,334
Foreign exchange		**2,116**		57
Inflationary adjustment		**300**		472
Other		**215**		(802)
Adjustments recognized in the current year in relation to prior years		**1,432**		(160)
Current year losses not recognized		**946**		2,303
Recognition of previously unrecognized losses		**(5,023)**		-
Withholding taxes		**159**		-
Tax provision	**$**	**16,823**	$	8,580

21. FINANCIAL INSTRUMENTS

(a) Financial Assets and Liabilities

As at December 31, 2011, 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		75,434	-	-	75,434	75,434
Investments	16,473	-	17,626	-	34,099	34,099
Accounts receivable	-	7,392	-	-	7,392	7,392
Total financial assets	16,473	82,826	17,626	-	116,925	116,925
Financial liabilities:						
Accounts payable and accrued liabilities	-	-	-	12,566	12,566	12,566
Derivative liabilities	-	-	-	13,130	13,130	13,130
Total financial liabilities	-	-	-	25,696	25,696	25,696

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, 2011 are:

	Total $	Level 1 $	Level 2 $	Level 3 $
Financial assets:				
Investments	34,099	34,099	-	-
Total financial assets	34,099	34,099	-	-
Financial liabilities:				
Derivative liabilities	13,130	-	13,130	-
Total financial liabilities	13,130	-	13,130	-

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

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.

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 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. 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.

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

	Carrying amount	**Gross impairment**	Carrying amount	Gross impairment	Carrying amount	Gross impairment
	December 31, 2011		December 31, 2010		January 31, 2010	
Less than 1 month	**$ 2,498**	**$ -**	$ 2,276	$ -	$ 2,641	$ -
1 to 3 months	**3,485**	**4**	3,177	-	2,262	-
4 to 6 months	**21**	**8**	2,720	-	1,318	-
Over 6 months	**2,164**	**764**	1,043	760	1,261	800
Total accounts receivable	**$ 8,168**	**$ 776**	$ 9,216	$ 760	$ 7,482	$ 800

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

At December 31, 2011, 99% of the receivables that were outstanding over one month are comprised of IVA and income tax receivables in Mexico.

At December 31, 2011 an impairment loss of $595 relates to IVA receivable amounts from prior years and $181 relates to an allowance on related party receivables. At December 31, 2010 an impairment of $760 relates to IVA receivable amounts from prior years.

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 and receivables. The Company believes that these sources, operating cash flow and its policies will be sufficient to cover the likely short term cash requirements and commitments.

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, 2011 are:

	Less than 1 year $	1 to 3 years $	4 to 5 years $	Over 5 years $	Total $
Accounts payable and accrued liabilities	9,084	-	-	-	9,084
Income taxes payable	3,482	-	-	-	3,482
Provision for reclamation and rehabilitation	-	884	1,845	-	2,729
Capital expenditure commitments	850	-	-	-	850
Minimum rental and lease payments	268	550	565	165	1,548
Total financial assets	13,684	1,434	2,410	165	17,693

Market Risk

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

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

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

	December 31, 2011		December 31, 2010	
	Canadian Dollar	**Mexican Peso**	Canadian Dollar	Mexican Peso
Financial Assets	**$ 65,339**	**$ 12,228**	$ 59,317	$ 18,346
Financial Liabilities	**(14,086)**	**(7,586)**	(30,652)	(6,640)
Net Financial Assets	**$ 51,253**	**$ 4,642**	$ 28,665	$ 11,706

Of the financial assets listed above, $46,539 (2010 – $43,743) represents cash and cash equivalents held in Canadian dollars, and $3,839 (2010 - $9,949) represents cash held in Mexican Pesos. The remaining cash balance is held in U.S. dollars. The money market investments and ABCP notes are denominated in Canadian dollars.

As at December 31, 2011, with other variables unchanged, a 5% strengthening of the US dollar against the Canadian dollar would decrease net earnings by $2,441 due to these financial assets and liabilities.

As at December 31, 2011, with other variables unchanged, a 5% strengthening of the US dollar against the Mexican peso would decrease net earnings by $221 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.

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, 2011, with other variables unchanged, a 10% strengthening of the market price of the Company's common shares would decrease net earnings by $1,609.

22. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

As stated in Note 2, these are the Company's first consolidated financial statements prepared in accordance with IFRS. An explanation of how the transition from previous Canadian GAAP to IFRS has affected the Company's financial position and comprehensive loss is set out in this note.

The accounting policies set out in Note 3 have been applied in preparing the financial statements for the period ended December 31, 2011, the comparative information presented in these financial statements for the period ended December 31, 2010 and in the preparation of an opening IFRS Statement of Financial Position at January 1, 2010 (the Company's date of transition).

FIRST TIME ADOPTION OF IFRS

The Company has adopted IFRS on January 1, 2011 with a transition date of January 1, 2010. Under IFRS 1 *First time adoption of International Financial Reporting Standards* (IFRS 1), the IFRS standards are applied retrospectively at the transition date with all adjustments to assets and liabilities as stated under GAAP taken to deficit, with IFRS 1 providing for certain optional and mandatory exemptions to this principle.

The Company has elected to apply the following optional exemptions

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

Business Combinations
IFRS 1 allows that a first-time adopter may elect not to apply IFRS 3 *Business Combinations* (IFRS 3) retrospectively to business combinations prior to the date of transition avoiding the requirement to restate prior business combinations. The Company has elected to apply IFRS 3 to business combinations that occur on or after January 1, 2010.

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

Cumulative translation differences
IFRS 1 allows that a first-time adopter may elect to deem all cumulative translation differences to be zero at the date of transition. The Company has elected this exemption and as such the cumulative translation amount of $212 previously included in other comprehensive income has been reallocated to deficit.

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

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

Reconciliation to previously reported financial statements

A reconciliation of the above noted changes is included in these following Consolidated Statements of Financial Position and Consolidated Statements of Comprehensive Income for the dates noted below. The effects of transition from GAAP to IFRS on the cash flow are not material; therefore a reconciliation of cash flows has not been presented.

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

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

The January 1, 2010 Canadian GAAP consolidated statement of financial position has been reconciled to IFRS as follows:

	Ref	January 1, 2010 CAN GAAP	Effect of Transition to IFRS	**January 1, 2010 IFRS**
ASSETS				
Current assets				
Cash and cash equivalents		$ 26,702	$ -	**$ 26,702**
Investments		4,521		**4,521**
Accounts receivable		6,682		**6,682**
Inventories	e)	6,100	(68)	**6,032**
Prepaid expenses		1,028		**1,028**
Total current assets		45,033	(68)	**44,965**
Long term deposits		1,153		**1,153**
Redemption call option on covertible debentures	f)	2,693	(2,693)	**-**
Mineral property, plant and equipment	b) e)	57,002	(1,577)	**55,425**
Total assets		$ 105,881	$ (4,338)	**$ 101,543**
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Accounts payable and accrued liabilities		$ 5,230	$ -	**$ 5,230**
Current portion of promissory note		231		**231**
Accrued interest on convertible debentures		254		**254**
Income taxes payable		545		**545**
Total current liabilities		6,260	-	**6,260**
Promissory note		248		**248**
Provision for reclamation and rehabilitation	b)	1,740	278	**2,018**
Deferred income tax liability	e)	8,103	(558)	**7,545**
Liability portion of convertible debentures	f)	8,149	(4,483)	**3,666**
Convertible debenture derivative liability	f)	-	21,926	**21,926**
Warrant Derivative Liability	d)	-	7,823	**7,823**
Total liabilities		24,500	24,986	**49,486**
Shareholders' equity				
Common shares, unlimited shares authorized, no par value, issued and outstanding 60,626,203	d) f)	112,173	(2,760)	**109,413**
Equity portion of convertible debentures	f)	2,164	(2,164)	**-**
Contributed surplus	a)	12,948	(5,629)	**7,319**
Accumulated comprehensive income	c)	749	(212)	**537**
Deficit		(46,653)	(18,559)	**(65,212)**
Total shareholders' equity		81,381	(29,324)	**52,057**
		$ 105,881	$ (4,338)	**$ 101,543**

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

The December 31, 2010 Canadian GAAP consolidated statement of financial position has been reconciled to IFRS as follows:

	Ref	December 31, 2010	Effect of Transition to IFRS	**December 31, 2010**
		CAN GAAP		**IFRS**
ASSETS				
Current assets				
Cash and cash equivalents		$ 68,037		**$ 68,037**
Investments		20,090		**20,090**
Notes receivable		3,551		**3,551**
Accounts receivable		8,456		**8,456**
Inventories	e)	12,971	(88)	**12,883**
Prepaid expenses		2,061		**2,061**
Total current assets		115,166	(88)	**115,078**
Long term deposits		778		**778**
Mineral property, plant and equipment	b) e)	72,479	(1,238)	**71,241**
Total assets		$ 188,423	$ (1,326)	**$ 187,097**
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Accounts payable and accrued liabilities		$ 9,464		**$ 9,464**
Current portion of promissory note		231		**231**
Income taxes payable		3,260		**3,260**
Total current liabilities		12,955		**12,955**
Promissory note		56		**56**
Provision for reclamation and rehabilitation	b)	2,242	282	**2,524**
Deferred income tax liability	e)	14,157	(1,534)	**12,623**
Warrant Derivative Liability	d)	-	29,348	**29,348**
Total liabilities		29,410	28,096	**57,506**
Shareholders' equity				
Common shares, unlimited shares authorized, no par value, issued and outstanding 80,720,420	d) f)	183,296	22,566	**205,862**
Contributed surplus	a) d)	13,635	(5,842)	**7,793**
Accumulated comprehensive income	c)	1,656	(212)	**1,444**
Opening deficit		(46,653)	(18,412)	**(65,065)**
Deficit		7,079	(27,522)	**(20,443)**
Total shareholders' equity		159,013	(29,422)	**129,591**
		$ 188,423	$ (1,326)	**$ 187,097**

