UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 40-F

[ ] Registration statement pursuant to Section 12 of the Securities Exchange Act of 1934

or

[x] Annual report pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended December 31, 2006 **Commission File Number: 001-33153**

ENDEAVOUR SILVER CORP.

(Exact name of registrant as specified in its charter)

Province of British Columbia, Canada	**1040 (Silver mining)**	**Not Applicable**
(Province or Other Jurisdiction of Incorporation or Organization)	(Primary Standard Industrial Classification Code)	(I.R.S. Employer Identification No.)

#800 – 850 West Hastings Street
Vancouver, BC, Canada, V6C 1E1
(604) 685-9775
(Address and telephone number of registrant's principal executive offices)

Dorsey & Whitney LLP
Republic Plaza Building, Suite 4700
370 Seventeenth
(303) 629-3400
(Name, address and telephone number of agent for service in the United States)

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 without par value	**American Stock Exchange**

Securities registered or to be registered pursuant to Section 12(g) of the Act: **None**

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

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

[x] Annual Information Form Audited [x] Annual Financial Statements

As at December 31, 2006, **42,373,988** common shares of the Registrant were issued and outstanding.

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

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

EXPLANATORY NOTE

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

FORWARD-LOOKING STATEMENTS

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

Statements concerning reserves and mineral resource estimates may also be deemed to constitute forward-looking statements to the extent that they involve estimates of the mineralization that will be encountered if the property is developed, and in the case of mineral reserves, such statements reflect the conclusion based on certain assumptions that the mineral deposit can be economically exploited. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, using words or phrases such as "expects" or "does not expect", "is expected", "anticipates" or "does not anticipate", "plans", "estimates" or "intends", or stating that certain actions, events or results "may", "could", "would", "might" or "will" 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 the inherently dangerous activity of mining, including conditions or events beyond our control;
- 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 resources figures being estimates based on interpretations and assumptions which may result less mineral production under actual conditions than is currently estimated;
- risks related to governmental regulations;
- 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;
- uncertainty in our ability to obtain necessary financing;
- risks related to increased competition that could adversely affect our ability to attract necessary capital funding or acquire suitable producing properties for mineral exploration in the future;

- risks related to differences between U.S. and Canadian practices for reporting resources and reserves;
- risks related to many of our primary properties being located in Mexico, including political, economic, and regulatory instability; and
- risks related to our officers and directors becoming associated with other natural resource companies which may give rise to conflicts of interests.

This list is not exhaustive of the factors that may affect our forward-looking statements. Some of the important risks and uncertainties that could affect forward-looking statements are described further in the exhibits attached to this annual report. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in the forward-looking statements. Forward-looking statements are made based on management's beliefs, estimates and opinions on the date the statements are made, and the Company undertakes no obligation to update forward-looking statements if these beliefs, estimates and opinions or other circumstances should change. Investors are cautioned against attributing undue certainty to forward-looking statements.

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

The Company is permitted, under a multi-jurisdictional disclosure system adopted by the United States, to prepare this annual report in accordance with Canadian disclosure requirements, which are different from those of the United States. The Company prepares its financial statements, which are filed with this report on Form 40-F, in accordance with Canadian generally accepted accounting practices ("GAAP"), and they may be subject to Canadian auditing and auditor independence standards. They may not be comparable to financial statements of United States companies. Significant differences between Canadian GAAP and United States GAAP are described in Note 14 of the audited consolidated financial statements of the Company.

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 29, 2006, based upon the noon buying rate in New York City for cable transfers payable in Canadian dollars as certified for customs purposes by the Federal Reserve Bank of New York, was U.S.$1.00 = CDN$1.1656.

RESOURCE AND RESERVE ESTIMATES

The Company's Annual Information Form filed as Exhibit 1 to this annual report on Form 40-F and documents incorporated therein by reference have 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 the United States Securities and Exchange Commission ("SEC") Industry Guide 7 ("SEC Industry Guide 7") under the United States *Securities Act of 1933*, as amended. 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 standards as in place tonnage and grade without reference to unit measures.

Accordingly, information contained in this report and the documents incorporated by reference herein containing descriptions of our mineral deposits 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 there under.

ANNUAL INFORMATION FORM

The Company’s Annual Information Form (“AIF”) for the fiscal year ended December 31, 2006 is filed as Exhibit 1 and incorporated by reference in this annual report on Form 40-F.

AUDITED ANNUAL FINANCIAL STATEMENTS AND MANAGEMENT’S DISCUSSION AND ANALYSIS

Audited Annual Financial Statements

The audited consolidated financial statements of the Company for the year ended December 31, 2006, the ten months ended December 31, 2005, and the year ended February 28, 2005, including the report of the independent auditor with respect thereto, are filed as Exhibit 2 and incorporated by reference in this annual report on Form 40-F. For a reconciliation of material measurement differences between Canadian and United States generally accepted accounting principles, see Note 14 to the Company’s audited consolidated financial statements.

Management’s Discussion and Analysis

The Company’s management’s discussion and analysis for the year ended December 31, 2006 (“MD&A”) is filed as Exhibit 3 and incorporated by reference in this annual report on Form 40-F.

Tax Matters

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

DISCLOSURE CONTROLS AND PROCEDURES

At the end of the period covered by this report, an evaluation was carried out under the supervision of and with the participation of the Company’s management, including the Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”), of the effectiveness of the design and operations of the Company’s disclosure controls and procedures (as defined in Rule 13a – 15(e) and Rule 15d –

15(e) under the Exchange Act). Unforeseen circumstances in subsidiaries acquired during 2006 have necessitated additional work being undertaken at year end which has impacted on the timeliness of this filing. Refer below to Changes in Internal Controls Over Financial Reporting - -*Remedial Action Implemented and Planned*. Based on that evaluation the CEO and the CFO have concluded that as of the end of the period covered by this report, the Company's disclosure controls and procedures were adequately designed and effective in ensuring that: (i) information required to be disclosed by the Company in reports that it files or submits to the Securities and Exchange Commission under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in applicable rules and forms and (ii) material information required to be disclosed in our reports filed under the Exchange Act is accumulated and communicated to our management, including our CEO and CFO, as appropriate, to allow for accurate and timely decisions regarding required disclosure.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness in 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.

As the Company is a "foreign private issuer" as defined in Rule 3b-4 of the Exchange Act, is not a "large accelerated filer" and is a "newly reporting company" within the United States, the Company's management's report on internal control over financial reporting and the Company's auditor attestation report on management's evaluation of internal controls over financial reporting are not required until the Company's annual report for the year ended December 31, 2007.

CHANGES IN INTERNAL CONTROLS OVER FINANCIAL REPORTING

During the period covered by this annual report on Form 40-F, except for the responses to the risks identified below, no changes occurred in the Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Risks from Remote Operations

The Company's operations are undertaken in remote locations in Mexico. The operations were previously undertaken by private corporations which were purchased by the Company. The officers and staff of those private corporations have previously not been required to maintain disclosure controls or internal controls over financial reporting to the same standard now required. In addition, there was a large turnover of accounting staff at the Mexican operations in the last quarter of 2006 and the first quarter of 2007.

Internal Control Weaknesses Identified

There have been difficulties in establishing the opening balance sheet on a Canadian GAAP and US GAAP basis of the subsidiaries acquired, there have been difficulties in confirming the taxation base of the

subsidiaries acquired, there have been difficulties in transforming the reporting of the subsidiaries acquired from a cash basis of reporting to an accruals basis of reporting, there have been difficulties in obtaining timely information from the subsidiaries acquired, and there have been difficulties in the reconciliation process for the accounts in the subsidiaries acquired. There have been instances of insufficient segregation of duties which although typical of small companies of this size were outside those anticipated. There have been accounting staff resource constraints both in capacity and skills which have impacted on the financial reporting of income taxes and complex accounting transactions.

Likelihood of Material Misstatement

Management has determined that certain weaknesses in the Company's internal controls over financial reporting stemming principally from its Mexican operations could result in a more than remote likelihood that a material misstatement would not be prevented or detected. Management in Canada and Mexico and the board of directors have been working to mitigate the risk of a material misstatement in financial reporting. However, there can be no assurance that this risk can be reduced to less than a remote likelihood of a material misstatement at this time.

Remedial Action Implemented and Planned

The Company has taken steps to improve its internal controls through the appointment of more experienced and qualified staff in Mexico and Canada and through the hiring of specialist services particularly in relation to local Mexican taxation regulatory matters. Significant time has been spent by senior financial staff on proving balances in the Mexican subsidiaries as at Dec 31 2006. More rigorous reporting and control standards have been introduced since year end. Management and senior financial staff will continue to closely monitor the financial reporting from the operations in Mexico. Management and the Audit Committee intend to engage additional external audit services to perform additional procedures including the testing of internal controls and the review of the accuracy of financial reporting progressively through 2007 until the control weaknesses are remedied.

The Company's management, including the CEO and CFO, does not expect that its disclosure controls and procedures or internal controls and procedures will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, control may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

CORPORATE GOVERNANCE

The Company's Board of Directors is responsible for the Company's Corporate Governance policies and has separately designated standing Compensation, Nominating and Audit Committees. The Company's Board of Directors has determined that all the members of the Compensation, Nominating, and Audit

Committees are independent, based on the criteria for independence and unrelatedness prescribed by the Sarbanes-Oxely Act of 2002, section 10A(m)(3) and the American Stock Exchange.

Compensation

Compensation of the Company's CEO and all other officers is recommended to the board for determination by the Compensation Committee. The Compensation Committee develops, reviews and monitors director and executive compensation and policies. The Compensation Committee is also responsible for annually reviewing the adequacy of compensation for directors and others and the composition of compensation packages. The Company's CEO cannot be present during the Committee's deliberations or vote. The Compensation Committee is composed of two independent directors: Geoffrey Handley and Leonard Harris.

Nominating Committee

Nominees for the election to the Board of Directors are recommended by the Nominating Committee. The Company has adopted a formal written board resolution addressing the nomination process and such related matters as may be required under federal securities laws. The Nominating Committee is composed of three independent directors: Geoffrey Handley, Leonard Harris, and Mario Szotlender.

AUDIT COMMITTEE

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

- Geoffrey Handley
- Leonard Harris
- Mario Szotlender

In the opinion of the Company's Board of Directors, all members of the Audit Committee are independent (as determined under Rule 10A-3 of the Exchange Act and the rules of the American Stock Exchange) 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 President/Chief Operating Officer ("COO"), the CEO and the CFO of the Company 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 the auditors to be appointed. In addition, the Committee reviews and recommends to the Board of Directors for approval the annual financial statements, the Management Discussion and Analysis, and undertakes other activities required by regulatory authorities.

Audit Committee Financial Expert

The Company's Board of Directors has determined that Mario Szotlender, a member of the Audit Committee, qualifies as an audit committee financial expert (as defined in Item 407 of Regulation S-K under the Exchange Act) and is independent as defined by the American Stock Exchange.

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 external auditor, in each of the last two years.

	2006	2005
Audit Fees	CAD $180,000	CAD $49,000
Audit Related Fees (i)	$98,000	$0
Tax Fees	$0	$0
All other fees	$0	$0
Total	CAD $278,000	CAD $49,000

(i) Audit related fees relate to services provided in connection with interim reviews and the Company's registration document on Form 40-F.

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. The Audit Committee's policy regarding the pre-approval of non-audit services to be provided to the Company by its independent auditors is that all such services shall be pre-approved by the Audit Committee. 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. Since the enactment of the Sarbanes-Oxley Act of 2002, all non-audit services performed by the Company's auditor for the fiscal year ended December 31, 2006 have been 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 for all its directors, executive officers and employees, which is available to any person, without charge, by written request to the Company's Secretary at its principal executive office at #800 – 850 West Hastings Street, Vancouver, BC, Canada, V6C 1E1. The Code of Business Conduct and Ethics is also available on the Company's website.

All amendments to the code, and all waivers of the code with respect to any of the officers covered by it, will be posted on the Company's website, submitted on Form 6-K and provided in print to any shareholder who requests them. The Company's website is located at www.edrsilver.com.

CONTRACTUAL OBLIGATIONS

The following table lists as of December 31, 2006 information with respect to the Company's known contractual obligations.