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

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

	Ref	December 31, 2010 CAN GAAP	Effect of Transition to IFRS	December 31, 2010 IFRS
Revenue		$ 86,510		**$ 86,510**
Cost of sales:				
Direct costs	g)	41,514	(1,212)	**40,302**
Royalties	g)	-	1,212	**1,212**
Stock-based compensation	g)	-	694	**694**
Amortization and depletion	b) e) g)	15,447	(534)	**14,913**
		56,961	160	**57,121**
Mine operating earnings		29,549	(160)	**29,389**
Expenses:				
Exploration	g)	4,283	543	**4,826**
General and administrative	g)	5,485	3,513	**8,998**
		9,768	4,056	**13,824**
Income from operations		19,781	(4,216)	**15,565**
Mark-to-market gain (loss) on derivative liabilities	d) f)	-	(22,113)	**(22,113)**
Finance costs	f) g)	-	(7,233)	**(7,233)**
Other income (expense):				
Mark-to-market gain on redemption call option	f)	703	(703)	**-**
Accretion of convertible debentures	g)	(1,088)	1,088	**-**
Stock-based compensation	a) g)	(4,679)	4,679	**-**
Foreign Exchange	e) f)	1,156	89	**1,245**
Gain (loss) on marketable securities		195		**195**
Investment and other income		478		**478**
		(3,235)	5,153	**1,918**
Income before income taxes		16,546	(28,409)	**(11,863)**
Income tax expense:				
Current income tax expense		3,786		**3,786**
Deferred income tax expense	e)	5,681	(887)	**4,794**
		9,467	(887)	**8,580**
Net income (loss) for the period		7,079	(27,522)	**(20,443)**
Other comprehensive income, net of tax				
Unrealized gain (loss) on marketable securities		22		**22**
Unrealized gain on notes receivable		953		**953**
Unrealized foreign exchange gain (loss) on available for sale securities		127		**127**
Reclassification adjustment for loss (gain) included in net income		(195)		**(195)**
		907	-	**907**
Comprehensive income (loss) for the period		7,986		(19,536)
Basic earnings per share based on net earnings		$ 0.11		$ (0.31)
Diluted earnings per share based on net earnings		$ 0.10		$ (0.31)
Basic weighted average number of shares outstanding		65,646,786		**65,646,786**
Diluted weighted average number of shares outstanding		69,122,226		**65,646,786**

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

Adjustments on transition to IFRS:
The following is a summary of the significant accounting differences considered as part of the IFRS transition project and, where appropriate, the quantification of the adjustments required as of the transition date and for the comparative period.

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

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

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

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

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

Adjustments on transition to IFRS:

(a) Share-based payment transactions

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

Impact on Consolidated Statements of Financial Position

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

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

Impact on Consolidated Statements of Financial Position

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

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

Impact on Consolidated Statements of Operations and Comprehensive Income

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

(b) Provision for reclamation and rehabilitation

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

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

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

Impact on Consolidated Statements of Financial Positon

		December 31 2010		January 1 2010
Property, plant and equipment	$	275	$	278
Provision for reclamation and rehabilitation		282		278
Adjustment to deficit	$	(7)	$	-

Impact on Consolidated Statements of Comprehensive Income

		Year ended December 31 2010
Depreciation and depletion	$	7
Adjustment to comprehensive loss	$	7

(c) Cumulative translation differences

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

Impact on Consolidated Statements of Financial Position

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

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

(d) Warrant Derivative Liability

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

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

Impact on Consolidated Statements of Financial Position

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

Impact on Consolidated Statements of Comprehensive Income

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

(e) Income Tax

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

Initial recognition exemption

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

Calculation of temporary difference on non-monetary items

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

Inflationary adjustments on tax assets

Under Canadian GAAP, when the tax basis of assets is adjusted for inflation the inflationary impact is not recognized whereas under IFRS, the revaluation of the tax base for inflation is recognized in profit or loss.

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

Impact on Consolidated Statements of Financial Position

	December 31 2010	January 1 2010
Inventory	$ (88)	$ (68)
Property, plant and equipment	(1,513)	(1,855)
Deferred income tax liability	(1,534)	(558)
Adjustment to deficit	$ (67)	$ (1,365)

Impact on Consolidated Statements of Operations and Comprehensive

	Year ended December 31 2010
Depreciation and depletion	$ (322)
Foreign exchange gain (loss)	89
Deferred income tax expense	(887)
Adjustment to comprehensive loss	$ (1,298)

(f) Convertible Debentures

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

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

Impact on Consolidated Statements of Financial Position

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

Impact on Consolidated Statements of Comprehensive Income

	Year ended December 31 2010
Mark to market gain (loss) on derivative liability	$ 1,538
Mark to market gain on redemption call option	(703)
Foreign exchange gain (loss)	-
Finance Costs	6,063
Adjustment to comprehensive loss	$ (5,228)

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

(g) Presentation Adjustments

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

Impact on Consolidated Statements of Comprehensive Incom

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

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

Impact on Consolidated Statements of Comprehensive Income

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

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

Impact on Consolidated Statements of Comprehensive Income

		Year ended December 31 2010
Depreciation and depletion	$	(176)
General and administrative		69
Exploration		107
Adjustment to comprehensive loss	$	-

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

ENDEAVOUR SILVER CORP.

Management's Discussion and Analysis

For the Year Ended December 31, 2011

(Expressed in US dollars unless otherwise noted) **Date of Preparation: March 14, 2012**

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, 2011 and the related notes contained therein. In addition, the following should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2010 and the related MD&A. Additional information relating to the Company including 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"). It should be noted that the Company's audited consolidated financial statements for the year ended December 31, 2010 was prepared in accordance with Canadian generally accepted accounting principles ("CAN GAAP"), the reconciliation of which can be found beginning on page 38 of this MD&A.

All financial information in this MD&A related to 2011 and 2010 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 2012, including silver and gold production, timing and expenditures to develop new silver mines and mineralized zones, silver and gold grades and recoveries, cash costs per ounce, capital expenditures and sustaining capital. The Company does not intend to, and does not assume any obligation to update such forward-looking statements or information, other than as required by applicable law. Forward-looking statements or information involve known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company and its operations to be materially different from those expressed or implied by such statements. Such factors include, among others: fluctuations in the prices of silver and gold, fluctuations in the currency markets (particularly the Mexican peso, Canadian dollar and U.S. dollar); changes in national and local governments, legislation, taxation, controls, regulations and political or economic developments in Canada and Mexico; operating or technical difficulties in mineral exploration, development and mining activities; risks and hazards of mineral exploration, development and mining (including, but not limited to environmental hazards, industrial accidents, unusual or unexpected geological conditions, pressures, cave-ins and flooding); inadequate insurance, or inability to obtain insurance; availability of and costs associated with mining inputs and labour; the speculative nature of mineral exploration and development, diminishing quantities or grades of mineral reserves as properties are mined; the ability to successfully integrate acquisitions; risks in obtaining necessary licenses and permits, and challenges to the Company's title to properties; as well as those factors described in the section "risk factors" contained in the Company's Annual Information Form filed with the Canadian securities regulatory authorities as filed with the SEC in our Annual Report on Form 40-F. Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements or information, there may be other factors that cause results to be materially different from those anticipated, described, estimated, assessed or intended. There can be no assurance that any forward-looking statements or information will prove to be accurate as actual results and future events could differ materially from those anticipated in such statements or information. Accordingly, readers should not place undue reliance on forward-looking statements or information.

Cautionary Note to U.S. Investor's concerning Estimates of Reserves and Measured, Indicated and Inferred Resources: This MD&A has been prepared in accordance with the requirements of the securities laws in effect in Canada, which differ from the requirements of United States securities laws. The terms "mineral reserve", "proven mineral reserve" and "probable mineral reserve" are Canadian mining terms as defined in accordance with Canadian National Instrument 43-101 – Standards of Disclosure for Mineral Projects ("NI 43-101") and the Canadian Institute of Mining, Metallurgy and Petroleum (the "CIM") - *CIM Definition Standards on Mineral Resources and Mineral Reserves*, adopted by the CIM Council, as amended. These definitions differ from the definitions in SEC Industry Guide 7 under the United States Securities Act of 1993, as amended (the "Securities Act").

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

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

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

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HISTORY AND STRATEGY

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

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

The Company historically funded its exploration and development activities through equity financings and convertible debentures. Equity financings also facilitated the acquisition and development of the Guanacevi and Guanajuato Mines projects. However, since 2004, the Company has been able to finance more and more of its acquisition, exploration, development and operating activities from production cash flows. The Company may continue to engage in equity, debt, convertible debt or other financings, on an as needed basis, in order to facilitate its growth.

OPERATING PERFORMANCE

2011 Financial Highlights (compared to 2010)

- Net earnings increased to $18.8 million ($0.22 per share) compared to a $20.4 million loss (loss of $0.31 per share)
- Adjusted earnings escalated to $32.4 million ($0.37 per share) compared to $1.7 million ($0.02 per share)
- Operating cash-flow before working capital changes jumped 103% to $63.9 million
- Mine operating cash-flow rose 92% to $86.4 million
- Revenues climbed 48% to $128.0 million
- Metal held in inventory at year-end included 980,000 oz silver and 5,400 oz gold compared to 127,000 oz silver and 957 oz gold
- Realized silver price up 81% to $35.61 per ounce sold, realized gold price up 27% to $1,570 per ounce sold

- Cash costs decreased 16% to $5.08 per oz silver payable (net of gold credits)
- Working capital rose 39% to $142.3 million, cash and short term investments increased to $109.5 million from $91.7 million.

2011 Production Highlights (compared to 2010)

- Silver production up 14% to 3,730,127 oz
- Gold production up 23% to 21,810 oz
- Silver-equivalent production up 15% to 4.7 million oz (45:1 silver:gold ratio and no base metals)
- Optimized Guanacevi mine and plant output at a 1000 tpd
- Expanded Guanajuato mine and plant output from 600 tpd to 1000 tpd
- Expanded Guanajuato plant capacity on time and budget to 1600 tpd to facilitate the 60% mine expansion in 2011 and a further 60% mine expansion in 2012
- Silver proven and probable reserves increased 25% to16.8 million oz

2011 Exploration Highlights

- Silver proven and probable reserves increased by 25% to 16.8 million ounces
- Silver measured and indicated resources up 32% to 36.1 million oz
- Silver inferred resource up 17% to 35.1 million oz
- Extended high grade silver-gold mineralization in each of the Lucero, Karina, Fernanda and Daniela veins at Guanajuato to 500-800 meters long by 100-200 meters vertical and made new discoveries in the La Joya and Belen veins
- Extended high grade silver-gold mineralization in the Santa Cruz vein on the Milache property at Guanacevi to 250 meters long by 150-200 meters vertical
- Discovered moderate grade silver-gold mineralization in each of the Los Negros, Animas, Tajo, Real and Quiteria veins at the San Sebastian property in Jalisco

Q4, 2011 Financial Highlights (compared to Q4, 2010)

- Adjusted loss fell to $1.5 million (loss of $0.03 per share) compared to $6.8 million adjusted earnings ($0.09 per share)
- Operating cash-flow before working capital changes dropped 47% to $5.6 million
- Mine operating cash-flow dropped 36% to $11.0 million
- Metal held in inventory at year-end included 980,000 oz silver and 5,400 oz gold compared to 271,000 oz silver and 957 oz gold
- Revenues dropped 39% to $17.5 million due to the retention of finished goods inventory in 2011
- Realized silver price up 12% to $27.12 per ounce sold, realized gold price up 22% to $1,664 per ounce sold
- Cash costs decreased 20% to $4.05 per oz silver payable (net of gold credits)

Q4, 2011 Production Highlights (compared to Q4, 2010)

- Silver production up 25% to 1,120,780 oz
- Gold production up 45% to 7,045 oz
- Silver and equivalents production up 29% to 1.4 million oz (at a 45:1 silver:gold ratio)

Consolidated Production Results

2011 compared to 2010

Silver production for 2011 was 3,730,127 oz, an increase of 14% compared to 3,285,634 oz for 2010 and gold production was 21,810 oz, an increase of 23% compared to 17,713 oz. Plant throughput was 601,873 tonnes at average grades of 260 gpt of silver and 1.41 gpt of gold as compared to 507,010 tonnes at average grades of 267 gpt of silver and 1.37 gpt of gold. The increased silver and gold production is attributable to a 19% increase in throughput, while silver grades dropped 3% and gold grade increased 3%. The increased tonnage was a result of the completion of the Guanacevi plant expansion completed in Q3, 2010 and the Guanajuato plant expansion completed in Q3, 2011.