	Payments due by Period				
Contractual Obligations	*Total*	*Less than 1 year*	*1-3 years*	*3-5 years*	*More than 5 years*
Long-Term Debt Obligations	Nil	Nil	Nil	Nil	Nil
Capital (Finance) Lease Obligations	Nil	Nil	Nil	Nil	Nil
Operating Lease Obligations	Nil	Nil	Nil	Nil	Nil
Purchase Obligations (i)	US$4,456,000	US$1,376,000	US$3,080,000	Nil	Nil
Other Long-Term Liabilities Reflected on the Company's Balance Sheet under Canadian GAAP (ii)	US$954,000	Nil	Nil	Nil	US$954,000
TOTAL	US$5,410,000	US$1,376,000	US$3,080,000	Nil	US$954,000

(i) Includes US$543,000 of commitments for capital expenditure due for payment in Less than 1 year and US$3,913,000 of obligations under property option agreements necessary to attain 100% ownership of producing properties and certain exploration properties.

(ii) Asset Retirement Obligations – Reclamation and Closure Costs CAD$1,112,000.

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, 2006 concerning any equity security subject to a blackout period under Rule 101 of Regulation BTR.

AMEX CORPORATE GOVERNANCE

The Company's common shares are listed on The American Stock Exchange ("AMEX"). Section 110 of the AMEX Company Guide permits AMEX to consider the laws, customs and practices of foreign issuers in relaxing certain AMEX listing criteria, and to grant exemptions from AMEX listing criteria based on these considerations. A company seeking relief under these provisions is required to provide written certification from independent local counsel that the non-complying practice is not prohibited by home country law. A description of the significant ways in which the Company's governance practices 9

differ from those followed by domestic companies pursuant to AMEX standards is as follows:

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

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

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

In addition, we may from time-to-time seek relief from AMEX corporate governance requirements on specific transactions under Section 110 of the AMEX Company Guide by providing written certification from independent local counsel that the non-complying practice is not prohibited by our home country law, in which case, we shall make the disclosure of such transactions available on our website at www.endeavoursilver.com. Information contained on our website is not part of this annual report.

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 respect to the class of securities in relation to which the obligation to file the Form 40-F arises.

EXHIBITS

1. Annual Information Form of the Company for the year ended December 31, 2006

2. The following audited consolidated financial statements of the Company, are exhibits to and form a part of this Report:

   - Auditors' Report on Consolidated Financial Statements
   - Consolidated Balance Sheets as of December 31, 2006 and 2005;
   - Consolidated Statement of Loss for the year ended December 31, 2006, the ten months ended December 31, 2005 and the year ended February 28, 2005;
   - Consolidated Statement of Shareholders' Equity and Deficit for the year ended December 31, 2006, the ten months ended December 31, 2005 and the year ended February 28, 2005;

Consolidated Statements of Cash Flows for the year ended December 31, 2006, the ten months ended December 31, 2005 and the year ended February 28, 2005;

Notes to Consolidated Financial Statements (which includes a reconciliation with United States GAAP as Note 14)

3. Management's Discussion and Analysis

CERTIFICATIONS

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

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

6. Certificate of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

7. Certificate of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

CONSENTS

8. Consent of KPMG LLP

9. Consent of A.E. Olson, Member AusIMM, of Range Consulting Group, LLC

10. Consent of Velasquez Spring, PEng, Senior Geologist, of Watts, Griffis and McOuat Limited, Consulting Geologists and Engineers

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

12. Consent of Jim Leader, P.Eng of Micon

13. Consent of Dibya Kanti Mukhopadhyay, Member AusIMM of Micon

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.

Date: April 10, 2007

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

ANNUAL INFORMATION FORM

("AIF")

of

ENDEAVOUR SILVER CORP.

(the "Company" or "Endeavour")

Suite #800 - 850 West Hastings Street
Vancouver, British Columbia, Canada, V6C 1E1
Phone: (604) 685-9775
Fax: (604) 685-9744

Dated: April 10, 2007

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ITEM 1: PRELIMINARY NOTES

1.1 Incorporation of Financial Statements, Information Circular and Other Documents

Specifically incorporated by reference and forming part of this Annual Information Form ("AIF") are the Consolidated Financial Statements for Endeavour Silver Corp. (the "Company" or "Endeavour" which includes its subsidiaries) for the year ended December 31, 2006, and for the ten month period ended December 31, 2005 and for the year ended February 28, 2005, together with the Management Discussion and Analysis accompanying such financial statements.

All financial information in this AIF is prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). All amounts are stated in Canadian 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)
Mineral Reserves and Resources Estimate, Guanacevi Project, Durango, Mexico	March 31, 2006	March 31, 2006	Technical Report(s), Qualification Certificate(s) and Consent(s)
Material Change Report announcing Special Warrant Financing Closing	April 24, 2006	April 26, 2006	Material Change Report – English
Short Form Prospectus	May 15, 2006	May 15,2006	Final Short Form Prospectus – English and French
Audited annual financial statements (most recent)	December 31, 2006	April 10, 2007	Audited annual financial statements – English
Management Discussion and Analysis (most recent)	December 31, 2006	April 10, 2007	Annual MD&A
A Technical Review of the Guanacevi Project	March 12, 2004 (Amended April 21, 2004)	April 23, 2004	Other
News Releases for calendar years 2004 to 2007	Various dates (From Mar, 2004 to the date of this AIF)		Press Release – English

1.2 Date of Information

All information in this AIF is as of April 10, 2007 unless otherwise indicated.

1.3 Forward-Looking Statements

This AIF contains certain forward-looking statements and information relating to the Company that are based on the beliefs of its management as well as assumptions made by and currently available to the Company. When used in this document, the words “anticipate”, “believe”, “estimate”, and “expect” and similar expressions, as they relate to the Company or its management, are intended to identify forward-looking statements. This AIF contains forward-looking statements relating to, among others, compliance with environmental standards, the sufficiency of current working capital, the estimated cost and availability of funding for the continued exploration and development of the Company’s exploration properties. The Management Discussion and Analysis that is incorporated by reference within this AIF also contains forward-looking statements. Such statements reflect the current view of the Company with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements.

1.4 Currency and Exchange Rates

All dollar amounts in this AIF are expressed in Canadian dollars unless otherwise indicated.

1.5 Classification of Mineral reserves and Resources

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

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

In this AIF, the terms “measured” and “indicated resources” are used. The Company advises U.S. investors that while such terms are recognized and permitted under Canadian securities rules, the U.S. Securities and Exchange Commission does not recognize them. **U.S. investors are cautioned not to assume that any part or all of the mineral deposits in these categories will ever be converted to proven or probable reserves.**

This AIF also uses the term “inferred resources”. The Company advises U.S. investors that while such term is recognized and permitted under Canadian securities rules, the U.S. Securities and Exchange Commission does not recognize it. “Inferred 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 securities rules, estimates of inferred resources may not form part of the basis of feasibility or other economic studies. **U.S. investors are cautioned not to assume that any part or all of an inferred resource exists, or is economically or legally mineable.**

ITEM 2: CORPORATE STRUCTURE

2.1 Name, Address and Incorporation

The Company was incorporated under the laws of the Province of British Columbia on March 11, 1981 under the name, “Levelland Energy & Resources Ltd.” Effective August 27, 2002 the Company changed its name to “Endeavour Gold Corp.”, consolidated its share capital on the basis of four old common

shares for one new common share and increased its share capital to 100,000,000 common shares without par value. Then on September 13, 2004, the Company changed its name to “Endeavour Silver Corp.”, transitioned from the Company Act (British Columbia) to the British Columbia Business Corporations Act and increased its authorized share capital to unlimited common shares without par value.

The Company’s principal business office is located at:

Suite 800 - 850 West Hastings Street
Vancouver, British Columbia
Canada, V6C 1E1

and its registered and records office is located at:

VECTOR Corporate Finance Lawyers
Suite 1040 - 999 West Hastings Street
Vancouver, British Columbia
Canada, V6C 2W2

2.2 Subsidiaries

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

Name of Company	Incorporated	% held
Endeavour Gold Corporation, S.A. de C.V.	Mexico	100
Minera Plata Adelante, S.A. de C.V.	Mexico	100
Minera Santa Cruz y Garibaldi, S.A. de C.V. (i)	Mexico	51
Refinadora Plata Guanacevi, S.A. de C.V.	Mexico	100
Metallurgica Guanacevi, S.A. de C.V.	Mexico	100
Endeavour Management Corp	Canada	100
Guanacevi Mining Service, S.A. de C.V.	Mexico	100
Recursos Humanos Guanacevi, S.A. de C.V.	Mexico	100
Exploraciones, S.A. de C.V	Mexico	100

(i) Endeavour has the right to purchase the remaining 49% of Minera Santa Cruz y Garibaldi, S.A. d e C.V.

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 operation of precious metal properties in Mexico.

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 US$1 million in mine exploration and development within one year. This was completed on January 28, 2006. The balance of the 49% interest could be purchased through the payment of a further US$3 million by instalments up to January 2008. 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 is scheduled for completion on January 28, 2008.

The Guanacevi Project has been the primary focus of business activity for the last 3 years - see Item 4.4 for further details.

Three Year History

2007 to April 10

March 8, 2007 the Company released an updated Statement of Reserves and Resources as at 31 Dec 2006 showing significantly higher reserves and resources at the Guanacevi Mines Project based on the results of drilling and development undertaken during 2006.

February 27, 2007 Endeavour signed a binding agreement of intent to purchase Unidad Bolanitos exploitation contracts over producing silver/gold mines and plant in the Guanajuato and La Luz silver district, Guanajuato State, Mexico for US$3.25 million cash and US$1.0 million of common stock of the Company.

January 30, 2007 Endeavour announced changes to its management and operations teams: John D Watkins to be appointed CFO upon receipt of Canadian and Mexican work permits; Jorge Luhan Acuna appointed General Manager, Guanacevi; and Marcos Garcia Chavez appointed Manager, Mexico Administration and Finance. In addition: Bruce Bried resigned as Vice President Mining following handover of these responsibilities to Dave Drips Vice President, Mexico Operations; Neil Marshall resigned as Mine Manager, Guanacevi; and Philip Yee will resign as CFO effective upon commencement of John Watkins appointment.

January 29, 2007 the Company's common shares commenced trading on the American Stock Exchange under the symbol EXK.

2006 Year

In 2006 the Company raised $28 million from private placements, $6.2 million from warrants, and $0.9 million from options.

October 24, 2006 Endeavour purchased the Arroyo Seco property in the south east Michoacan State, Mexico from Servicio Geológico Mexicano (The Mexican Geological Survey) for US$229,000 payable over 2 years plus 1% NSR production royalty.

October 11, 2006 Endeavour announced the appointment of David Drips as the new Vice President, Mexico Operations.

August 10, 2006 Endeavour acquired options to purchase La Aurora and El Cometa properties in the Parral district, Chihuahua State, Mexico for US$913,000 cash payable over 3 years.

August 3, 2006 Endeavour acquired an option to purchase Minas Nuevas properties in the Parral district, Chihuahua State, Mexico through the payment of US$3million cash over 30 months.

July 24, 2006 Endeavour completed the purchase of the Guanacevi Mill through the purchase of Metallugica Guancevi S.A. de C.V. which owned 49% of the Mill.

May 9, 2006 expanded and strengthened the Board of Directors through the appointment of Geoff Handley.

February 7, 2006, the shares of the Company were listed for trading on the Toronto Stock Exchange under the symbol EDR. Previously its shares were listed on the TSX Venture Exchange.

January 28, 2006, the Company completed the acquisition of 51% of the Guanacevi Mines Project.

2005 Year

In 2005 the Company raised $15.1 million from private placements, $6.1 million from warrants, and $1.8 million from options.

In October 2005, the Company acquired a mining lease on the El Porvenir property, Guanacevi district, Durango, Mexico. Under the lease agreement, the Company holds the exclusive right to mine the El Porvenir property for a 5-year period, which can be extended for another 5 years, by mutual agreement. The Company has agreed to mine El Porvenir at the rate of between 9,000 tonnes and 27,000 tonnes per quarter and to pay a 3% net smelter royalty from production

In August 2005, the Company entered into an option agreement to acquire a 100% interest in four silver properties, La Prieta, El Aguaje de Arriba, Ampliacion El Aguaje de Arriba and La Plata, in the Guanacevi District, Durango, Mexico, for US$100,000.

In August 2005, the shares of the Company were listed for trading on the Frankfurt Stock Exchange under the trading symbol EJD.

In July 2005, the Company entered into an option agreement to acquire a 100% interest in two silver properties, Porvenir Dos and La Sultana, in the Guanacevi District, Durango, Mexico, for US$137,500.

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"). Six of these properties form part of the producing Santa Cruz silver mine in which the Company already owns a 51% interest in the exploitation

lease and has the option to acquire the remaining 49% interest. This transaction effectively allowed the Company's wholly owned Mexican subsidiary, Minera Plata Adelante SA de CV, ("Adelante") to acquire the outright ownership of the six mineral concessions as well as a 4.5% net proceeds royalty from Peñoles' wholly owned Mexican subsidiary, Minera Capela S.A. de C.V. ("Capela"). Adelante will be required to send all mineral production from these properties to the Peñoles smelter in Torreon, Mexico, for smelting and refining. Capela will retain a 3% net proceeds royalty on future production after deduction of all shipping and smelting costs, including taxes and penalties if any. The Company has also formed a strategic alliance with Peñoles to acquire additional mining properties in Mexico. Peñoles has agreed to provide the Company with access to information on its portfolio of mineral concessions throughout Mexico. On each additional Peñoles property made available to the Company a purchase price may be negotiated, payable in common shares of the Company. If the Company acquires additional properties from third parties introduced by Peñoles, the Company will pay Peñoles a 5% fee on the cash purchase price, also payable in common shares of the Company. If Peñoles acquires property from a third party introduced by the Company, Peñoles will pay Endeavour a 5% fee on the cash purchase price. In compensation for the nine mining properties, certain mining equipment located thereon, and the formation of the strategic alliance, the Company issued 1,000,000 units to Peñoles in July 2005; each unit consisted of one common share and one warrant to purchase an additional common share at $2.10 until July 22, 2006 and thereafter at $2.30 until July 22, 2007.

On February 24, 2005 the Company announced changes and additions to its senior management team. Bradford Cooke the outgoing President became the Chairman and C.E.O. Godfrey Walton, M.Sc., P.Geo. took over as the new President and C.O.O. Other appointments included the appointment of Philip Yee as C.F.O., Bruce Bried as Vice President, Mining, responsible for overseeing the day-to-day operations of the Santa Cruz Mine and Guanacevi plant and Michael Rasmussen, as Vice President, Exploration, to oversee all exploration projects.

2004 Year

In 2004 the Company raised $10.7 million from private placements, $0.4 million from warrants, and $0.1 million from options.

In May 2004, the Company signed formal purchase agreements to acquire up to a 100% interest in the producing Santa Cruz silver-gold mine and Guanacevi mineral processing plant in Durango, Mexico. Terms of the agreement give the Company the option to pay US$4 million to the vendors and to invest US$1 million in mine exploration and development within one year in order to earn a 51% interest in these operating assets. The balance of the 49% interest can be earned by paying a further US$3 million over the remaining 3 years thereafter to January 2008. The Company paid US$1 million to the vendors on the signing of the agreements in May 2004. See Item 3.2 for further details.

3.2 Significant Acquisitions

Guanacevi Mines Project (Durango, Mexico)

In May 2004, the Company entered into option agreements to acquire a 100% interest in the outstanding shares of Minera Santa Cruz y Garibaldi SA de C.V (“Minera Santa Cruz”), which owns 100% of the producing Santa Cruz silver-gold mine located in Durango, Mexico. At the same time it entered into option agreements to purchase certain mining concessions and the Guanacevi mineral processing plant, also located in Durango, Mexico.

The payment schedule was as follows:

	Thousands of US$			
	Minera Santa Cruz	Processing Plant Refer note (i)	Mining concessions	Total
Initial option agreement - February 2004		57	43	100
Agreement		514	386	900
January 28, 2005	852	1,143	5	2,000
January 28, 2006	423	572	5	1,000
January 28, 2007	638	857	5	1,500
January 28, 2008	638	857	5	1,500
	2,551	4,000	449	7,000
51% ownership	1,275	2,286	439	4,000
100% ownership	1,276	1,714	10	3,000
	2,551	4,000	449	7,000

Note (i) The purchase of the processing plant was accelerated in 2006 through the acquisition of the company owning 49% of the asset and the elimination of the payments scheduled for January 20007 and January 2008.

In June 2005, the Company acquired an additional nine silver mining properties in the Guanacevi district, Durango, Mexico, from Industrias Peñoles S.A. de C.V. (“Peñoles”). Six of these properties form part of the producing Santa Cruz silver mine.

El Porvenir

In October 2005, the Company acquired a mining lease from Minera Tayahua, S.A. de C.V., on the El Porvenir property, Guanacevi district, Durango, Mexico. Under the lease agreement, the Company holds the exclusive right to mine the El Porvenir property until 2008.

Unidad Bolanitos

On February 27, 2007 Endeavour signed a binding agreement of intent to purchase Unidad Bolanitos exploitation contracts over producing silver/gold mines and plant in the Guanajuato and La Luz silver district, Guanajuato State, Mexico for US$3.25mill cash and US$1.0mill of common stock of the Company.

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 operation of mineral properties. The Company produces silver-gold from its underground mine at Guanacevi in Mexico.

Previously the Company focused its activities principally in Canada, but by the end of fiscal 2004 it had relinquished its remaining Canadian property and was active in seeking properties of merit in Mexico. This culminated in the Company entering into 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 acquisitions of the silver-gold mine and the processing plant has allowed the Company to become a primary silver producer, as well as to transform the Company from a mineral exploration company to an operating mining company.

In February 27, 2007 the Company signed a binding agreement of intent to purchase Unidad Bolanitos exploitation contracts over producing silver/gold mines and plant in the Guanajuato and La Luz silver district, Guanajuato State, Mexico

Number of Employees

The Company has approximately 360 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 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.

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 compete for nor 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. Hazards such as unusual or unexpected rock formations and other conditions can occur. 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, 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.

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.

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 as described under Item 4.4, none of the Company's properties have any defined ore-bodies with proven reserves. Unusual or unexpected geological structures or formations, fires, power outages, labour disruptions, floods, explosions, cave-ins, land slides, acts of God, 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 are other risks involved in the operation of mines and the conduct of exploration programs. The Company has relied, and may continue to rely, upon consultants and advisers for development and operating expertise.

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.

Calculation of Reserves and Resources and Precious Metal Recoveries

There is a degree of uncertainty attributable to the calculation and estimates of reserves and resources and their corresponding metal grades to be mined and recovered. Until reserves or resources are actually mined and processed, the quantities of mineralization and metal grades must be considered as estimates only.

Government Regulation

Operations, development and exploration on the Company's properties are affected to varying degrees by government regulations relating to such matters as environmental protection, health, safety and labour, mining law reform, restrictions on production, price controls, tax increases, maintenance of claims, tenure, 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. While the Company currently has been granted the requisite licenses and permits to enable it to carry on its existing business and operations, there can be no assurance that the Company will be able to obtain all the necessary licenses and permits which may be required to carry out exploration, development and mining operations for its projects.

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 future changes in environmental regulation, if any, 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 may exist on the Company's properties which are unknown to the Company at present which have been caused by previous or existing owners or operators of the properties.

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.

Uncertainty of Funding

The Company has limited financial resources, and the mineral claims in which the Company has an interest and an option to acquire an interest require financial expenditures to be made by the Company.

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

Industry Competition and Agreements with Other Parties

The mining industry is intensely competitive in all of its phases, and the Company competes with many companies possessing greater financial resources and technical facilities than itself. Competition in the mining business could adversely affect the Company's ability to acquire suitable producing properties or prospects for mineral exploration in the future.

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

Potential Conflicts of Interest

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

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

Foreign Countries and Regulatory Requirements

The Company's mining and exploration properties are located in Mexico, and mineral exploration and mining activities may be affected in varying degrees by political stability and government regulations relating to the mining industry. Any changes in regulations or shifts in political attitudes may vary from country to country and are beyond the control of the Company and may adversely affect its business. Operations may be affected in varying degrees by government regulations with respect to restrictions on production, price controls, export controls, income and other taxes and duties, expropriation of property, environmental legislation and mine safety. These uncertainties may make it more difficult for the Company to obtain any required production financing for its mineral properties.

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.

4.3 Asset-Backed Securities Outstanding

The Company does not have outstanding asset-backed securities.

4.4 Mineral Projects

The Company's sole reportable segment is mineral exploration and development of natural resources. The Company presently operates one mineral project and is in the process of acquiring other mineral projects.

Operating Mines

Guanacevi Mines Project

Ownership and Property Description:

Endeavour has ownership of the main producing underground mines through its 51% subsidiary Minera Santa Cruz y Garibaldi, S.A. de C.V. (North Porvenir mine) and its 100% subsidiary Minera Plata Adelante, S.A. de C.V. (El Porvenir Mine). Endeavour has the right to purchase the remaining 49% of the company Minera Santa Cruz y Garibaldi through a series of scheduled payments with the final payment due on January 28, 2008. The mill which processes the Guanacevi ore was also purchased through a series of scheduled payments and became 100% owned through the acquisition of Metalurgica Guanacevi, S.A. de C.V. in July 2006.

Location Access and Climate:

The mining district of Guanacevi is located in northwestern Mexico in the Durango State some 260 km northwest of the inland city of Durango. The Guanacevi Mines Project is located 3.6 km S58°W from the town of Guanacevi. Topographic co-ordinates of the project are 25°54'47"N latitude and 105°58'20"W longitude. The project lies at an average elevation of 2,370 m above sea level with temperatures dropping to 0% in winter and mild to hot in summer

The Guanacevi Mines Project is accessed by road journey of approx four and one half hours from Durango City via a paved highway. The city of Durango is reached by road via interstate highways and is connected by a regional air service to major Mexican cities and a direct international air service to the U.S.A.

The local town of Guanacevi has a population of approx 2,000.

Royalties and Encumbrances:

Production from the Guanacevi Mines Project is subject to a 3% net smelter return royalty payable to the previous owners of the mining concessions.

Taxation:

The principal taxes in Mexico affecting Endeavour include income tax, employee profit sharing taxes, annual fees for holding mineral properties, minimum asset company taxes, IVA, and payroll taxes.

History:

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 US$1 million in mine exploration and development within one year. This was completed on January 28, 2006. The balance of the 49% interest could be purchased through the payment of a further US$3 million by instalments up to January 2008. 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 is scheduled for completion on January 28, 2008.

The Guanacevi Project has been the primary focus of business activity for the last 3 years.

Geology and Mineralisation:

The Gunacevi deposit is a high-grade silver-gold, low sulphidation epithermal vein deposit, characterized by adularia-sericite alteration. The Santa Cruz vein is a silver-rich structure with lesser amounts of Au, Pb and Zn. Mineralization based on past production has averaged approximately 500 g Ag/t and 1 g Au/t over true widths averaging 3 m.

The Guanacevi veins are typical of other epithermal silver-gold vein deposits in Mexico in that they are primarily hosted in the Tertiary Lower Volcanic Series of andesite flows, pyroclastics and epiclastics overlain by the Upper Volcanic Series of rhyolite pyroclastics and ignimbrites. Evidence is accumulating in the Guanacevi District that mineralization is closely associated with a pulse of silicic eruptions that either signaled the end of Lower Volcanic magmatism or the onset of Upper Volcanic activity.

Low sulphidation epithermal veins in Mexico typically have a well defined, subhorizontal ore horizon about 300 m to 800 m in vertical extent where the bonanza grade ore shoots have been deposited due to boiling of the hydrothermal fluids. Neither the top nor the bottom of the Santa Cruz ore horizon have yet been found but given that high grade mineralization occurs over a 400 m vertical extent from the top of the Garibaldi shaft (South of Santa Cruz Mine) to below the Level 13 in Santa Cruz, erosion cannot have removed much of the ore horizon.

Principal mineralization in the Santa Cruz Mine area is an epithermal low-sulphidation, quartz-carbonate, fracture-filling, vein hosted by a fault-structure that trends about N 45° W (+/- 5°) and dips 65° (+/- 10°). The fault and vein comprise a structural system referred to locally as the SCV structure or SCV fault. The SCV structure has been traced 5 km along the trend and averages about 3.5 m in width. Mineralization in the system is not continuous, but occurs in steeply NW-raking shoots up to 200 meters in strike-length. A second vein, sub-parallel to the SCV but less continuous, is economically significant in the Porvenir Dos zone and in the northern portion of deep North Porvenir. It is referred to in both areas as the Footwall Vein, although in Porvenir Dos, the term "Conglomerate Vein" has also been employed.