Guanacevi Mines Production Results

2011 compared to 2010

Silver production for 2011 was 2,682,035 oz, an increase of 10% compared to 2,448,946 oz in 2010 and gold production was 6,866 oz, an increase of 14% compared to 6,036 oz. Plant throughput was 363,076 tonnes at average grades of 311 gpt silver and 0.69 gpt gold, as compared to 312,087 tonnes at average grades of 324 gpt silver and 0.74 gpt gold in 2010. The Guanacevi operation benefitted from the 2010 expansion achieving an average plant throughput of 995 tonnes per day during 2011, compared to 855 tonnes per day in 2010, meeting management's 2011 planned throughput. Guanacevi mine development was 6.7 kilometers exceeding planned development by 13%. This development will allow the operations to organically grow throughput an additional 20% in 2012 with minor adjustments to the plant facilities. The increased silver and gold production is attributable to the increased in throughput, offset by the mining of lower grade ores. The improved recoveries are related to the processing of fewer tonnes of the metallurgically complex Porvenir Dos ores.

Guanajuato Mines Production Results

YTD, 2011 compared to YTD, 2010

Silver production for 2011 was 1,048,093 oz, an increase of 25% compared to 836,688 oz in 2010 and gold production was 14,943 oz, an increase of 28% compared to 11,675 oz. Plant throughput was 238,797 tonnes at average grades of 183 gpt silver and 2.51 gpt gold as compared to 194,923 tonnes at average grades of 177 gpt silver and 2.39 gpt gold. The Company completed a plant expansion in Q3, 2011 increasing throughput capacity 66% allowing the Company to increase its Q4 throughput 60% compared to the same period in 2010. The increased throughput is attributed to the increased silver and gold production, while higher ore grades also contribute. The higher silver and gold grades are the result of mining higher grade ores in the Lucero south district.

The Company forecasted production of 3.7 million silver ounces and 19,000 gold ounces which was predicated on the 2011 expansion program at Guanajuato. The discovery of the Lucero south zone in 2010 enabled management to commission a plant expansion at Guanajuato to increase plant capacity 66% and expand the underground workings for a planned $18 million. The plant expansion was re-designed to increase capacity 166% for a marginally higher cost than originally budgeted, resulting in a 1,600 tonnes per day plant capacity at Guanajuato. The Company completed the plant expansion at the end of the third quarter on time and revised budget. Guanajuato mine development was 6.8 kilometers underground enabling the mine to provide expanded feed to the plant, as well as stockpiling ore tonnes for future processing. Continued exploration success in the Lucero South area with the discoveries of the Karina, Fernanda and Daniela veins will allow Endeavour to continue its organic growth and fill the plant to capacity in 2012.

(Expressed in US dollars unless otherwise noted) Date of Preparation: March 14, 2012

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 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
Production 2009									
Q1, 2009	85,731	271	1.02	572,785	2,335	78.8	86.7	7.94	74.69
Q2, 2009	90,338	259	1.16	584,486	2,768	77.2	85.0	7.53	79.46
Q3, 2009	93,276	271	1.42	661,903	3,604	79.6	84.6	5.64	78.91
Q4, 2009	115,482	270	1.62	779,344	4,591	77.8	76.2	4.92	79.07
Total	384,827	268	1.33	2,598,518	13,298	78.3	82.6	6.36	78.14
Q4, 2011 : Q4, 2010	28%	-6%	5%	25%	45%	3%	7%	-20%	4%
Q4, 2011 : Q3, 2011	33%	-4%	-1%	31%	43%	2%	9%	-19%	-8%
YTD 2011:YTD 2010	19%	-3%	3%	14%	23%	-2%	0%	-16%	7%

(Expressed in US dollars unless otherwise noted) Date of Preparation: March 14, 2012

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 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
Production 2009 Year:									
Q1, 2009	51,073	326	0.56	409,476	795	79.3	88.1	8.35	81.41
Q2, 2009	53,936	311	0.64	415,775	952	77.1	86.2	10.02	96.86
Q3, 2009	54,791	317	0.69	457,609	1,109	79.3	89.8	8.97	90.82
Q4, 2009	70,832	332	1.17	587,477	2,021	77.7	75.9	6.95	89.68
Total	230,632	322	0.80	1,870,337	4,877	78.3	84.3	8.44	89.80
Q4, 2011 : Q4, 2010	8%	4%	-14%	13%	-4%	1%	4%	10%	18%
Q4, 2011 : Q3, 2011	13%	5%	-33%	16%	-20%	-2%	6%	2%	-7%
YTD 2011: YTD 2010	16%	-4%	-6%	10%	14%	-2%	4%	9%	9%

(Expressed in US dollars unless otherwise noted) Date of Preparation: March 14, 2012

Comparative Table of Guanajuato Mine Operations

Period	Plant	Ore Grades		Recovered Ounces		Recoveries		Cash Cost	Direct Cost
	Tonnes	Ag(gpt)	Au(gpt)	Ag(oz)	Au(oz)	Ag(%)	Au(%)	$ per oz	$ per tonne
Production 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
Production 2009 Year:									
Q1, 2009	34,658	189	1.70	163,309	1,540	77.4	83.3	6.90	64.75
Q2, 2009	36,402	183	1.93	168,711	1,816	77.5	84.3	1.38	53.68
Q3, 2009	38,485	206	2.45	204,294	2,495	80.2	82.3	(1.82)	61.95
Q4, 2009	44,650	171	2.34	191,867	2,570	78.2	76.5	(1.31)	62.24
Total	154,195	187	2.13	728,181	8,421	78.3	81.3	1.01	60.71
Q4, 2011 : Q4, 2010	65%	-11%	-7%	60%	69%	9%	9%	29%	-11%
Q4, 2011 : Q3, 2011	68%	-9%	-3%	74%	84%	14%	13%	-14%	3%
YTD 2011 : YTD 2010	23%	3%	5%	25%	28%	-1%	-1%	216%	2%

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 costs, changes in the fair market value gold inventories and gold credits. In prior periods, the Company used cash operating costs as a unit of measure which excluded royalty costs from the cash cost calculation.

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 Finished Goods 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**

Guanajuato Mines Project (in US $000s except ozs produced/payable, cash cost/oz and direct cost/tonne)	For the year ended	For the three months ended			
	31-Dec-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)**

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**

Guanajuato Mines Project (in US $000s except ozs produced/payable, cash cost/oz and direct cost/tonne)

	For the year ended	For the three months ended			
	31-Dec-10	**31-Dec-10**	**30-Sep-10**	**30-Jun-10**	**31-Mar-10**
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**

Exploration Results

In 2011, Endeavour's exploration programs once again delivered some exciting new high grade, silver-gold vein discoveries, which were included in the 2011 year-end NI 43-101 reserve/resource estimate. Endeavour completed a $15 million exploration program last year and drilled 71,440 meters (234,000 feet) in 315 drill holes to test multiple exploration targets in four separate mining districts.

Endeavour currently holds 100% interests in 2,538 hectares (6,273 acres) within the historic silver district of Guanajuato which produced over 1.2 billion ounces (oz) according to the Servicios Geologico de Mexico (SGM). Since acquiring Guanajuato in 2007, Endeavour has discovered multiple, high-grade, silver-gold ore-bodies in the La Luz sub-district southeast of the Lucero/Bolanitos mine and along the Veta Madre ore-bearing structure northwest of the Cebada mine.

In 2011, Endeavour drilled 32,000 meters in 115 holes at Guanajuato, mainly in the Bolanitos mine area, to successfully extend the high grade silver-gold mineralized zones within each of the Lucero, Karina, Fernanda and Daniela veins to several hundred meters long by 200 meters deep. All four veins are higher grade than the current reserves and resources at Guanajuato and the Daniela vein in particular appears to be thicker, has higher gold grades and is still open along strike to the northwest.

Recent drilling highlights at Daniela include 187 grams per tonne (gpt) silver and 6.89 gpt gold over 3.25 meters (m) true width (15.5 ounces per ton (opT) silver equivalent over 10.7 feet (ft) based on a silver: gold ratio of 50:1) in hole DN-36.

High grade silver-gold mineralized zones were also discovered in two new veins, La Joya and Belen, which are sub-parallel to and east of the Daniela vein. Two drill rigs are working full time to extend these mineralized zones and several compelling new vein targets will be drilled elsewhere on the Guanajuato properties this year.

Endeavour currently holds 100% interests in 4,076 hectares (10,071 acres) within the historic silver district of Guanacevi which produced over 450 million oz of silver according to the SGM. Since acquiring Guanacevi in 2004, Endeavour has found multiple high-grade silver ore-bodies along a five kilometer (3 mile) length of the prolific Santa Cruz silver vein.

In 2011, Endeavour drilled 16,000 meters in 56 holes at Guanacevi, mainly in the San Pedro area, and made a new discovery in the Milache area along the Santa Cruz vein to the northwest of the Company's Porvenir Cuatro mine. The nature and grade of mineralization at Milache is very similar to the other five discoveries along the Santa Cruz vein that Endeavour has developed into mines at Guanacevi since 2004. Underground drilling also continued to expand the mineralization at depth in the Porvenir Norte mine, Endeavour's largest operating mine in the Guanacevi district.

Recent drilling highlights at Milache include 775 gpt silver and 2.75 gpt gold over 6.75 m true width (26.6 opT silver equivalent over 22.1 ft based on a silver: gold ratio of 50:1) in hole MCH1.5-1.