Technical Reports

The Santa Cruz Mine and Guanacevi Plant, plus related mineral properties (including some properties in the area acquired subsequent to the initial agreements) being, together the Guanacevi Mines Project, are the subject of the following technical reports presumed by management to be compliant with National Instrument 43-101 ("**NI 43-101**"):

- A technical review titled "*A Technical Review of the Guanacevi Project*" dated March 12, 2004, as amended April 21, 2004, which was prepared by Velasquez Spring and Andrew Harasimowicz, both of Watts, Griffis and McOuat Limited, consulting geologists and engineers (the "**WGM Report**"), which had been filed with the applicable regulatory bodies in April 2004;

- A technical report titled "*Mineral Resource and Reserve Estimate, Guanacevi Project, Durango, Mexico*" dated March 31, 2006 and authored by Eric Olson, MAusIMM of Range Consulting Group LLP (the "**Range Report")**. The report was filed on Sedar on March 31, 2006; and

- A technical report updating the Mineral Reserves and Resource Estimates, Guanacevi Project, Durango Mexico as at December 31, 2006 The Qualified Persons who completed the audit of the reserves and resources are Jim Leader, P.Eng., William Lewis, P.Geo., and Dibya Kanti Mukhopadhyay, MAusIMM, of Micon International ("Micon"). {Note: Micon did not audit the Guanacevi stockpiles nor did they audit silver equivalents for this report.} The report will be released on Sedar on or before April 22, 2007.

Mineral Reserves

Guanacevi Mines Project
Statement of Reserves at 31 December 2006 (released March 8, 2007) (i)

Category	Zone	In-situ Tonnes & Grade				
		Tonnes	Silver (g/t)	Ounces Ag	Gold (g/t)	Ounces Au
Proven	Zone 1	0	0	0	0.00	0
	Zone 1- 2	91,436	513	1,508,049	0.92	2,718
	Zone 2	82,063	671	1,770,316	0.97	2,558
	Zone 3	182,498	483	2,833,911	0.91	5,314
	Zone 4	10,072	658	213,070	0.95	309
Total Proven		**366,069**	**537**	**6,325,346**	**0.93**	10,898
Probable	Zone 1	218,818	476	3,348,659	0.98	6,892
	Zone 1- 2	0	0	0	0	0
	Zone 2	0	0	0	0	0
	Zone 3	23,421	341	256,799	0.73	550
	Zone 4	0	0	0	0.00	0
Total Probable		**242,239**	**463**	**3,605,458**	**0.96**	7,442
Total Proven + Probable		**608,308**	**508**	**9,930,804**	**0.94**	18,319

Mineral Resources

Guanacevi Mines Project
Statement of Resources as at December 31, 2006 (Released March 8, 2007) (i)

Indicated Resources (Cut-off Grade 200 g/t Silver)

AREA	Million Tonnes	Silver (g/t)	Gold (g/t)	Silver Million oz	Gold Thousand oz
PORVENIR	1.38	300	0.46	13.33	20
PORVENIR DOS	0.22	349	0.66	2.47	5
SANTA CRUZ	0.33	391	0.69	4.21	7
ALEX BRECCIA	0.10	314	0.62	1.05	2
TOTAL	**2.03**	**327**	**0.54**	**21.06**	**34**

Inferred Resources (Cut-off 200 g/t Silver and within 75 m of the Indicated Boundary)

AREA	Million Tonnes	Silver (g/t)	Gold (g/t)	Silver Million oz	Gold Thousand oz
PORVENIR	0.68	284	0.58	6.19	13
PORVENIR DOS	-	-	-	-	-
SANTA CRUZ	0.22	379	0.62	2.67	4
ALEX BRECCIA	0.13	277	0.50	1.13	2
TOTAL	**1.03**	**323**	**0.60**	**9.99**	**19**

(i) The qualified persons who prepared the reports were Jim Leader P.Eng, William Lewis, B.Sc. P.Geo and Dibya Kanti Mukhopadhyay, MAusIMM of Micon International. The full report will be released on Sedar by April 22, 2007.

Mining

Production from Guanacevi in 2006 amounted to 1,352,661 oz silver (Ag) and 2,493 oz gold (Au), or 1,480,000 oz Ag equivalent using an equivalence ratio of 50 for Ag and 1 for Au. This production came from 117,255 tonnes of ore at an average grade of 449 g/t Ag and 0.80 g/t Au.

During 2006 the operations were carried out by a local Durango mining contractor under the supervision of Endeavour's mine management. The mining contract expired on 31 December 2006 and Endeavour then assumed the day to day mining operations. The mine is budgeted to produce 650-tpd of ore in 2007. The mining is accomplished using typical cut and full, utilizing rubber tired mobile equipment. The mine development consists of ramps, driven at a grade of +/-15%, and stope accesses driven off of the ramps, all of which are adjacent to the vein in the footwall side. Fill material is provided from the development of the underground ramps and accesses that are driven in waste.

Milling

The Endeavour mill is a typical Merrill-Crowe circuit. The mill was expanded from an average process rate of 420-tpd to 800-tpd at the end of 2006, and this upgrade was commissioned in February of 2007. The Merrill-Crowe circuit consists of a crushing, screening, and grinding circuit where the ore is reduced to a mesh size of 72% passing -200 mesh. The sized material then circulates in a leach circuit and is finally precipitated in a Merrill-Crowe unit, zinc dust being used to precipitate the silver and gold. The precipitate is smelted at the site using a gas fired induction furnace, producing a dore' that is 97% silver and over 2% gold. The tailing from the plant is deposited in a tailing facility adjacent to the plant.

The Endeavour plant also includes a typical two stage flotation circuit, a Lead-Silver circuit and a Zinc-Silver circuit. The flotation circuit can be used simultaneously with the Merrill-Crowe circuit or as an individual circuit. Thus, the Endeavour plant can process both oxide and sulphide type ores efficiently.

Environment, Health and Safety

Endeavour is actively developing a reclamation plan that will have expenditures during mining operations and in addition a final closure plan that is traditional for this type of facility. The Company is currently implementing environmental policies typical of North American mining companies such as accidental spill procedures and prevention, material containment procedures, and re-vegetation plans near active areas.

Endeavour has implemented many traditional North American safety programs since taking the operation over from the contractor at both the mine and plant. These programs include safety bonuses, development of a mine rescue team, new hire safety training, annual refresher training, and daily "toolbox" meetings. Additionally, the Company is actively testing employees for previous exposure to hazardous materials and there are two paramedics employed at the site.

Capital Expenditure

Endeavour has incurred significant capital expenditures in fiscal 2006 to assume mining operations and expand production and has budgeted significant capital expenditure in fiscal 2007 to further expand production.

The mine capital consists of the required off-vein mine development, the purchase of rubber tired mining equipment, the construction of an underground pumping facility to handle the predicted mine inflow, and the construction of a permanent mine camp that will house 100 mine employees.

The plant capital consists of expanding the beneficiation facility to handle 800-tpd, the leach and wash circuit is being modified to easily accommodate the pulp and solution associated with 800-tpd, a new Merrill-Crowe and refining facility, and a tailing pond expansion to provide tail storage.

Infrastructure capital consists of light vehicles, upgrade of the information systems, upgrade of the accounting system, and general ancillary projects associated with the site structures and roads.

Marketing

Products from the mine, principally dore, are sold under existing tied third party sales agreements for mine output.

ITEM 5: DIVIDENDS

5.1 Dividends

No dividends have been declared during the past three fiscal years covering the period beginning March 1, 2004 and ending December 31, 2006. 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 capital structure is comprised of only one class of shares. The Company's authorized share capital is comprised of an unlimited number of common shares without par value.

As at March 23, 2007, the Company has 43,682,802 common shares issued and outstanding.

The following table provides a summary concerning the Company's share capital as of December 31, 2006:

	December 31, 2006
Authorized share capital	Unlimited number of common shares without par value
Number of shares issued and outstanding	42,373,988 common shares without par value

All common shares of the Company rank equally as to dividends, voting powers 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 TSX Toronto Stock Exchange (the " **TSE**") under the symbol "EDR". The Company listed on the TSE and delisted from the TSX Venture Exchange on February 7, 2006. The Company listed on the American Stock Exchange on January 29, 2007 under the symbol EXK.

The price ranges in Canadian $ and volume traded on the TSE for the most recently completed fiscal period ended December 31, 2006 and the months of January and February 2007 are set out below:

Date	Open	High	Low	Close	Volume Traded
Feb-07	4.80	5.92	4.77	5.36	6,314,206
Jan-07	4.61	5.14	3.76	4.80	4,912,464
Dec-06	5.05	5.17	4.14	4.53	2,942,823
Nov-06	4.24	5.19	3.93	5.09	3,647,629
Oct-06	3.71	4.17	3.26	4.17	3,610,175
Sep-06	3.62	4.07	3.16	3.65	3,295,163
Aug-06	3.59	3.94	3.21	3.49	2,823,192
Jul-06	3.60	3.72	2.95	3.51	2,532,384
Jun-06	3.75	3.79	2.60	3.48	4,564,646
May-06	4.73	5.39	3.18	3.75	7,160,832
Apr-06	4.85	4.99	4.18	4.69	7,416,245
Mar-06	3.45	5.18	3.42	4.75	11,878,007
* Feb-06	3.28	3.71	2.60	3.50	7,935,800
* Jan-06	2.69	3.19	2.40	3.17	4,152,200

* The Company listed on the TSE and delisted from the TSX Venture Exchange on February 7, 2006.

The price ranges in US$ and volume traded on the American Stock exchange since listing are:

Date	Open	High	Low	Close	Volume Traded
Feb-07	4.80	5.11	4.10	4.60	4,278,551
* Jan-07	4.22	4.22	3.97	4.09	698,100

* The Company was listed on the AMEX on January 29, 2007.

ITEM 8: ESCROWED SECURITIES

8.1 Escrowed Securities

Escrowed Securities	
Designation of class	Common shares without par value
Number of securities held in escrow	93,750
Percentage of class	0.21% (as of March 23, 2007)

As at April 24, 2006, the Company has a total of 93,750 common shares held in escrow, the release of which is subject to regulatory approval. The escrow agent is Computershare Trust Company of Canada

ITEM 9: DIRECTORS AND OFFICERS

9.1 Name, Occupation and Security Holding

The following is a list of the current directors and 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	President, CEO and Director of Canarc Resource Corp.	Director, Chairman and Chief Executive Officer (From July 25, 2002)	1,460,150 (3.32 %)
Godfrey J. Walton British Columbia, Canada	President, G.J. Walton & Associates Ltd.	Director, President and Chief Operating Officer (From July 25, 2002)	208,900 (0.48%)
Leonard Harris (1) Colorado, USA	Retired, and Director of Glamis Gold Ltd., Corriente Resources Inc., Solitario Resources Corp., Cardero Resources Corp., Alamos Minerals Ltd, Alamos Gold Inc., Canarc Resource Corp., Sullidan Exploration Inc., IMA Exploration Inc., Morgain Minerals Inc., Indico Resources Ltd, Aztec Metals Corp.	Director (From July 24, 2003)	15,000 (0.03%)
Mario D. Szotlender (1) Caracas, Venezuela	President, Tombstone Explorations Co. Ltd.	Director (From July 25, 2002)	69,200 (0.32%)

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)
Geoff Handley (1) Sydney, Australia	Past EVP Strategic Development, Placer Dome Inc., Currently Director of Eldorado Gold Ltd, Pan Australian Resources Limited, Boart Longyear Limited, Oryx Mining and Exploration Ltd.	Director (From June 14, 2006)	0
Stewart L. Lockwood British Columbia, Canada	Lawyer, Vector Corporate Finance Lawyers from 2001 and was in house counsel for Canarc Resource Corp prior thereto	Corporate Secretary (From July 25, 2002)	27,226 (0.06%)
Philip Yee British Columbia, Canada	Canarc Resource Corp. and Endeavour Silver Corp. (Controller – From 2003 to present) Augusta Group (Controller – From 1997 to 2003)	Chief Financial Officer (From February 2005)	51,800 (0.12%)
Michael Rasmussen Durango, Mexico	Exploration work for Echo Bay Mines and then Kinross Gold Corporation between 1990 and 2004	Vice President, Exploration (From January, 2005)	20,000 (0.5%)
David Drips Washington USA, Mexico	General Manager Pan American Silver	Vice President, Mexico (From November 1, 2006)	0
Bruce Bried British Columbia, Canada	Homestake Mining Company, mine superintendent, 1992 to 2001, Kinross Gold Corporation, operating manager, 2002 to 2004	Vice President, Mining (From March, 2005 to February,15 2007)	0

(1) Audit Committee members.

(2) As at March 23, 2007

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

As of the date hereof, the Company has two executive committees: A Compensation Committee and a Nominating Committee.

Directors' Terms of Office

The directors have served as directors of the Company since the date shown above and their terms of office expire at the beginning of the next annual general meeting.

Control of Securities

The directors and officers of the Company beneficially own, directly or indirectly, have control of or direction over an aggregate of **1,852,000** common shares of the Company, representing approximately 4.2 **%** of the issued and outstanding common shares as at March 23, 2007.

9.2 Cease Trade Orders, Bankruptcies, Penalties or Sanctions

As at the date of the AIF and during the 10 years prior to the date of the AIF, none of the directors or officers of the Company or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company:

(a) is or has been a director or executive officer of any company (including the Company), that while that person was acting in that capacity:

(i) was the subject of a cease trade order or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days;

(ii) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days; or

(iii) 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 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 the director, officer or shareholder.

Subsequent to December 31, 2000, no director, officer or promoter of the Company or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, is or has:

(a) been the subject of 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

(b) 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 making an investment decision.

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

Within the fiscal period ended December 31, 2006 and the ten month period ended December 31, 2005, and fiscal period ended February 28, 2005, the Company does not have nor employed any person or company acting or performing as a promoter for the Company.

ITEM 11: LEGAL PROCEEDINGS

11.1 Legal Proceedings

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

ITEM 12: INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

12.1 Interest of Management and Others in Material Transactions

Other than as set forth below and in this AIF and in the Company’s audited financial statements for the period ended December 31, 2006 and other than transactions carried out in the ordinary course of business of the Company or its subsidiary, within the recently completed financial period ended December 31, 2006, for the ten months ended February 28, 2005 and the fiscal year ended February 28, 2005, none of the following:

(a) director or executive officer of the Company;

(b) a person or company that is direct or indirect beneficial owner of, or who exercises control or direction over, 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),

has, to the best of the Company's knowledge, any material interest, direct or indirect, in any transaction that has materially affected or will materially affect the Company and its subsidiary.

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

ITEM 13: TRANSFER AGENT AND REGISTRAR

13.1 Transfer Agent and Registrar

The Company's transfer agent and registrar is:

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

ITEM 14: MATERIAL CONTRACTS

14.1 Material Contracts

There are no other contracts, other than those herein disclosed in this AIF and other than those entered into in the ordinary course of the Company's business, that are material to the Company and which were entered into in the most recently completed fiscal period ended December 31, 2006 or before or after the most recently completed financial period and still in effect as of the date of this AIF apart from the following:

1. **Special Warrant Indenture** dated April 24, 2006 between the Company and Computershare Trust Company of Canada to set out the relationship between the two parties and the special warrant holders that received special warrants pursuant to the special warrant financing announced March 31, 2006 and completed, in part, on April 24, 2006. Fees to be paid by the Company to Computershare Trust Company of Canada are in accordance with industry standards. For further details see Item 3.1, third paragraph and the Company's Material Change Report as filed on SEDAR on April 26, 2006, as set out in Item 1.1.

2. **Warrant Indenture** dated April 24, 2006 between the Company and Computershare Trust Company of Canada to set out the relationship between the two parties and the warrant holders that will receive warrants pursuant to the special warrant financing announced March 31, 2006 and completed, in part, on April 24, 2006. Fees to be paid by the Company to Computershare Trust Company of Canada are in accordance with industry standards. For further details see Item 3.1, third paragraph and the Company's Material Change Report as filed on SEDAR on April 26, 2006, as set out in Item 1.1.

3. **Agency Agreement** dated April 24, 2006 between the Company and the agents, Salman Partners Inc. BMO Nesbitt Burns Inc., Dundee Securities Corporation and Canaccord Capital Corporation (together the "Agents"), in relation to the special warrant financing announced March 31, 2006 and completed, in part, on April 24, 2006. For further details see Item 3.1, third paragraph and the Company's Material Change Report as filed on SEDAR on April 26, 2006, as set out in Item 1.1.

4. **Agreement** dated February 27, 2007 Intent to Purchase Unidad Bolanitos exploitation contracts over producing silver/gold mines and plant in the Guanajuato and La Luz silver district, Guanajuato State, Mexico for US$3.25mill cash and US$1.0mill of common stock of the Company.

Items 3.1, 3.2 and 4.4 provide further details of material contracts.

ITEM 15: INTERESTS OF EXPERTS

15.1 Names of Experts

KPMG LLP are the external auditors of the Company and reported on the fiscal 2006 audited financial statements of the Company. See Item 1.1.

"Technical Report on the Guanacevi Project, Durango, Mexico" dated March 31, 2006, (the "Technical Report") relating to the Guanacevi project and prepared by Arnt Eric Olson, AusIMM of Range Consulting Group, LLP, was filed with securities regulators on March 31, 2006. See Item 1.1.

15.2 Interests of Experts

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

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

ITEM 16: ADDITIONAL INFORMATION

16.1 Additional Information

Additional information relating to the Company are as follows:

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

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

(c) is also provided in the Company's financial statements and management discussion and analysis for its most recently completed financial period ended December 31, 2006.



Consolidated Financial Statements

Year Ended December 31, 2006,

Ten Months Ended December 31, 2005

and

Year Ended February 28, 2005

LETTER TO SHAREHOLDERS

Bradford Cooke, Chairman and CEO of Endeavour Silver Corp. (“Endeavour”), is pleased to provide shareholders with the following annual overview of Endeavour for 2006.

Endeavour enjoyed a great year in exploration at Guanacevi in 2006, and a very good year at the Porvenir mine, but experienced a challenging year at the Guanacevi plant. Fortunately, by staffing up to meet the challenges of aggressive growth, Endeavour has successfully overcome the plant challenges and production is now ahead of schedule for 2007. Shareholders can look forward to another banner year of growth in 2007 thanks to the talented and hard working Endeavour operations team in Mexico.

In 2006, production from the Guanacevi Mine in Durango, Mexico rose 42% to 1.35 million oz silver (Ag) and 2,493 oz gold (Au). This amounted to 1.48 million oz Ag equivalents at a 50 silver: 1 gold ratio. The Guanacevi plant processed 117,255 dry tonnes grading 449 gpt Ag and 0.90 gpt Au and metal recoveries averaged 80% silver and 73% gold.

Production at Guanacevi came primarily from the Porvenir mine, which produced 153,794 tonnes at an average grade of 425 gpt Ag and 0.84 gpt Au for a total of 1.91 million oz silver and 2,449 oz gold. Stockpiles increased by 46,891 tonnes and at year end contained 57,643 tonnes grading 308 gpt silver or 570,805 oz silver.

Mill throughput fell short of mine production due to the delayed installation and commissioning of the additional larger ball mill and related facilities planned for completion in 2006 in order to double the production capacity. The ore stockpiles will be milled in 2007 following successful commissioning of the new mill in early 2007.

Endeavour enjoyed another year of exceptional exploration success highlighted by the tripling of reserves and resources at the Guanacevi Project through an aggressive drilling program. Exploration and infill drilling in 2006 amounted to 38,121 m of core in 163 drill holes, most which were in the Guanacevi area.

Proven and probable reserves jumped 285% to 9.93 million oz silver at year-end from 3.48 million oz silver in March 2006 (notwithstanding the 2006 mine production to the plant plus stockpiles, estimated to total 1.9 million oz silver). The in-situ reserves total 608,308 tonnes ore grading 508 gpt silver and 0.94 gpt gold (16.2 oz per ton Ag equivalents).

Indicated resources rose from nil in March 2006 to 21.06 million oz silver at year-end 2006, contained in 2.03 million tonnes grading 327 gpt silver and 0.54 gpt gold (10.3 oz per ton Ag equivalents). Inferred resources dipped minimally to 9.99 million oz silver contained in 1.03 million tonnes grading 323 gpt silver and 0.60 gpt gold (10.3 oz per ton Ag equivalents).

Other operating highlights in 2006 included:

- **Safety**: Reduced lost time accidents per manday
- **Environmental**: Planted 3,000 pine seedlings for a total of 9,000 since 2004
- **Community:** Sponsored 2 student scholarships to attend college
- **Exploration**: Drilled 38,000 m in 163 holes
- **Development**: Drove 6,800 m of underground ramps, sills, and raises

- **Mine Projects:**
    - Purchased 6 new scoop trams and ordered 2 new jumbo drills
    - Built 2 new underground electrical substations
    - Refurbished the mine offices
- **Mill Projects**
    - Initiated plant expansion program including a 10 ½ x 12 foot ball mill
    - Built new electrical substation
    - Upgraded the plant laboratory

The Guanacevi Mine operations were consolidated after February 1, 2006 when Endeavour secured its 51% interest from a scheduled option payment. A subsequent option payment due in February 2007 has been satisfied by the issue of Endeavour shares and the Company will attain 100% of the properties in February 2008 through a final scheduled option payment.

The Guanacevi Mill became 100% owned from July 2006 through the acquisition of the vendor company and its remaining 49% interest.

Cash operating costs averaged US$6.55 per oz. silver net of gold credits and silver sales averaged US$12.51 per oz. Operating costs were higher than expected due to an increase in labour costs as the mine moved from contract to employee labour, and higher plant costs due to the lack of plant availability during the mill expansion program. The Company is poised to increase production significantly. Management expects operating costs to decline below $6 per oz by the end of 2007.

At December 31, 2006, Endeavour held CAD$44.5 million in working capital, including CAD$37.1 million in cash and cash equivalents.

In February 2006, the Company's common shares were listed for trading on the Toronto Stock Exchange under the symbol "EDR" and on January 29, 2007, Endeavour's common shares were listed and commenced trading on the American Stock Exchange under the symbol "EXK".

In 2007, the Guanacevi Project is expected to produce 2.6 million oz. of silver and additional silver production is anticipated from the recently acquired Unidad Bolanitos mines project in Guanajuato. The Guanacevi plant expansion program will continue with emphasis on improving metal recoveries by upgrading the performance of the CCD leach, Merrill Crowe precipitation and refinery circuits to produce dore bars. The development of another silver mine at Guanacevi for production later this year in order to help fill the expanded plant to capacity is now being evaluated as part of the 5 year mine plan.

I would like to take this opportunity to thank all of our shareholders for their support during the year and I would also like to thank all of our dedicated employees for their loyalty and hard work.

On Behalf of the Board of Directors

ENDEAVOUR SILVER CORP.

/s/ Bradford J. Cooke

Bradford J. Cooke
Chairman and CEO

April 10, 2007

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

Management is responsible for establishing internal controls over financial reporting for the Company. Management has designed and implemented internal controls over financial reporting (ICFR) that provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP.

The Audit Committee of the Board of Directors meets periodically with management and the Company's independent auditors to review the scope and results of their annual audit and to review 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 is appointed by the Board of Directors and all of its members are independent directors. The Audit Committee is responsible for engaging or re-appointing the external auditors.

The consolidated financial statements have been approved by the Board of Directors on the recommendation of the Audit Committee.

The consolidated financial statements have been audited by external auditors, KPMG LLP, in accordance with Canadian generally accepted auditing standards. KPMG LLP has full and free access to the Audit Committee.

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AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of Endeavour Silver Corp. as at December 31, 2006 and 2005 and the consolidated statements of operations, shareholders' equity and deficit and cash flows for the year ended December 31, 2006, the ten month period ended December 31, 2005 and the year ended February 28, 2005. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2006 and 2005 and the results of its operations and its cash flows for the year ended December 31, 2006, the ten month period ended December 31, 2005 and the year ended February 28, 2005 in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Vancouver, Canada
March 30, 2007, except as to note 15 which is as of April 2, 2007

KPMG LLP, a Canadian owned limited liability partnership established under the laws of Ontario, is the Canadian member firm of KPMG International, a Swiss nonoperating association.