Exploration drilling in the San Pedro area at the north end of the Guanacevi district continued to return encouraging drill results from a number of recently discovered mineralized zones on historic mine properties such as Santa Isabel and El Soto.

The Company also expanded its property holdings in the district of Guanacevi by acquiring the La Brisa properties (2,836 hectares), located approximately 10 kilometers southeast of the mine, and the El Compas properties (37 hectares) located in the San Pedro area. Phase 1 drilling on the La Brisa concessions is expected to commence in the first quarter of 2012.

Endeavour currently holds an option to acquire a 100% interest in 5,466 hectares (13,507 acres) within the historic silver district of San Sebastian which was discovered in 1542 and produced silver on a small scale from multiple historic mines on more than 20 different veins until the Mexican Revolution of 1910. Since optioning San Sebastian in 2010, Endeavour has focused on mapping and sampling six veins in a five kilometer (3 mile) area in the southern half of the property.

In 2011, Endeavour drilled 7,700 meters in 36 holes at San Sebastian to test the Los Negros, Animas, Tajo, Real and Quiteria veins for their ore potential. Five new, moderate grade silver-gold mineralized zones were outlined, many remain open for continued exploration, and there are several veins yet to be drilled.

Recent drilling highlights at San Sebastian include 580 gpt silver and 0.03 gpt gold over 2.20 m true width (16.9 opT silver equivalent over 7.2 ft based on a silver: gold ratio of 50:1) in hole TA04-1.

Endeavour currently holds 100% interests in 32.7 hectares (80.8 acres) within the historic silver district of Parral which produced over 250 million ounces (oz) of silver according to the SGM. Since acquiring Parral in 2006, Endeavour has found by drilling a large, poly-metallic mineralized zone along the Cometa vein along strike from the historic Esmeralda mine.

In 2011, a revised resource was estimated that included an indicated 1.631 million tonnes grading 49 gpt silver, 0.9 gpt gold, 2.87% lead and 2.86% zinc, and an inferred 1.303 million tonnes grading 63 gpt silver, 0.9 gpt gold, 2.55% lead and 2.28% zinc.

In 2011, the Company announced that it has acquired options to purchase the La Presidenta and Lomas Bayas properties in the Copiapo region of northern Chile. The Company drilled 15,000 meters in 103 reverse circulation holes at these properties to test their bulk tonnage, low grade, open pit ore potential. The results were disappointing and the Company has dropped the property options and will now focus on generating new silver opportunities in Chile.

RESERVES AND RESOURCES

The updated NI 43-101 reserve and resource estimates to December 31, 2011 include the Company's three active silver mining and exploration projects in Mexico, the Guanacevi Mines project in Durango State, the Guanajuato Mines project in Guanajuato State, the Parral Exploration project in Chihuahua State, the Arroyo Seco Exploration project in the Michoacan State and the San Sebastian project in Jalisco State.

The Company retained Micon International Ltd ("Micon"), to update the reserves and resources and audit the newly generated resources to December 31, 2011 for the Guanacevi project. The Qualified Person for reporting the reserves is William J. Lewis, B.Sc. P. Geo., an employee with Micon. The Qualified Persons for reporting the Guanacevi resources, are William J. Lewis, B.Sc., P.Geo, Charley Z. Murahwi, M.Sc., P.Geo, FAusIMM and Alan J. San Martin MAusIMM(CP). The latter two are also Micon employees.

The Company retained Micon, to update the reserves and resources and audit the newly generated resources to December 31, 2011 for the Guanajuato project. The Qualified Person for reporting the Guanajuato reserves is William J. Lewsis, B.Sc., P.Geo., an employee with Micon. The Qualified Persons for reporting the Guanajuato resources are William J. Lewis, B.Sc., P.Geo, Charley Z. Murahwi, M.Sc., P.Geo, 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 Qualified Persons for reporting the Arroyo Seco resources are David St Clair Dunn, P.Geo, who is a geological consultant and Barry Devlin, P.Geo who is the Company's Vice President of Exploration.

(Expressed in US dollars unless otherwise noted) Date of Preparation: March 14, 2012

The reserve and resource statements for the Guanacevi, Guanajuato, Parral and Arroyo Seco Projects were classified using the definitions and guidelines of the Canadian Institute of Mining, Metallurgy and Petroleum CIM standards on Mineral Resources and Reserves (CIM Standards) and the guidelines of NI 43-101. The information should be read in conjunction with corresponding technical reports. 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 and Guanajuato technical reports will be filed before April 30, 2012. The mineral reserve figures reported here are in addition to the reported mineral resources.

Reserves and Resources (as of December 31, 2011)

Reserves Proven & Probable					
Description	**Tonnes**	**Ag g/t**	**Au g/t**	**Ag oz**	**Au oz**
Proven					
Guanacevi	773,000	304	0.65	7,555,500	16,200
Guanajuato	337,000	189	2.41	2,045,400	26,100
Total Proven	1,110,000	268	1.18	9,575,200	42,200
Probable					
Guanacevi	799,000	231	0.39	5,935,400	10,100
Guanajuato	179,000	225	2.63	1,297,200	15,200
Total Probable	978,000	285	0.38	7,232,600	25,300
Total Proven & Probable	**2,088,000**	250	1.01	**16,807,800**	**67,500**

Resources Measured & Indicated					
Description	**Tonnes**	**Ag g/t**	**Au g/t**	**Ag oz**	**Au oz**
Measured					
Guanajuato	258,000	177	2.51	1,470,900	20,800
Total Measured	258,000	177	2.51	1,470,900	20,800
Indicated					
Guanacevi	2,849,000	217	0.42	19,922,300	38,800
Guanajuato	2,539,000	161	2.20	10,128,300	155,400
San Sebastian	307,000	199	0.55	1,968,000	5,400
Total Indicated	5,695,000	175	1.09	32,018,600	199,600
Total Measured & Indicated	**5,953,000**	**175**	**1.15**	**33,489,500**	**220,400**

Resources Inferred					
Description	**Tonnes**	**Ag g/t**	**Au g/t**	**Ag oz**	**Au oz**
Guanacevi	2,013,000	217	0.40	14,050,900	26,200
Guanajuato	1,783,600	167	1.92	9,586,700	110,200
San Sebastian	354,000	211	0.52	2,404,100	5,900
Total Inferred	**4,150,600**	**195**	**1.07**	**26,041,700**	**142,300**

(Expressed in US dollars unless otherwise noted) Date of Preparation: March 14, 2012

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

Description	Tonnes	Ag g/t	Au g/t	Ag oz	Au oz	Pb %	Zn%
Resources Indicated							
Parral	1,631,000	49	0.90	2,589,900	47,200	2.87	2.86
Total 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	307,000	98	0.10	962,900	1,000	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
Total Indicated	**2,348,000**	**117**	**0.52**	**8,841,800**	**39,600**	**1.85**	**1.76**

Notes:

1. Reserve cut-off at Guanacevi is 158 g/t Ag
2. Reserve cut-off at Guanajuato is 102 g/t Ag
3. Mining width is 2.0 meters
4. Dilution is 15% after it has been diluted to a minimum mining width if required
5. Resource cut-off for the Guanacevi and Guanajuato projects is 100 Ag eq
6. Reserve and Resource Silver equivalent is 55:1 for Silver to Gold
7. At the Parral project a cut-off using NSR of $40 is used with the prices listed below
8. The cut-off used for Arroyo Seco was 100 g/t Ag

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

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

CONSOLIDATED FINANCIAL RESULTS

Selected Annual Information

In thousand of dollars except for per share amounts	IFRS	IFRS	CAN GAAP
	Year Ended December 31, 2011	Year Ended December 31, 2010	Year Ended December 31, 2009
Revenue	$ 127,997	$ 86,510	$ 50,769
Net earnings (loss):			
(i) Total	$ 18,755	$ (20,443)	$ (1,926)
(ii) Basic per share	$ 0.22	$ (0.31)	$ (0.04)
(iii) Diluted per share	$ 0.22	$ (0.31)	$ (0.04)
Dividends per share	$ -	$ -	$ -
	December 31, 2011	December 31, 2010	December 31, 2009
Total assets	$ 249,021	$ 187,097	$ 105,881
Total long-term liabilities	$ 36,665	$ 44,551	$ 18,240

Review of Consolidated Financial Results

Year ended December 31, 2011 compared with the Year ended December 31, 2010

In Q4, 2011, the Company elected not to sell a significant portion of its metal production on the basis that the gold and silver prices experienced a major correction and the Company would be better served to hold the unsold metal in inventory until such time as the metal prices rebounded. Therefore the following year end financial results do not reflect the sale of full 2011 metal production.

For the year ended December 31, 2011, the Company's Mine Operating Earnings were $68.8 million (2010: $29.4 million) on Sales of $128.0 million (2010: $86.5 million) with Cost of Sales of $59.2 million (2010: $57.1 million).

Operating Earnings were $47.5 million (2010: $15.6 million) after Exploration costs of $10.2 million (2010: $4.8 million) and General and Administrative costs of $11.1 million (2010: $9.0 million).

Earnings Before Taxes were $35.6 million (2010: Loss Before Taxes $11.8 million) after Mark to Market Loss on Derivative Liabilities (see Adjusted Earnings comment on page 18) of $13.7 million (2010: $22.1 million), Foreign Exchange Loss of $4.7 million (2010: Gain of $1.2 million) and Investment and Other Income of $6.5 million (2010: $0.7 million). In 2010, the Company also had $7.2 million of Finance Costs related to convertible debentures held at the time. The Company realized Net Earnings for the period of $18.8 million (2010: Net Loss of $20.4 million) after an Income Tax Provision of $16.8 million (2010: $8.6 million).

Sales of $128.0 million for the period represent a 48% increase over the $86.5 million for the same period in 2010 primarily due to increased realized silver and gold prices during the period. During the period, the Company sold 2,838,784 oz silver and 17,144 oz gold, for realized prices of $35.61 and $1,570 per oz respectively as compared to sales of 3,260,729 oz silver and 18,192 oz gold for realized prices of $19.62 and $1,238 per oz respectively in 2010.

The realized prices of $35.61 per oz for silver is 1% higher than the 2011 average spot price, while realized gold prices are equal to the 2011 average spot price. The Company also accumulated 980,109 oz silver and 5,407 oz gold finished goods at December 31, 2011 as compared to 127,097 oz silver and 957 oz gold at December 31, 2010. The cost allocated to these Finished Goods is $18.5 million compared to $2.4 million at December 31, 2010. Due to the correction in metal prices in the 4th quarter 2011, Endeavour management elected to hold a significant portion of the Q4 silver and gold production in inventory rather than sell at the lower prices. Management plans to monitor the metal prices closely and sell some or all of the silver and gold in inventory at appropriately higher metal prices, or if the need arises for more cash.

Cost of Sales for the period was $59.2 million, an increase of 4% over the Cost of Sales of $57.1 million for 2010. The 4% increase in the cost of sales is a result of added labour cost pressures at both operations, increased pumping and power costs at Guanacevi as the North Porvenir mine continues to depth and higher royalty costs as realized silver prices increased 82% and realized gold prices are up 27%. Additionally, the Company's depreciable assets were depleted at higher rate at both operations with the 2010 reserve adjustments. These Cost of Sales increases were offset by the Company selling 422,000 less silver ounces (13%).

Exploration expenses increased to $10.2 million from $4.8 million in 2010 reflecting management's decision to increase exploration activities in 2011. General and Administrative expenses increased by 23% to $11.1 million for the period as compared to $9.0 million in 2010 primarily due to an increase in the foreign exchange translation of Canadian dollar denominated expenses as well as higher labour costs for corporate staff.

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 to the functional currency of the Company. During the period, there was a Mark to Market Loss on Derivative Liabilities (see Adjusted Earnings comment on page 18) of $13.7 million, while the same period in 2010 had a Mark to Market Loss on Derivative Liabilities for $22.1 million. The loss is a reflection of the Company's share price rising from CAN$7.30 at December 31, 2010 to CAN$9.89 at period-end and a number of warrant exercises during the third quarter while the Company's share price was significantly higher.

The Company experienced a Foreign Exchange Loss of $4.7 million as compared to a gain of $1.2 million for the same period in 2010. The $4.7 million loss is primarily due to the weakening of the Canadian Dollar against the US Dollar resulting in lower valuations on the Canadian Dollar cash accounts.

The increase in Investment and Other income includes gains of $4.9 million on 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 $16.8 million as compared to $8.6 million for 2010. The change in the income tax provision is due to the increased profitability of the Company's Mexican subsidiaries.

Three months ended December 31, 2011 compared with the three months ended December 31, 2010

For the three months ended December 31, 2011, the Company's Mine Operating Earnings were $6.8 million (2010: $12.1 million) on Sales of $17.5 million (2010: $28.5 million) with Cost of Sales of $10.7 million (2010: $16.4 million).

Operating Earnings were $0.5 million (2010: $8.4 million) after Exploration costs of $3.3 million (2010: $1.0 million) and General and Administrative costs of $3.0 million (2010: $2.7 million).

Loss Before Taxes was $1.3 million (2010: Loss Before Taxes of $11.6 million) after Mark to Market Loss on Derivative Liabilities (see Adjusted Earnings comment on page 18) of $0.3 million (2010: Loss of $21.2 million), Foreign Exchange Loss of $1.5 million (2010: Foreign Exchange Gain of $1.0 million) and Investment and Other Income of $nil (2010: $0.2 million). The Company realized Net Loss for the period of $1.8 million (2010: Net Loss of $14.3 million) after an Income Tax Provision of $0.5 million (2010: $2.7 million).

Sales of $17.5 million for the period represent a 39% decrease over the $28.5 million for the same period in 2010 due to management electing to hold a significant portion of the Q4 silver and gold production in inventory rather than sell at the lower prices. During the period, the Company sold 400,000 oz silver and 4,000 oz gold for realized prices of $27.12 and $1,664 per oz respectively as compared to sales of 851,094 oz silver and 5,779 oz gold for realized prices of $24.16 and $1,365 per oz respectively in the same period of 2010.

The realized prices of $27.12 per oz for silver and $1,664 per oz for gold are 15% lower and 1% lower than the average Q4 2011 spot prices of $31.82 per oz and $1,685 per oz respectively due to the timing of the sales. The Company also accumulated 980,109 oz silver and 5,407 oz gold finished goods at December 31, 2011 as compared to 270,536 oz silver and 957 oz gold at December 31, 2010. The cost allocated to these Finished Goods is $18.5 million compared to $2.4 million at December 31, 2011.

Cost of Sales for the period was $10.7 million, a decrease of 35% over the Cost of Sales of $16.4 million for the same period of 2010. As noted above, management decided to carry a significant amount of silver and gold bullion because of the sharp drop in precious metal prices late in the quarter, so actual ounces sold were down in Q4 2011 compared to Q4 2010. On a cost per tonne basis, costs climbed 7% because of industry demands for mining inputs. With respect to our most significant operating cost, labour, the Company is experiencing significant competition for skilled mining professionals from the global market place resulting in higher retention and recruiting costs for the Company.

Exploration expenses increased to $3.3 million from $1.0 million in 2010 reflecting management's decision to increase exploration activities in 2011. General and Administrative expenses increased by 11% to $3.0 million for the period as compared to $2.7 million in 2010 primarily due to an increase in the foreign exchange translation of Canadian dollar denominated expenses as well as higher labour costs for corporate staff.

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 to the functional currency of the Company. During the period, there was a Mark to Market Loss on Derivative Liabilities (see Adjusted Earnings comment on page 18) of $0.3 million, while the same period in 2010 had a Mark to Market Loss on Derivative Liabilities of $21.2 million. The loss in the current period is a reflection of the Company's share price increasing from CAN$9.44 at September 30, 2011 to CAN$9.89 at period-end, while a number of warrant exercises during the third quarter reduced the number of underlying derivatives marked to market.

The Company experienced a Foreign Exchange Loss of $1.5 million as compared to a foreign exchange gain of $1.0 million for the same period in 2010. The $1.5 million loss is primarily due to the weakening of the Canadian Dollar against the US Dollar resulting in lower valuations on the Canadian Dollar cash accounts.

There was an Income Tax Provision of $0.5 million as compared to $2.7 million for 2010. The change in the income tax provision is due to the metal held back from sales in the quarter.

Summary of Quarterly Results

(in US$000s except per share amounts)	Dec. 31, 2011 Period End				Dec. 31, 2010 Period End			
	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31
Total revenues	$ 17,506	$ 38,776	$ 36,363	$ 35,352	$ 28,475	$ 20,091	$ 19,692	$ 18,252
Direct costs	5,944	10,997	12,109	10,359	10,901	10,711	9,752	8,938
Royalties	516	636	631	445	322	147	515	228
Mine operating cash flow	$ 11,046	$ 27,143	$ 23,623	$ 24,548	$ 17,252	$ 9,233	$ 9,425	$ 9,086
Stock-based compensation	129	170	132	35	201	173	265	55
Amortization and depletion	4,063	4,841	4,247	3,943	5,016	3,853	2,905	3,139
Mine operating earnings / (loss)	$ 6,854	$ 22,132	$ 19,244	$ 20,570	$ 12,035	$ 5,207	$ 6,255	$ 5,892
Net earnings (loss):	$ (1,793)	$ 3,097	$ 16,966	$ 485	$ (14,384)	$ (9,573)	$ (3,208)	$ 6,722
Loss (gain) on derivative liabilities	250	5,777	(6,334)	13,965	21,212	4,746	1,761	(5,607)
Adjusted net earnings (loss)	$ (1,543)	$ 8,874	$ 10,632	$ 14,450	$ 6,828	$ (4,827)	$ (1,447)	$ 1,115
(i) Basic earnings per share	$ (0.03)	$ 0.04	$ 0.20	$ 0.01	$ (0.22)	$ (0.15)	$ (0.05)	$ 0.11
(ii) Diluted earnings per share	$ (0.03)	$ 0.04	$ 0.12	$ 0.01	$ (0.20)	$ (0.15)	$ (0.05)	$ 0.03
(iii) Diluted adjusted earnings per share	$ (0.03)	$ 0.10	$ 0.12	$ 0.16	$ 0.03	$ (0.07)	$ (0.02)	$ 0.03

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

Adjusted earnings 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. The Company previously issued share purchase warrants that have an exercise price denominated in a currency which is different to 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 measures 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.

Quarterly Trends and Analysis

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

In the 2nd quarter of 2010, the Company continued to experience an increase in sales over the previous quarter, with the Company achieving the highest quarterly production at that time with a robust silver price. Silver production experienced a 41% increase from the same period in 2009 and an 8% increase from Q1, 2010.

In the 3rd quarter of 2010, the Company experienced increased sales over the previous quarter. Although the consolidated production was slightly lower than the previous quarter the Company sold more silver ounces in Q3 than Q2 and silver and gold prices remained robust.

In the 4th quarter of 2010, the Company once again realized increased sales over the previous quarter and achieved record production, while silver and gold prices remained robust and provided record sales.

In the 1st quarter of 2011, the Company's continued to increase production while revenues jumped with the significant rise in silver and gold prices. The Company's operating costs remained relatively constant, however, the Company notes 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 jumped 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 to US dollars, supply constraints on re-agents, mining in zones subject to royalties, while we had some one-time equipment availability issues affecting our mined tonnes and plant throughput at Guanacevi. Some of these costs are expected for the foreseeable future, while an expected increase in mined tonnes at Guanajuato will help mitigated rising costs going forward.

In the 3rd quarter of 2011, the Company continued to increase production while revenues climbed 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 to US dollars, and supply constraints on re-agents. Some of these costs are expected to continue into the foreseeable future, while an expected increase in mined tonnes at Guanajuato starting in the fourth quarter helped mitigate rising costs going forward.

In the 4th quarter of 2011, the Company continued to increase production however Endeavour management elected to hold a significant portion of the Q4 silver and gold production in inventory rather than sell at the lower prices. Management plans to monitor the metal prices closely and sell some or all of the silver and gold in inventory at appropriately higher metal prices, or if the need arises for more cash. A number of factors continue 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 Guanajuato with the plant expansion completed at the end of Q3, 2011 and the depreciation of the Mexican Peso in the fourth quarter.

Transactions with Related Parties

The Company shares common administrative services and office space with Canarc Resource Corp., Caza Gold Corp. and Aztec Metals Corp. ("Aztec"), who are related party companies by virtue of having Brad Cooke and Len Harris as common directors. From time to time, Endeavour will incur third-party costs on behalf of the related parties and an unrelated party, Parallel Resources Ltd., on a full cost recovery basis. The Company has $55,000 receivable related to administration costs outstanding as of December 31, 2011 (December 31, 2010 – $104,000).

The Company has provided an allowance for amounts due from Aztec totalling $181,000. The balance has accumulated since 2008 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, 2011, the Company paid $126,000 (2010 - $388,000) for legal services to Koffman Kalef LLP, a firm in which the Company's Corporate Secretary is a partner. As at December 31, 2011 the Company has a $4,000 payable for these legal services (December 31, 2010 - $39,000).