ENDEAVOUR SILVER CORP.
CONSOLIDATED BALANCE SHEET
(expressed in thousands of Canadian dollars)

	Notes	As at December 31 2006	2005
ASSETS			
Current assets			
Cash and cash equivalents		**$ 37,137**	$ 18,476
Marketable securities	4	**3,506**	-
Accounts receivable and prepaids	5	**3,614**	1,739
Inventories	6	**3,797**	85
Due from related parties	11	**40**	5,688
Total current assets		**48,094**	25,988
Mineral property, plant and equipment	7	**25,246**	4,412
Total Assets		**$ 73,340**	$ 30,400
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		**$ 3,541**	$ 1,343
Income taxes payable		**5**	-
Total current liabilities		**3,546**	1,343
Asset retirement obligations	8	**1,112**	-
Future income tax liability	12	**3,463**	-
Total liabilities		**8,121**	1,343
Non-controlling interest		**1,311**	-
Shareholders' equity			
Common shares, unlimited shares authorized, no par value, issued and outstanding 42,373,988 shares (2005 - 32,366,330 shares)	9	**75,395**	39,706
Contributed surplus		**5,868**	2,558
Deficit		**(17,355)**	(13,207)
Total shareholders' equity		**63,908**	29,057
		$ 73,340	$ 30,400

Nature of Operations (note 1)
Commitments and contingencies (notes 3 and 7)
Subsequent events (note 15)

See accompanying notes to the consolidated financial statements

Approved on behalf of the Board

/s/ Bradford Cooke
Director

/s/ Godfrey Walton
Director

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

	Notes	Year Ended December 31, 2006	Ten Months Ended December 31, 2005	Year Ended February 28, 2005
Sales		**$ 17,768**	**$ -**	**$ -**
Cost of sales		**10,401**	**-**	**-**
Depreciation and depletion		**2,992**	**-**	**-**
General and administrative		**2,891**	2,571	1,122
Corporate development		**521**	97	303
Stock-based compensation		**3,994**	1,372	1,499
Impairment of mineral properties		**-**	-	43
Operating loss		**3,031**	**4,040**	**2,967**
Foreign exchange gain (loss)		**560**	(415)	75
Income (loss) from property option interest	7(b)	**138**	(1,353)	-
Investment and other income		**1,094**	139	327
Loss before taxes and other items		**1,239**	**5,669**	**2,565**
Non-controlling interest		**1,311**	-	-
Income tax provision	12	**1,598**	**-**	-
Loss for the period		**$ 4,148**	$ 5,669	$ 2,565
Basic and diluted loss per share		**$ 0.11**	$ 0.23	$ 0.15
Weighted average number of shares outstanding		**37,713,913**	24,518,980	17,664,000

See the accompanying notes to the consolidated financial statements.

ENDEAVOUR SILVER CORP.
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY AND DEFICIT
(expressed in thousands of Canadian dollars, except share amounts)

	Notes	Year Ended December 31, 2006	Ten Months Ended December 31, 2005	Year Ended February 28, 2005
Common shares, opening		**$ 39,706**	$ 16,708	$ 5,462
Issued on private placement	9(b)	**25,913**	13,354	10,699
Exercise of options	9(c)	**945**	1,792	112
Exercise of warrants	9(e)	**6,161**	6,122	435
Issued on acquisition of mineral properties	3 and 7	**2,516**	1,730	-
Share appreciation rights		**154**		
Common shares, closing		**75,395**	39,706	16,708
		32,366,330	20,873,269	11,131,550
Issued on private placement	9(b)	**6,333,200**	6,000,000	7,264,719
Exercise of options	9(c)	**282,500**	793,000	419,000
Exercise of warrants	9(e)	**2,579,366**	3,700,061	2,058,000
Issued on acquisition of mineral properties	3 and 7	**671,558**	1,000,000	-
Share appreciation rights	9(d)	**141,034**		
Number of common shares, closing		**42,373,988**	32,366,330	20,873,269
Contributed surplus, opening		**2,558**	1,665	202
Stock based compensation	9(c)	**3,994**	1,371	1,499
Fair value of warrants issued for mineral properties		**(147)**	260	-
Exercise of share purchase options		**(383)**	(738)	(36)
Share Appreciation Rights		**(154)**		
Contributed surplus, closing		**5,868**	2,558	1,665
Deficit, opening		**(13,207)**	(7,538)	(4,973)
Loss for the period		**(4,148)**	(5,669)	(2,565)
Deficit, closing		**(17,355)**	(13,207)	(7,538)
Shareholders' equity		**$ 63,908**	$ 29,057	$ 10,835

See the accompanying notes to the consolidated financial statements.

ENDEAVOUR SILVER CORP.
CONSOLIDATED STATEMENT OF CASH FLOW
(expressed in thousands of Canadian dollars)

	Notes	Year Ended December 31, 2006	Ten Months Ended December 31, 2005	Year Ended February 28, 2005
Operating activities				
Loss for the period		**$ (4,148)**	$ (5,669)	$ (2,565)
Items not affecting cash:				
Stock-based compensation		**3,994**	1,372	1,499
Depreciation and depletion		**2,992**	20	5
Non-controlling interest		**1,311**	-	-
Future income tax expense		**1,593**	-	-
Loss on marketable securities		**200**	-	-
Write-off of mineral properties		**-**	-	43
Net changes in non-cash working capital	10	**(3,395)**	(179)	(302)
Cash from (used for) operations		**2,547**	**(4,456)**	**(1,320)**
Investing activites				
Property, plant and equipment expenditures		**(12,740)**	(706)	(5,095)
Acquisition of subsidiary, net of cash acquired ($941)		**(76)**	-	-
Due from related party		**-**	(1,849)	(380)
Investment in marketable securities		**(3,911)**	-	-
Proceeds from sale of marketable securities		**205**	-	-
Cash used in investing activities		**(16,522)**	(2,555)	(5,475)
Financing activities				
Common shares issued		**34,722**	20,529	11,210
Issuance costs		**(2,086)**	-	-
Cash from financing activites		**32,636**	20,529	11,210
Increase in cash and cash equivalents		**18,661**	13,518	4,415
Cash and cash equivalents, beginning of period		**18,476**	4,958	543
Cash and cash equivalents, end of period		**$ 37,137**	$ 18,476	$ 4,958

See the accompanying notes to the consolidated financial statements.

1. NATURE OF OPERATIONS

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

The Company has acquired interests in additional mineral properties and has not yet determined whether these properties contain ore reserves that are economically recoverable. The recoverability of amounts capitalized for mineral properties is dependent upon the existence of economically recoverable reserves in its mineral properties, the ability of the Company to arrange appropriate financing to complete the development of its properties, confirmation of the Company's interest in the underlying properties, the receipt of necessary permitting and upon future profitable production or proceeds from the disposition of these interests.

These financial statements have been prepared on a going concern basis, which assumes the realization of assets and liquidation of liabilities in the normal course of business. The Company has incurred significant operating losses to date. At December 31, 2006, the Company had working capital of approximately $44 million, which is expected to be sufficient to fund its operations in the 2007 fiscal year. Management recognizes that the Company may need to generate additional financial resources in order to meet its planned business objectives in the longer term. The Company has financed its activities principally by the sale of equity securities (Note 9(b)). The Company's ability to continue as a going concern may be dependent on the Company's ability to raise equity financing and the attainment of profitable operations. However, there can be no assurances that the Company will continue to obtain adequate additional financing and/or achieve profitability or positive cash flows. Furthermore, failure to continue as a going concern would require that the Company's assets and liabilities be restated on a liquidation basis which would differ significantly from the going concern basis.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). Significant measurement differences from United States GAAP are described in Note 14 to these financial statements. In 2005, the Company changed its fiscal year-end from February 28 to December 31. During the transition year, the Company's financial position is as at December 31, 2005 and the results of its operations and its cash flows are for the period from March 1, 2005 to December 31, 2005. These consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany transactions and balances have been eliminated.

(b) Use of estimates

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

(c) Revenue recognition

Estimated 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. Estimated revenue is subject to adjustment upon final settlement of metal prices, weights and assays.

(d) Cash and cash equivalents

Cash and cash equivalents consist of deposits in banks and highly liquid investments with an original maturity of ninety days or less.

2. **SIGNIFICANT ACCOUNTING POLICIES** (continued)

(e) **Marketable securities**

Marketable securities include investments in shares of companies and other investments capable of reasonably prompt liquidation. Share investments are carried at the lower of cost and quoted market value at the reporting date. Short- term investments are carried at the lower of cost plus accrued interest and quoted market value.

(f) **Inventories**

Product inventories are valued at the lower of average production cost and net realizable value. In-process inventories, including ore stockpiles are valued at the lower of production cost and net realizable value, after an allowance for further processing costs. Finished goods inventory 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.

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

Mineral properties have been capitalized on an area of interest basis and include direct costs of acquiring, maintaining and exploring properties, the costs of structures and equipment which are employed directly in the exploration process and other direct costs related to specific properties. All other costs, including administrative overhead, are expensed as incurred.

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

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

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

Plant and equipment are recorded at cost and are amortized using the straight-line method at rates varying from 5% to 30% annually.

(h) **Asset retirement obligations**

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

2. **SIGNIFICANT ACCOUNTING POLICIES** (continued)

(i) **Stock-based compensation**

The Company has a share option plan which is described in Note 9(c). The Company records all stock-based compensation for options using the fair value method. Under the fair value method, stock-based payments are measured at the fair value of the consideration received or the fair value of the equity instruments issued or liabilities incurred, whichever is more reliably measurable, and are charged to operations over the vesting period. The offset is credited to contributed surplus. Consideration received on the exercise of stock options is recorded as share capital and the related contributed surplus is transferred to share capital.

(j) **Income taxes**

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

(k) **Loss per share**

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

(l) **Foreign currency translation**

The Company uses the Canadian dollar as its reporting currency, and accounts denominated in currencies other than the Canadian dollar have been translated as follows:

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

Exchange gains and losses are recorded in the statement of operations in the period in which they occur.

(m) **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. It is not practicable to determine the fair values of amounts due from related parties due to their related party nature and the absence of a secondary market for such instruments. The fair value of marketable securities is disclosed in Note 4.

(n)

Comparative figures

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

3.

BUSINESS ACQUISITION AND SIGNIFICANT ASSET ACQUISITIONS

In May 2004, the Company entered into option agreements to acquire a 100% interest in the outstanding shares of Minera Santa Cruz y Garibaldi SA de C.V ("Minera Santa Cruz"), which owns 100% of the producing Santa Cruz silver-gold mine located in Durango, Mexico. At the same time it entered into option agreements to purchase certain mining concessions and the Guanacevi mineral processing plant, also located in Durango, Mexico.

The payment schedule was as follows:

	US$ - 000's			
	Minera Santa Cruz (notes 3(a) and (d))	Processing Plant (notes 3(b) and (d))	Mining concessions (note 3(c))	Total
Initial option agreement - February 2004	$ -	$ 57	$ 43	$ 100
Agreement		514	386	900
January 28, 2005	852	1,143	5	2,000
January 28, 2006	423	572	5	1,000
January 28, 2007 (1)	638	857	5	1,500
January 28, 2008 (1)	638	857	5	1,500
	$ 2,551	$ 4,000	$ 449	$ 7,000
51% ownership	1,275	2,286	439	4,000
100% ownership	1,276	1,714	10	3,000
	$ 2,551	$ 4,000	$ 449	$ 7,000

(1) 2007 and 2008 processing plant payments are no longer due. See note 3(b)

(a)

Minera Santa Cruz – Payments prior to 2006 were advances, with ownership of 51% of Minera Santa Cruz fully vesting to the Company upon completion of the January 28, 2006 payment. The remaining 49% will vest upon completion of the 2008 payment. Prior to December 31, 2005, the Company had accounted for its 51% option interest in Minera Santa Cruz as an interest in mineral properties on its balance sheet. In 2006, with the completion of the acquisition of the 51% of Minera Santa Cruz, the Company has accounted for this acquisition using the purchase method of accounting and the accounts of Minera Santa Cruz have been consolidated with those of the Company effective January 28, 2006. Subsequent to year end, the January 28, 2007 payment was made with 176,201 shares in lieu of cash. For further information see note 3(d).

(b)

Processing plant - The Company acquired a 51% beneficial ownership interest in these assets on January 28, 2006 on payment of $2,628,000. Prior to December 31, 2005, the Company had accounted for its 51% option interest in the processing plant as an interest in mineral properties on its balance sheet. In 2006, the Company has accounted for this acquisition as a purchase of an asset and accordingly has reclassified $1,965,000 from mineral properties to plant and equipment

The remaining 49% interest in the asset was to be transferred upon completion of the 2008 payment. However in July 2006, the Company acquired 100% of the shares of the company that owned the plant, Metalurgica Guanacevi, S.A. de C.V. ("Metalurgica"), for $2.9 million comprised of cash of $499,000 and 671,558 units at a market price of $3.53 per unit. Each unit was comprised of one common share and one-quarter of a common share purchase warrant; each full warrant can be exercised to purchase one common share at an exercise price of $3.70 until August 23, 2007. As the acquisition of 100% of Metalurgica constituted the acquisition of a business, the Company has accounted for this acquisition using the purchase method of accounting and the accounts of Metalurgica have been consolidated with those of the Company effective July 1, 2006. For further information see note 3(d).

3. **BUSINESS ACQUISITION AND SIGNIFICANT ASSET ACQUISITIONS** (continued)

(c) Mining concessions - The Company acquired a 51% beneficial ownership interest in the mining concessions on January 28, 2006 on completion of initial payments totaling US$439,000. The remaining 49% beneficial ownership interest in the mining concessions can be acquired by January 28, 2008 through annual payments totaling US$10,000.

(d) The following table sets forth a preliminary allocation of the purchase price to assets acquired and liabilities assumed, based on preliminary estimates of fair value. Final valuation estimates of mineral properties, contingencies and future income tax assets/liabilities are not yet complete due to inherent complexity associated with the valuations. The purchase price allocation is preliminary and subject to adjustment on completion of the valuation process and analysis of resulting tax effects; such adjustments could be material to these financial statements.

The preliminary fair value of assets and liabilities acquired and the consideration paid is as follows:

	51% of Minera Santa Cruz (note 3(a))	100% of Metalurgica (note 3(b))
Fair value of assets acquired		
Assets:		
Cash	$ 360	$ 194
Receivables and prepaids	88	29
Inventories	151	240
Ore processing mill	-	4,744
Mineral properties	8,416	-
Liabilities:		
Accounts payables and other accrued liabilities (1)	(6,369)	(182)
Asset retirement obligation	(31)	(1,003)
Future income tax liability	(1,055)	(1,153)
	$ 1,560	$ 2,869
Consideration given		
Cash consideration	$ 518	$ 499
Unit consideration	-	2,370
Advances on acquisition	1,042	-
	$ 1,560	$ 2,869

(1) Accounts Payable in Minera Santa Cruz includes $5,688,000 of amounts loaned to this company by the Company for exploration/development expenditures in the period from May 28, 2004 to January 28, 2006 and which are recorded at the recoverable amount.

4.

MARKETABLE SECURITIES

	December 31	
	2006	**2005**
Investment in shares of companies, at cost	$ 3,706	$ -
Cumulative write-downs	(200)	-
	$ 3,506	$ -

The quoted market value of shares of companies is approximately $4.2 million at December 31, 2006.

5.

ACCOUNTS RECEIVABLE

	December 31	
	2006	**2005**
Trade Receivables	$ 1,133	$ -
IVA Receivables	2,038	1,234
Other Receivables	258	430
Prepaids and Advances	185	75
	$ 3,614	$ 1,739

6.

INVENTORIES

	December 31	
	2006	**2005**
Stockpiled ore	$ 2,833	$ -
Materials and supplies	528	-
Finished goods	300	85
In- circuit	136	-
	$ 3,797	$ 85

7.

MINERAL PROPERTY, PLANT AND EQUIPMENT

Mineral property, plant and equipment comprise:

	December 31, 2006			**December 31, 2005**		
	Cost	**Accumulated amortization**	**Net book value**	**Cost**	**Accumulated amortization**	**Net book value**
Properties (note 3(a))	**$ 16,053**	**$ 2,991**	**$ 13,062**	$ 2,040	$ -	$ 2,040
Mill	**10,103**	**751**	**9,352**	2,270	185	2,085
Machinery and equipment	**2,357**	**39**	**2,318**	134	6	128
Transportation and vehicles	**360**	**63**	**297**	131	17	114
Buildings	**156**	**5**	**151**	24	1	23
Office equipment	**80**	**14**	**66**	25	3	22
	$ 29,109	**$ 3,863**	**$ 25,246**	$ 4,624	$ 212	$ 4,412

(a)

Guanacevi properties and plant (Durango, Mexico)

See note 3, Business acquisitions and significant asset acquisitions to these financial statements for a discussion of the acquisition of these assets.

7.

MINERAL PROPERTY, PLANT AND EQUIPMENT (continued)

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"). Six of these properties form part of the producing Santa Cruz silver mine. This transaction effectively allows the Company to acquire the outright ownership of the six mineral concessions as well as a 4.5% net proceeds royalty from Peñoles. The Company will be required to send all mineral production from these properties to the Peñoles smelter in Torreon, Mexico, for smelting and refining. Peñoles will retain a 3% net proceeds royalty on future production after deduction of all shipping and smelting costs, including taxes and penalties if any. The Company has also formed a strategic alliance with Peñoles to acquire additional mining properties in Mexico. Peñoles has agreed to provide the Company with access to information on its portfolio of mineral concessions throughout Mexico. On each additional Peñoles property made available to the Company to acquire, a purchase price may be negotiated, payable in common shares of the Company. If the Company acquires additional properties from third parties introduced by Peñoles, the Company will pay Peñoles a 5% fee on the cash purchase price, also payable in common shares of the Company. If Peñoles acquires property from a third party introduced by the Company, Peñoles will pay the Company a 5% fee on the cash purchase price. In compensation for the nine mining properties acquired and certain mining equipment located thereon and the formation of the strategic alliance, the Company issued 1,000,000 units to Peñoles in July 2005; each unit consisted of one common share and one warrant to purchase an additional common share at $2.10 until July 22, 2006 and thereafter at $2.30 until July 22, 2007 (note 9). The fair value of the warrants was determined to be $260,000 which was included in mineral properties; the fair value was based on an expected stock price volatility of 54.45%, expected life of 1 year and an estimated risk-free rate of 1.28%.

In July 2005, the Company entered into an option agreement to acquire a 100% interest in two silver properties, Porvenir Dos and La Sultana, in the Guanacevi District, Durango, Mexico, for payments totalling US$137,500 of which US$37,500 was paid during fiscal 2005, while the remaining balance of US$100,000 was paid on December 30, 2006.

In August 2005, the Company entered into an option agreement to acquire a 100% interest in four silver properties, La Prieta, El Aguaje de Arriba, Ampliacion El Aguaje de Arriba and La Plata, in the Guanacevi District, Durango, Mexico, for US$100,000 of which US$15,000 was paid during the 2006 and 2005 fiscal years. The remaining balance of US$70,000 is payable on August 5, 2007.

In October 2005, the Company acquired a mining lease from Minera Tayahua, S.A. de C.V., on the El Porvenir property, Guanacevi district, Durango, Mexico. Under the lease agreement, the Company holds the exclusive right to mine the El Porvenir property for a 5-year period, which can be extended for another 5 years, by mutual agreement. The Company has agreed to mine El Porvenir at the rate of between 9,000 tonnes and 27,000 tonnes per quarter and to pay a 3% net smelter royalty from production. To maintain its rights, the Company spent the minimum US$100,000 each quarter on all exploration, development and mining costs, and spent the minimum US$500,000 on exploration and exploitation costs by October 11, 2006.

(b)

Income (loss) from option interests in Mexican operations

For the period ended December 31, 2005, losses from Mexican operations from the Company's 51% option interests are pursuant to the agreements executed in May 2004 whereby the Company has a 51% interest in any profits or losses and are determined as follows:

	Minera Santa Cruz	Processing Plant	Total
Revenues from operations	$ 5,798	$ 2,463	
Costs of operations *	(8,229)	(2,930)	
Loss before allocation	(2,431)	(467)	
Allocation to Mexican interests in operations	1,316	229	
Loss from 51% property option interests	$ (1,115)	$ (238)	$ (1,353)

*Costs of operations include amortization, depletion and depreciation of acquisition costs, exploration expenditures and mine development costs, and also include allocation of expenses incurred by Endeavour Silver Corp.

For the operating period of January 1, 2006 to January 28, 2006, the date at which the Company commenced to consolidate Minera Santa Cruz, the Company's income from property option interest was $138,000. See note 3 for details of acquisition.

7. **MINERAL PROPERTY, PLANT AND EQUIPMENT** (continued)

(c) **Parral properties**

In August 2006, the Company acquired an option to purchase a 100% interest in the Minas Nuevas properties, Chihuahua, Mexico, for US$3 million in cash payments over a 30 month period. The Company also acquired an option to purchase two additional properties in the same district for US$913,000 in cash payments over a 36 month period. Subsequent to year end, the Company has made all required payments.

Option Schedule	US$ - 000's		
	Minas Nuevas	Additional	Total
August 2006	$ 200	$ 53	$ 253
February 2007	200	74	274
August 2007	200	106	306
February 2008	600	106	706
August 2008	200	136	336
February 2009	1,600	56	1,656
August 2009	-	382	382
	3,000	913	3,913

(d) **Arroyo Seco properties**

In October 2006, the Company acquired an option to purchase a 100% interest in the Arroyo Seco property, in Michoacan, Mexico for US$229,000 over 2 years. The company paid US$46,000 during the fiscal year.

(e) **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.

(f) **Mineral property commitments**

As at December 31 2006, the Company had committed to contracts totalling $633,000 relating to mine development services and mill modifications.

8.

ASSET RETIREMENT OBLIGATIONS

Although the ultimate amount of the reclamation costs to be incurred cannot be predicted with certainty, the total undiscounted amount of estimated cash flows required to settle the Company's estimated obligations is $1,874,000 which has been discounted using a credit adjusted risk free rate of 8.25%. Significant reclamation and closure activities include land rehabilitation, decommissioning of buildings and mine facilities, ongoing care and maintenance and other costs.

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

Balance at December 31, 2005	$	-
Changes during the period:		
Changes due to acquisition of interests in mining and milling operations		1,034
Interest accretion		78
Balance at December 31, 2006	$	1,112

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

9.

SHARE CAPITAL

(a)

As at December 31, 2006 and December 31, 2005 a total of 93,750 common shares are held in escrow, the release of which is subject to regulatory approval.

(b)

Private placements

(i)

In March 2006, the Company entered into an agreement with certain agents in a best efforts private placement offering of up to 5 million special warrants at $4.50 per special warrant for gross proceeds of up to $22.5 million. An over-subscription option allowed for up to an additional 2 million special warrants for additional proceeds of $9 million. On April 24, 2006, the Company closed the placement for 5.11 million special warrants, for gross proceeds of $22,995,000. Each special warrant was comprised of one common share and one-half of a common share purchase warrant. Each whole share purchase warrant is exercisable to purchase one common share at a price of $5.25 until October 24, 2007. The Company filed its prospectus on May 15, 2006 for the placement. In connection with this offering, the agents received a cash commission of 6% of the gross proceeds and broker warrants exercisable for common shares equal to 6% of the total special warrants placed. The broker warrants have the same terms as the warrants in the private placement. The 2,555,000 share purchase warrants from this private placement offering were listed and posted for trading on the Toronto Stock Exchange on May 23, 2006.

The remaining 1.89 million special warrants in the best efforts private placement offering received shareholder approval in June 2006. In July 2006, the Company issued 1,112,000 special warrants at $4.50 per special warrant for gross proceeds of $5.0 million. Each special warrant entitled the holder to acquire 1.1 common shares and 0.55 common share purchase warrants of the Company. Each full share purchase warrant will be exercisable to acquire one common share of the Company at $5.25 per share until October 24, 2007. On closing of the over- subscription, the Agents received a 6% cash commission totaling $300,000 as well as 66,720 agent special warrants. Each agent special warrant converted into one agent warrant. Each agent warrant will be exercisable to acquire one common share at $5.25 per share until October 24, 2007. Prior to year end, all the special warrants were exercised.