Update on Use of Proceeds from Recent Financings

On December 1, 2010, the Company received net proceeds of Cdn$50.1 million from a prospectus offering of shares. Based on the December 1, 2010 noon exchange rate reported by the Bank of Canada of Cdn$1.00 = US$0.9843, this amount was equivalent to US$49.3 million. As disclosed in the Company's short form prospectus dated November 24, 2010, US$35 million of the net proceeds from this offering were intended to be used for mine development and plant expansions at the Guanacevi and Guanajuato Mines projects, exploration projects and potential acquisitions as set out in the table below, with the balance of US$14.3 million to be used for working capital. As of December 31, 2010, the company had spent a total of $25 million of the allocated net proceeds. The mine development, plant expansion and exploration programs for 2011 were completed in 2011.

(Expressed in US dollars unless otherwise noted) Date of Preparation: March 14, 2012

Any planned expenditures above the allocated amounts have been paid from operating cash flows. There have been no expenditures on potential acquisitions at this time but they remain budgeted for 2012 or beyond.

Use of proceeds	**Expected (US$)**	**Actual (US$)**	**Variance (US$)**
Mine Development – Guanacevi & Guanajuato	$11,000,000	$ 11,000,000	$ -
Plant expansion – Guanacevi & Guanajuato	7,000,000	7,000,000	-
Exploration	7,000,000	7,000,000	-
Potential acquisitions	10,000,000	-	10,000,000
Total	**$35,000,000**	**$25,000,000**	**$ 10,000,000**

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents have increased from $68.0 million at December 31, 2010 to $75.4 million at December 31, 2011. The Company had working capital of $142.3 million at December 31, 2011 (December 31, 2010 - $102.1 million). The $40.2 million increase in working capital is primarily a result of cash generated from operations of $48.8 million, offset by operating fluctuations in current asset balances.

Operating activities provided $48.8 million during 2011 compared to providing $30.6 million during the same period in 2010. The significant non-cash adjustments to net earnings of $18.8 million were for the mark to market loss on derivative liability of $13.7 million, a deferred income tax expense provision of $8.0 million, depreciation, depletion of $17.3 million, stock-based compensation of $4.9 million, an unrealized foreign exchange loss of $1.6 million, a gain on the sale of marketable securities of $0.5 million and an increase in non-cash working capital of $15.0 million. The increase in non-cash working capital is primarily due to increased inventories as management elected to hold back a significant portion of its Q4, 2011 production.

Investing activities during the year used $59.8 million as compared to $47.4 million in 2010 with investments in property, plant and equipment totalling $46.9 million compared to $30.0 million in 2010. There was also $13.1 million net invested in short term investments compared to net short term investments of $17.8 million in 2010.

The Company invested a total of $46.9 million in property, plant and equipment during 2011, with all of the amounts settled for cash. Approximately $22.1 million was invested at Guanacevi with $10.5 million spent on mine development, $5.4 million spent on the refining facilities, $5.5 million on mine equipment and $0.6 million on office equipment, building upgrades and vehicles. Guanacevi mine development included 6.7km of underground development, and significant in-fill and underground exploration drilling. The refining facilities expenditures includes $4.4 million for a dry stack tailings plant near completion at year end. The mine equipment expenditures includes $1.6 million for a 115 KV electrical substation designed to improve the power constraints caused by the annual expansions which is expected to be complete in Q1, 2012. The remaining mine equipment is primarily underground pumps, ventilation, and electrical systems required with the underground expansions.

Approximately $24.9 million was invested at Guanajuato with $10.0 million spent on mine development, $7.5 million on the plant expansion, $4.4 million on mobile equipment, $1.4 million on mine equipment and $0.8 million spent on office equipment, building upgrades and vehicles. Guanajuato mine development included 6.8km of underground development, and significant in-fill drilling and extension of the Cebada ore zones to depth. The refining facilities expenditures relates to the plant expansion completed Q3, 2010 taking plant capacity from 600 tpd to a capacity of 1,600 tpd, although by the end of December we were capable of processing 1000tpd. The mobile equipment expenditure was to increase our fleet to meet the increased production planned. The mine equipment is primarily new scoops, underground ventilation and electrical systems required with the underground expansions.
The Company spent the remaining $0.9 million on exploration property costs and capital assets for the exploration and corporate offices.

As at December 31, 2011, the Company held $16.5 million in short term investments and $17.6 million in available for sale investments. The short term investments consist of various government bonds with maturity dates greater than 90 days and various Canadian bank bonds, all deemed to be high grade investments. The available for sale investments consist primarily of Notes receivable (formerly asset backed commercial paper) valued at $3.5 million and marketable securities valued at $14.1 million.

Financing activities during the 2011 year generated $19.9 million as compared to $56.3 million during 2010. During 2011 there was $5.8 million realized from the exercise of stock options and $14.1 million realized from the exercise of share purchase warrants. The primary source of financing in 2010 was a prospectus offering completed on December 1, 2010 where a total of 8,710,000 common shares were issued at CAN $6.15 per common share for gross proceeds of CAN $53.6 million. After payment of a 5% cash commission to the underwriters and other share issuance costs the Company received net proceeds of approximately $49.3 million. During 2010 there was $4.1 million realized from the exercise of stock options, $3.9 million realized from the exercise of share purchase warrants and $1.0 million interest paid on the Convertible Debentures.

As at December 31, 2011, the Company's issued share capital was $259.4 million representing 87,378,748 common shares compared to $205.9 million representing 80,720,420 common shares at December 31, 2010. Of the 6,658,328 common shares issued during the period, 1,925,000 were issued upon stock option exercises, 4,633,898 were issued on exercise of warrants, 3,600 were issued under the Company's stock bonus plan, 189,580 were issued upon the exercise of stock options as share appreciation rights, while 93,750 shares previously held in escrow were cancelled.

As at December 31, 2011, the Company had 3,697,000 options to purchase common shares outstanding with a weighted average exercise price of CAN $5.07 and had 2,063,870 share purchase warrants outstanding with a weighted average exercise price of CAN $1.98.

Contingencies

Minera Santa Cruz y Garibaldi SA de CV, a subsidiary of Endeavour, received a MXN$238 million (US$17.0 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 31, 2010 and submitted during 2011. The Company commenced the appeal process in 2010.

Refinadora Plata Guanacevi SA de CV's, a subsidiary of Endeavour, received a MXN$63 million (US$4.4 million) assessment on April 12, 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. The Company has provided the government a 3% bond and has commenced the appeal process.

Capital Requirements

The Company plans to invest a total of $42.5 million on capital projects in 2012 with the focus on growing both operations in 2012. The Guanacevi operations has budgeted $21.3 million to operate near 1,200 tpd on average during the year. The primary expenditures will be continued mine development, improvement of the underground ventilation, electrical and pump system and underground drilling amounting to $16.8 million. The remaining expenditures will improve the underground mobile equipment and various capital improvement projects in the plant.

The plan for the Guanajuato operations is to operate at 1,600 tpd by the end of the year requiring $11.9 million on underground development, $4.9 million on plant improvements and $3.8 million on mobile equipment and various capital items. The total planned expenditures for the Gunajuato operations is $20.6 million.

The remaining planned expenditures of $0.6 million are for property payments and exploration assets. These planned expenditures are expected to be financed from mine operating cash flows and current cash balances.

Financial Instruments and Other Instruments

Financial Assets and Liabilities

As at December 31, 2011, 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		75,434	-	-	75,434	75,434
Investments	16,473	-	17,626	-	34,099	34,099
Accounts receivable	-	7,392	-	-	7,392	7,392
Total financial assets	16,473	82,826	17,626	-	116,925	116,925
Financial liabilities:						
Accounts payable and accrued liabilities	-	-	-	12,566	12,566	12,566
Derivative liabilities	-	-	-	13,130	13,130	13,130
Total financial liabilities	-	-	-	25,696	25,696	25,696

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, 2011 are:

In thousands of US Dollars

	Total $	Level 1 $	Level 2 $	Level 3 $
Financial assets:				
Investments	34,099	34,099	-	-
Total financial assets	34,099	34,099	-	-
Financial liabilities:				
Derivative liabilities	13,130	-	13,130	-
Total financial liabilities	13,130	-	13,130	-

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.

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.

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. 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.

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

In thousands of US Dollars	**Carrying amount**	**Gross impairment**	Carrying amount	Gross impairment	Carrying amount	Gross impairment
	December 31, 2011		December 31, 2010		January 31, 2010	
Less than 1 month	**$ 2,498**	**$ -**	$ 2,276	$ -	$ 2,641	$ -
1 to 3 months	**3,485**	**4**	3,177	-	2,262	-
4 to 6 months	**21**	**8**	2,720	-	1,318	-
Over 6 months	**2,164**	**764**	1,043	760	1,261	800
Total accounts receivable	**$ 8,168**	**$ 776**	$ 9,216	$ 760	$ 7,482	$ 800

At December 31, 2011, 99% of the receivables that were outstanding over one month are comprised of IVA and income tax receivables in Mexico.

At December 31, 2011 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. At December 31, 2010 an impairment of $760,000 relates to IVA receivable amounts from prior years.

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 and receivables. The Company believes that these sources, operating cash flow and its policies will be sufficient to cover the likely short term cash requirements and commitments.

Market Risk

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

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

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

In thousands of US Dollars	**December 31, 2011**		December 31, 2010	
	Canadian Dollar	**Mexican Peso**	Canadian Dollar	Mexican Peso
Financial Assets	**$ 65,339**	**$ 12,228**	$ 59,317	$ 18,346
Financial Liabilities	**(14,086)**	**(7,586)**	(30,652)	(6,640)
Net Financial Assets	**$ 51,253**	**$ 4,642**	$ 28,665	$ 11,706

Of the financial assets listed above, $46,539,000 (2010 – $43,743,000) represents cash and cash equivalents held in Canadian dollars, and $3,839,000 (2010 - $9,949,000) represents cash held in Mexican Pesos. The remaining cash balance is held in U.S. dollars. The money market investments and ABCP notes are denominated in Canadian dollars.

As at December 31, 2011, with other variables unchanged, a 5% strengthening of the US dollar against the Canadian dollar would decrease net earnings by $2.4 million due to these financial assets and liabilities.

As at December 31, 2011, with other variables unchanged, a 5% strengthening of the US dollar against the Mexican peso would decrease net earnings by $0.2 million due to these financial assets and liabilities.

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

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, 2011, with other variables unchanged, a 10% strengthening of the market price of the Company's common shares would decrease net earnings by $1.6 million.

Contractual Obligations

The Company had the following contractual obligations at December 31, 2011:

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
Capital Asset purchases	$ 850	$ 850	$ -	$ -	$ -
Operating Lease	1,548	268	550	565	165
Other Long-Term Liabilities	2,729	-	884	1,845	-
Total	$ 5,127	$ 1,118	$1,434	$2,410	$ 165

Outstanding Share Data

As of March 14, 2011, the Company had the following items issued and outstanding:

- 87,773,861 common shares
- options to purchase 3,694,800 common shares with a weighted average exercise price of CAN$5.08 per share expiring between January 1, 2013 and June 14, 2017.
- 1,726,305 share purchase warrants with a weighted average exercise price of CAN$1.97 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

Financial

In 2012, Endeavour anticipates its financial performance will continue to improve, reflecting the current robust silver and gold prices and another increase in the Company's precious metal production. Industry-wide inflationary pressures on operating costs in the short term should be largely offset by the new economies of scale attained primarily at the Guanajuato operations and partly at the Guanacevi operations as a result of recent and ongoing mine expansions and optimizations.

Production
As a result of recent exploration successes at Guanajuato and Guanacevi, the Company has initiated a 60% expansion of mine production at Guanajuato from the current 1,000 tpd output to the 1,600 tpd plant capacity gradually over 2012. At Guanacevi, a 20% mine and plant expansion are planned to increase throughput to 1,200 tpd at Guanacevi by completing certain capital projects started in 2011 and optimizing the fine crushing, ore conveyors, fine ore bin and concentrate handling circuits in the plant. These expansions should facilitate the 8th consecutive year of production growth for the Company. Silver production is forecast to rise 16% in 2012 to 4.3 million oz and gold production is anticipated to increase 24% to 26,000 oz (5.6 million oz of silver equivalent production at the current silver:gold ratio of approximately 50:1). Modest quarterly increases in silver and gold production are anticipated in the first half of 2012 as management focuses on mine development, plant optimization, and other capital programs. However, metal production is expected to accelerate in the second half of 2012 as the capital programs gain traction.

The Company has budgeted a $42.5 million capital expenditure program for 2012, which will be funded from the current cash balance and operating cash flow.

Cash costs (by-product basis) are expected to rise into the $5.50 to $6.00 per oz range as a result of industry-wide rising cost pressures. We expect the cost inflation to be largely offset by the rising gold credits and achieving economies of scale with the higher plant throughputs. Assuming a base case of $30 silver and $1500 gold, Endeavour anticipates its operating profit margin will exceed $24 per silver oz in 2012.

Exploration
In 2012, Endeavour plans an aggressive $15.0 million, 70,000 meter, 250 hole surface exploration drill program to test multiple exploration targets within three of the mining districts where Endeavour is currently active plus any new districts the Company may acquire during the year.

The first priorities will be to follow up the new discoveries made near Endeavour's two mining operations such as the Milache prospect at Guanacevi and the La Joya prospect at Guanajuato and to continue the search for new prospective targets within those two districts. Management is confident that the potential to discover and develop new silver-gold resources at both Guanacevi and Guanajuato remains high.

Endeavour will also continue surface exploration drilling on the San Sebastian properties to extend the known mineralized zones and test new targets. Several new properties were evaluated in Mexico last year and the Company anticipates the acquisition of some new, district scale exploration projects in both Mexico and Chile in 2012.

CHANGES IN ACCOUNTING POLICIES & CRITICAL ACCOUNTING ESTIMATES

Changes in Accounting Policies

Recently released IFRS accounting standards

A number of new IFRS standards, and amendments to standards and interpretations, are not yet effective for periods ending December 31, 2011 and therefore have not been applied in preparation of the December 31, 2011 consolidated financial statements.

In October 2010, the IASB issued amendments to IFRS 7 – *Financial Instruments: Disclosures* that improve the disclosure requirements in relation to transferred assets. The amendments are effective for annual periods beginning on or after July 1, 2011, with earlier application permitted. The Company does not anticipate this amendment to have a significant impact on its consolidated financial statements.

In December 2010, the IASB issued an amendment to IAS 12 – *Income Taxes* which provides a practical solution to determining the recovery of investment properties as it relates to the accounting for deferred income taxes. This amendment is effective for annual periods beginning on or after July 1, 2011, with earlier adoption permitted. The Company does not anticipate this amendment to have a significant impact on its consolidated financial statements.

In June 2011, the IASB issued amendments to IAS 1 – *Presentation of Financial Statements* ("IAS 1") that require an entity to group items presented in the statement of other comprehensive income on the basis of whether they may be reclassified to profit or loss subsequent to initial recognition. For those items presented before tax, the amendments to IAS 1 also require that the tax related to the two separate groups be presented separately. The amendments to IAS 1 are effective for annual periods beginning on or after July 1, 2012, with earlier application permitted. The Company does not anticipate this amendment to have a significant impact on its 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 estimates relate to the determination of mineralized reserves, valuation of notes receivable, impairment of long-lived assets, determination of provision for reclamation and rehabilitation, deferred income taxes and assumptions used in determining the fair value of non-cash based compensation and the warrant derivative liability.

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 which is described in Note 13(d) of the Company's consolidated financial statements. The Company records all stock-based compensation for options using the fair value method. The fair value of each option award is estimated on the date of the grant using the Black-Scholes option pricing model, with expected volatility based on historical volatility of our stock. We use historical data to estimate the term of the option and the risk free rate for the expected term of the option is based on the Government of Canada yield curve in effect at the time of the grant.

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.

RISKS AND UNCERTAINTIES

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

Fluctuations in the price of consumed commodities
Prices and availability of commodities consumed or used in connection with exploration, development and mining, such as natural gas, diesel, oil, electricity, cyanide and other 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 affect on our business.

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

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

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

Exploration and Development

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

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

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

Calculation of Reserves and Resources and Precious Metal Recoveries

There is a degree of uncertainty attributable to the calculation and 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 and Guanajuato mines are the Company's current sources of production. Current life-of-mine plans provide for a defined production life for mining at the Company's mines. If the Company's mineral reserves and resources are not replaced either by the development or discovery of additional reserves and/or extension of the life-of-mine at its current operating mines or through the acquisition or development of an additional producing mine, this could have an adverse impact on the Company's future cash flows, earnings, 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.

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

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

Foreign Operations

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

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

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

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

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

Mexican Tax Assessments
As disclosed under "Contingencies", two 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 2006 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.

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, 2011. 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.

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

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

Current market events and conditions
In 2007, 2008 and 2009, the U.S. credit markets experienced serious disruption due to a deterioration in residential property values, defaults and delinquencies in the residential mortgage market (particularly, sub-prime and non-prime mortgages) and a decline in the credit quality of mortgage backed securities. In 2010 and 2011, this was compounded by the still emerging sovereign debt crisis in Europe.As a result, general economic conditions have deteriorated, including declining consumer sentiment, increased unemployment, declining economic growth and uncertainty about corporate earnings.

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

Substantial Volatility of Share Price
In recent years, the securities markets in the United States and Canada have experienced a high level of price and volume volatility, and the securities of many mineral exploration companies have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. The price of the Company's common shares is also likely to be significantly affected by short-term changes in mineral prices or in the Company's financial condition or 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 conducted an evaluation, including the CEO and CFO, 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.

Management, including our Chief Executive Officer and Chief Financial Officer, assessed the effectiveness of our internal control over financial reporting as of December 31, 2011. 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, 2011, 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, 2011.

Changes in Internal Control over Financial Reporting
There have been no changes that occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

On February 13, 2008, the Canadian Accounting Standards Board confirmed that publicly accountable enterprises would be required to adopt International Financial Reporting Standards ("IFRS") in place of Canadian GAAP for interim and annual reporting purposes for fiscal years beginning on or after January 1, 2011. Accordingly, the Company has transitioned from Canadian GAAP reporting and has reported under IFRS for the year ended December 31, 2011, with restatement of comparative information presented.

FIRST TIME ADOPTION OF IFRS

The Company adopted IFRS on January 1, 2011 with a transition date of January 1, 2010. Under IFRS 1 *First time adoption of International Financial Reporting Standards* (IFRS 1), the IFRS standards are applied retrospectively at the transition date with all adjustments to assets and liabilities as stated under Canadian GAAP taken to deficit, with IFRS 1 providing for certain optional and mandatory exemptions to this principle.

The Company has elected to apply the following optional exemptions

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

Business Combinations
IFRS 1 allows that a first-time adopter may elect not to apply IFRS 3 *Business Combinations* (IFRS 3) retrospectively to business combinations prior to the date of transition avoiding the requirement to restate prior business combinations. The Company has elected to apply IFRS 3 to business combinations that occur on or after January 1, 2010.

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

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

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

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

Reconciliation to previously reported financial statements

A reconciliation of the above noted changes is included in these following Consolidated Statements of Financial Position and Consolidated Statements of Comprehensive Income for the dates noted below. The effects of transition from GAAP to IFRS on the cash flow are not material; therefore a reconciliation of cash flows has not been presented.

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

The January 1, 2010 Canadian GAAP consolidated statement of financial position has been reconciled to IFRS as follows:

(expressed in US$000s)	Ref	January 1, 2010 CAN GAAP	Effect of Transition to IFRS	**January 1, 2010 IFRS**
ASSETS				
Current assets				
Cash and cash equivalents		$ 26,702	$ -	**$ 26,702**
Available for sale investments		4,521		**4,521**
Accounts receivable and prepaids		7,467		**7,467**
Inventories	e)	6,100	(68)	**6,032**
Due from related parties		243		**243**
Total current assets		45,033	(68)	**44,965**
Long term deposits		1,153		**1,153**
Redemption call option on covertible debentures	f)	2,693	(2,693)	**-**
Mineral property, plant and equipment	b) e)	57,002	(1,577)	**55,425**
Total assets		$ 105,881	$ (4,338)	**$ 101,543**
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Accounts payable and accrued liabilities		$ 5,230	$ -	**$ 5,230**
Current portion of promissory note		231		**231**
Accrued interest on convertible debentures		254		**254**
Income taxes payable		545		**545**
Total current liabilities		6,260	-	**6,260**
Promissory note		248		**248**
Provision for reclamation and rehabilitation	b)	1,740	278	**2,018**
Deferred income tax liability	e)	8,103	(558)	**7,545**
Liability portion of convertible debentures	f)	8,149	(4,483)	**3,666**
Convertible debenture derivative liability	f)	-	21,926	**21,926**
Warrant Derivative Liability	d)	-	7,823	**7,823**
Total liabilities		24,500	24,986	**49,486**
Shareholders' equity				
Common shares, unlimited shares authorized, no par value, issued and outstanding 60,626,203	d) f)	112,173	(2,760)	**109,413**
Equity portion of convertible debentures	f)	2,164	(2,164)	**-**
Contributed surplus	a)	12,948	(5,629)	**7,319**
Accumulated comprehensive income	c)	749	(212)	**537**
Deficit		(46,653)	(18,559)	**(65,212)**
Total shareholders' equity		81,381	(29,324)	**52,057**
		$ 105,881	$ (4,338)	**$ 101,543**

The December 31, 2010 Canadian GAAP consolidated statement of financial position has been reconciled to IFRS as follows:

(expressed in US$000s)	Ref	December 31, 2010	Effect of Transition to IFRS	**December 31, 2010**
		CAN GAAP		**IFRS**
ASSETS				
Current assets				
Cash and cash equivalents		$ 68,037		**$ 68,037**
Short term investments		20,009		**20,009**
Marketable securities		81		**81**
Notes receivable		3,551		**3,551**
Accounts receivable and prepaids		10,299		**10,299**
Inventories	e)	12,971	(88)	**12,883**
Due from related parties		218		**218**
Total current assets		115,166	(88)	**115,078**
Long term deposits		778		**778**
Mineral property, plant and equipment	b) e)	72,479	(1,238)	**71,241**
Total assets		$ 188,423	$ (1,326)	**$ 187,097**
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Accounts payable and accrued liabilities		$ 9,464		**$ 9,464**
Current portion of promissory note		231		**231**
Income taxes payable		3,260		**3,260**
Total current liabilities		12,955		**12,955**
Promissory note		56		**56**
Provision for reclamation and rehabilitation	b)	2,242	282	**2,524**
Deferred income tax liability	e)	14,157	(1,534)	**12,623**
Warrant Derivative Liability	d)	-	29,348	**29,348**
Total liabilities		29,410	28,096	**57,506**
Shareholders' equity				
Common shares, unlimited shares authorized, no par value, issued and outstanding 80,720,420	d) f)	183,296	22,566	**205,862**
Contributed surplus	a) d)	13,635	(5,842)	**7,793**
Accumulated comprehensive income	c)	1,656	(212)	**1,444**
Opening deficit		(46,653)	(18,412)	**(65,065)**
Deficit		7,079	(27,522)	**(20,443)**
Total shareholders' equity		159,013	(29,422)	**129,591**
		$ 188,423	$ (1,326)	**$ 187,097**

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

(expressed in US$000s except per share amounts)	Ref	December 31, 2010 CAN GAAP	Effect of Transition to IFRS	December 31, 2010 IFRS
Revenue		$ 86,510		**$ 86,510**
Cost of sales:				
Direct costs	g)	41,514	(1,212)	**40,302**
Royalties	g)	-	1,212	**1,212**
Stock-based compensation	g)	-	694	**694**
Amortization and depletion	b) e) g)	15,447	(534)	**14,913**
		56,961	160	**57,121**
Mine operating earnings		29,549	(160)	**29,389**
Expenses:				
Exploration	g)	4,283	543	**4,826**
General and administrative	g)	5,485	3,513	**8,998**
		9,768	4,056	**13,824**
Income from operations		19,781	(4,216)	**15,565**
Mark-to-market gain (loss) on derivative liabilities	d) f)	-	(22,113)	**(22,113)**
Finance costs	f) g)	-	(7,233)	**(7,233)**
Other income (expense):				
Mark-to-market gain on redemption call option	f)	703	(703)	-
Accretion of convertible debentures	g)	(1,088)	1,088	-
Stock-based compensation	a) g)	(4,679)	4,679	-
Foreign Exchange	e) f)	1,156	89	**1,245**
Gain (loss) on marketable securities		195		**195**
Investment and other income		478		**478**
		(3,235)	5,153	**1,918**
Income before income taxes		16,546	(28,409)	**(11,863)**
Income tax expense:				
Current income tax expense		3,786		**3,786**
Deferred income tax expense	e)	5,681	(887)	**4,794**
		9,467	(887)	**8,580**
Net income (loss) for the period		7,079	(27,522)	**(20,443)**
Other comprehensive income, net of tax				
Unrealized gain (loss) on marketable securities		22		**22**
Unrealized gain on notes receivable		953		**953**
Unrealized foreign exchange gain (loss) on available for sale securities		127		**127**
Reclassification adjustment for loss (gain) included in net income		(195)		**(195)**
		907	-	**907**
Comprehensive income (loss) for the period		7,986		(19,536)
Basic earnings per share based on net earnings		$ 0.11		$ (0.31)
Diluted earnings per share based on net earnings		$ 0.10		$ (0.31)
Basic weighted average number of shares outstanding		65,646,786		**65,646,786**
Diluted weighted average number of shares outstanding		69,122,226		**65,646,786**

Adjustments on transition to IFRS:
The following is a summary of the significant accounting differences considered as part of the IFRS transition project and, where appropriate, the quantification of the adjustments required as of the transition date and for the comparative period.

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

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

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

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

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

Adjustments on transition to IFRS:

(a) Share-based payment transactions

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

Impact on Consolidated Statements of Financial Position
(expressed in US$000s)

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

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

Impact on Consolidated Statements of Financial Position
(expressed in US$000s)

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

Impact on Consolidated Statements of Operations and Comprehensive Income
(expressed in US$000s)

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

(b) Provision for reclamation and rehabilitation

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

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

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

Impact on Consolidated Statements of Financial Positon
(expressed in US$000s)

	December 31 2010	January 1 2010
Property, plant and equipment	$ 275	$ 278
Provision for reclamation and rehabilitation	282	278
Adjustment to deficit	$ (7)	$ -

Impact on Consolidated Statements of Comprehensive Income
(expressed in US$000s)

	Year ended December 31 2010
Depreciation and depletion	$ 7
Adjustment to comprehensive loss	$ 7

(c) Cumulative translation differences

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

Impact on Consolidated Statements of Financial Position
(expressed in US$000s)

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

(d) Warrant Derivative Liability

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

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

Impact on Consolidated Statements of Financial Position
(expressed in US$000s)

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

Impact on Consolidated Statements of Comprehensive Income
(expressed in US$000s)

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

(e) Income Tax

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

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

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

Inflationary adjustments on tax assets
Under Canadian GAAP, when the tax basis of assets is adjusted for inflation the inflationary impact is not recognized whereas under IFRS, the revaluation of the tax base for inflation is recognized in profit or loss.

Impact on Consolidated Statements of Financial Position
(expressed in US$000s)

	December 31 2010	January 1 2010
Inventory	$ (88)	$ (68)
Property, plant and equipment	(1,513)	(1,855)
Deferred income tax liability	(1,534)	(158)
Adjustment to deficit	$ (67)	$ (1,765)

Impact on Consolidated Statements of Operations and Comprehensive Income
(expressed in US$000s)

	Year ended December 31 2010
Depreciation and depletion	$ (322)
Foreign exchange gain (loss)	89
Deferred income tax expense	(887)
Adjustment to comprehensive loss	$ (1,298)

(f) Convertible Debentures

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

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

Impact on Consolidated Statements of Financial Position
(expressed in US$000s)

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

Impact on Consolidated Statements of Comprehensive Income
(expressed in US$000s)

	Year ended December 31 2010
Mark to market gain (loss) on derivative liability	$ 1,538
Mark to market gain on redemption call option	(703)
Foreign exchange gain (loss)	-
Finance Costs	6,063

(g) Presentation Adjustments

Stock-based compensation

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

Impact on Consolidated Statements of Comprehensive Income
(expressed in US$000s)

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

Finance Costs

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

Impact on Consolidated Statements of Comprehensive Income
(expressed in US$000s)

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

Corporate and exploration depreciation

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

Impact on Consolidated Statements of Comprehensive Income
(expressed in US$000s)

		Year ended December 31 2010
Depreciation and depletion	$	(176)
General and administrative		69
Exploration		107
Adjustment to comprehensive loss	$	-

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New Brunswick Securities Commission
Nova Scotia Securities Commission
Prince Edward Island Securities Office
Securities Commission of Newfoundland and Labrador
U.S. Securities and Exchange Commission
TSX Toronto Stock Exchange

Dears Sirs/Mesdames:

I, William J. Lewis, B.Sc., P. Geo., do hereby consent to the public filing of the technical report titled "*Technical Report on the Resource and Reserve Estimates for the Guanajuato Mines Project, Guanajuato State, Mexico*" and dated March 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 29, 2012, the Annual Report on Form 40-F dated March 30, 2012, the Management Discussion & Analysis dated March 15, 2012 and the news release dated March 19, 2012 (the "News Release"), of Endeavour Silver Corp.

I confirm that I have read the Annual Information Form dated March 29, 2012, the Annual Report on Form 40-F dated March 30, 2012, the Management Discussion &Analysis dated March 15, 2012 and the news release dated March 19, 2012 of Endeavour Silver Corp and that they fairly and accurately represent the information in the technical report.

Dated this 30th day of March, 2012

"William J. Lewis"

____

William J. Lewis, B.Sc., P. Geo.

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Dated this 30th day of March, 2012

"William J Lewis"

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

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

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 Estimates for the Guanacevi Mines Project, Durango State, Mexico*" and dated March 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 29, 2012, the Annual Report on Form 40-F dated March 30, 2012, the Management Discussion & Analysis dated March 15, 2012 and the news release dated March 19, 2012 (the "News Release"), of Endeavour Silver Corp.

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Dated this 30th day of March, 2012

"Alan J. San Martin"

____

Alan J. San Martin, MAusIMM(CP)

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Dated this 30th day of March, 2012

"Alan J. San Martin"

Alan J. San Martin, MAusIMM(CP).

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Nova Scotia Securities Commission
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U.S. Securities and Exchange Commission
TSX Toronto Stock Exchange

Dears Sirs/Mesdames:

I, Charley Z. Murahwi, P. Geo., FAusIMM, 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 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 29, 2012, the Annual Report on Form 40-F dated March 30, 2012, the Management Discussion & Analysis dated March 15, 2012 and the news release dated March 19, 2012 (the "News Release"), of Endeavour Silver Corp.

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Dated this 30th day of March, 2012

"Charley Z. Murahwi"

____
Charley Z. Murahwi, P.Geo., FAusIMM

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Dears Sirs/Mesdames:

I, Charley Z. Murahwi, P. Geo., FAusIMM, do hereby consent to the public filing of the technical report titled "*Technical Report on the Resource and Reserve Estimates for the Guanajuato Mines Project, Guanajuato State, Mexico*" and dated March 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 29, 2012, the Annual Report on Form 40-F dated March 30, 2012, the Management Discussion & Analysis dated March 15, 2012 and the news release dated March 19, 2012 (the "News Release"), of Endeavour Silver Corp.

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Dated this 30th day of March, 2012

"Charley Z. Murahwi"

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Charley Z. Murahwi, P.Geo., FAusIMM

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