(b)

Private placements (continued)

(ii)

In February 2005, the Company completed brokered and non-brokered private placements to raise a total of $1,637,000. The Company completed a brokered private placement for 312,500 units at $1.60 per unit for gross proceeds of $500,000. Each unit consisted of one common share and one share purchase warrant, exercisable to acquire one common share at an exercise price of $2.10 until February 1, 2006 and $2.30 thereafter until February 1, 2007 (Note 9(e)). The Company also completed a non-brokered private placement for 710,500 units at the same price and the same terms as the brokered private placement for an additional $1,136,800 in gross proceeds. Share issuance costs consisted of agents' fees of $38,000 and 40,000 agents' warrants (with the same terms as the warrants in the private placement). The 40,000 warrants issued to the agent have a fair value of $22,000 and have been recorded in share capital on a net basis.

(iii)

In October 2005, the Company completed a private placement for 6,000,000 units at $2.40 per unit for gross proceeds of $14.4 million. Each unit is comprised of one common share and one-half of a common share purchase warrant. Each whole share purchase warrant is exercisable to purchase one common share at an exercise price of $2.90 until October 5, 2007 (Note 9(e)). The underwriters received a cash commission of $936,000 and 450,000 agents' warrants that have the same terms as the warrants in the private placement.

(iv)

In April 2004, the Company completed brokered and non-brokered private placements to raise a total of $9,916,000 to finance the acquisition of the Santa Cruz silver-gold mine and the Guanacevi processing plant (Note 3(a)). The Company completed a brokered private placement for 5,022,500 units at $1.60 per unit for gross proceeds of $8,036,000. Each unit consisted of one common share and one-half of one share purchase warrant, with each whole warrant giving the holder the right to purchase an additional common share at $2.00 per share until October 22, 2005 (Note 9(e)). The Company also completed a non-brokered private placement for 1,175,000 units at the same price and the same terms as the brokered private placement for an additional $1,880,000 in gross proceeds. Share issuance costs consisted of finders' fees of $90,000, agents' fees of 25,000 corporate finance units (with the same terms as the units in the private placement), commission of $572,000, 19,219 agents' units (with the same terms as the units in the private placement) and 602,700 agents' warrants (with the same terms as the warrants in the private placement). The 624,809 warrants issued to the agents have a fair value of $391,000 and have been recorded in share capital on a net basis.

(c)

Share purchase options

Options to purchase common shares have been granted to directors, officers, employees and consultants pursuant to the Company's stock option plan approved by the Company's shareholders in fiscal 2004 at exercise prices determined by reference to the market value on the date of the grant. Prior to August 2005, vesting periods were at the discretion of the Board of Directors but historically, options have vested immediately on the date of grant. In August 2005, the Company adopted a stock option plan which allows for granting options to its directors, officers, employees and consultants to acquire up to 4,200,000 common shares. The stock option plan had a vesting provision in which 25% is vested immediately and another 25% is vested in each of the next 6-month period, provided the Company continued as a Tier 2 issuer on the TSX Venture Exchange. In February 2006, the Company graduated to a listing on the Toronto Stock Exchange ("TSE"), and the vesting provisions were then subject to the discretion of its Board of Directors. Subsequent to the listing, all unvested options were immediately vested and stock based compensation expense of $144,000 was recognized accordingly. In June 2006, the Company adopted a new stock option plan which allows for granting options to its directors, officers, employees and consultants to acquire up to 6,768,000 shares. Under the new plan 1,205,000 options were granted vesting immediately.

The table on the following page summarizes the status of the Company's stock option plan as at December 31, 2006, December 31, 2005 and February 28, 2005, and changes during the periods ended on those dates:

(c)

Share purchase options (continued)

The following table summarizes the status of the Company's stock option plan as at December 31, 2006, December 31, 2005 and February 28, 2005, and changes during the periods ended on those dates:

	December 31, 2006		**December 31, 2005**		**February 28, 2005**	
	Number of Shares	**Weighted average exercise price**	Number of Shares	Weighted average exercise price	Number of Shares	Weighted average exercise price
Outstanding, beginning of period	**2,223,900**	**$ 1.88**	1,871,000	$ 1.33	860,000	$ 0.37
Granted	**1,910,000**	**$ 2.91**	1,155,900	$ 2.40	1,480,000	$ 1.57
Exercised	**(282,500)**	**$ 2.04**	(793,000)	$ 1.33	(419,000)	$ 0.18
Cancelled	**(225,000)**	**$ 1.52**	(10,000)	$ 2.52	(50,000)	$ 1.41
Outstanding, end of period	**3,626,400**	**$ 2.43**	2,223,900	$ 1.88	1,871,000	$ 1.33
Options exercisable at period-end	**3,626,400**		1,611,900		1,871,000	

The following tables summarize information about stock options outstanding at December 31, 2006:

	Options Outstanding			Options Exercisable	
Price Intervals	Number Outstanding as at Dec 31, 2006	Weighted Average Remaining Contractual Life (Number of Years)	Weighted Average Exercise Prices	Number Exercisable as at Dec 31, 2006	Weighted Average Exercise Prices
$0.50 - $0.99	250,000	2.0	$0.66	250,000	$0.66
$1.00 - $1.49	-	-	-	-	-
$1.50 - $1.99	491,000	2.5	$1.60	491,000	$1.60
$2.00 - $2.49	726,000	3.7	$2.35	726,000	$2.35
$2.50 - $2.99	1,899,400	4.1	$2.72	1,899,400	$2.72
$3.00 - $3.99	260,000	2.1	$3.92	260,000	$3.92
	3,626,400	3.5	$2.43	3,626,400	$2.43

During the period ended December 31, 2006, the Company recognized stock-based compensation expense of $3,994,000 (December 31, 2005 - $1,371,000 and February 28, 2005 - $1,499,000) based on the fair value of options granted.

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

(c)

Share purchase options (continued)

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

	Year Ended December 31, 2006	Ten Months Ended December 31, 2005	Year Ended February 28, 2005
Weighted average fair value of options granted during the year	$2.02	$1.72	$1.01
Risk-free interest rate	3.05%	2.30%	2.51%
Expected dividend yield	0%	0%	0%
Expected stock price volatility	83%	105%	104%
Expected option life in years	4	4	3

In February 2006, the Company granted stock options to employees and consultants to acquire up to 555,000 common shares at an exercise price of $2.55 per share with an expiry date of January 25, 2011.

In March 2006, the Company granted stock options to a consultant to acquire up to 150,000 common shares at an exercise price of $3.90 per share with an expiry date of March 14, 2007.

In June 2006, the Company granted stock options to directors and officers to acquire up to 1,095,000 common shares at an exercise price of $2.85 per share with an expiry date of June 15, 2011.

In October 2006, the Company granted stock options to a new officer and employee to acquire up to 110,000 common shares at an exercise price of $3.95 per share with an expiry in October 2011.

Subsequent to the fiscal year end, the Company has granted stock options to a new officer and an employee to acquire up to 140,000 common shares.

(d)

Share appreciation rights plan

The Company allowed that in the event that the Company graduated to a TSE listing, a participant may, as allowed under Exchange Policies, if determined by the Board, have the right (the “Right”), when entitled to exercise an Option, to terminate such Option in whole or in part by notice in writing to the Company and in lieu of receiving Common Shares pursuant to the exercise of the Option, shall receive instead and at no cost to the participant that number of Common Shares, disregarding fractions, which, when multiplied by the Market Price on the day immediately prior to the exercise of the Right, have a total value equal to the product of that number of Common Shares subject to the Option times the difference between the Market Price on the day immediately prior to the exercise of the Right and the Option exercise price. The shareholder rights plan agreement was approved and activated on June 14, 2006. During fiscal 2006, 225,000 options were cancelled for the exchange of 141,034 share appreciation rights.

(e)

Warrants

At December 31, 2006, the Company had outstanding warrants to purchase an aggregate 6,329,842 common shares as follows:

Exercise Price	Expiry Dates	Oustanding at December 31, 2005	Issued	Exercised	Expired	Oustanding at December 31, 2006
$2.30	February 1, 2007	1,058,000	-	(731,000)	-	327,000
$2.10	July 22, 2007	1,000,000	-	(1,000,000)	-	-
$2.90	October 5, 2007	3,450,000	-	-	-	3,450,000
$5.25	October 24, 2007	-	3,233,320	(848,366)	-	2,384,954
$3.70	August 23, 2007	-	167,888	-	-	167,888
		5,508,000	3,401,208	(2,579,366)	-	6,329,842

* Subsequent to the year end all warrants expiring February 1, 2007 were exercised.

At December 31, 2005, the Company had outstanding warrants to purchase an aggregate 5,508,000 common shares as follows:

Exercise Prices	Expiry Dates	Oustanding at February 28, 2005	Issued	Exercised	Expired	Oustanding at December 31, 2005
$0.35	October 6, 2005	775,000	-	(775,000)	-	-
$2.00	October 22, 2005	3,467,559	-	(2,872,061)	(595,498)	-
$2.00	October 28, 2005	248,000	-	(48,000)	(200,000)	-
$2.10 / $2.30	February 1, 2006 / February 1, 2007	1,063,000	-	(5,000)	-	1,058,000
$2.10 / $2.30	July 22, 2006 / July 22, 2007	-	1,000,000	-	-	1,000,000
$2.90	October 5, 2007	-	3,450,000	-	-	3,450,000
		5,553,559	4,450,000	(3,700,061)	(795,498)	5,508,000

(e)

Warrants (continued)

At February 28, 2005, the Company had outstanding warrants to purchase an aggregate 5,553,559 common shares as follows:

Exercise Prices	Expiry Dates	Oustanding at February 29, 2004	Issued	Exercised	Expired	Oustanding at February 28, 2005
$0.12	November 29, 2004	1,300,000	-	(1,300,000)	-	-
$0.35	October 6, 2005	1,525,000	-	(750,000)	-	775,000
$2.00	October 22, 2005	-	3,475,559	(8,000)	-	3,467,559
$2.00	October 28, 2005	-	248,000	-	-	248,000
$2.10 / $2.30	February 1, 2006 / February 1, 2007	-	1,063,000	-	-	1,063,000
		2,825,000	4,786,559	(2,058,000)	-	5,553,559

(f)

Shares reserved for issuance

	Number of Shares
Issued and outstanding, December 31, 2006	42,373,988
Stock options	3,626,400
Warrants	6,329,842
Fully diluted, December 31, 2006	52,330,230

10.

SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	Year Ended December 31, 2006	Ten Months Ended December 31, 2005	Year Ended February 28, 2005
Net changes in non-cash working capital			
Accounts receivable and prepaids	**$ (1,679)**	$ (1,025)	$ (658)
Inventory	**(2,534)**	(85)	-
Due from related parties	**(40)**	-	-
Accounts payable and accrued liabilities	**853**	931	356
Income taxes payable	**5**	-	-
	$ (3,395)	$ (179)	$ (302)
Non-cash financing and investing activities:			
Reclamation included in mineral property, plant and equipment	**$ 1,034**	$ -	$ -
Tax gross up of processing plant related to the acquistion of subsidiary	**1,153**	-	-
Fair value of stock options allocated to shares issued on exercise of stock options	**383**	738	36
Shares issued under the share appreciation rights plan	**154**	-	-
Fair value of warrants issued for mineral properties	**228**	260	-
Amortization included in mineral properties	-	-	3
Allocation of mineral properties to Minera Santa Cruz (Note 3)	-	3,474	-
Advance on acquisition included in mineral properties (Note 3(a))	-	-	133
Shares issued on acquisition of mineral properties (Note 3(a))	-	1,626	-
Shares issued on acquisition of Metalurgica (Note 3(d))	**2,256**	104	-
Fair value of warrants issued on acquisition of Metalurgica (Note 3(d))	**114**		

Cash interest paid and cash taxes paid in the year ended December 31, 2006, the ten months ended December 31, 2005 and the year ended February 28, 2005 was nil.

11.

RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties:

(a) As at December 31, 2006, $40,000 (December 31, 2005 – $ nil) was due from companies with certain common directors. Amounts due from related parties represent amounts owed by companies with certain common directors, which do not bear any interest and provide for no specific terms of repayment.

(b) Mining costs of $4,356,000 (December 31, 2005 - $ nil and February 28, 2005 - $ nil) were incurred and paid to a company owned by two minority shareholders of Minera Santa Cruz.

(c) Legal fees and private placements costs of $289,000 (December 31, 2005 - $99,000 and February 28, 2005 - $146,000) were incurred and paid to a company with certain common management.

(d) Rent of $41,000 (December 31, 2005, - $15,000 and February 28, 2005 - $18,000) was incurred and paid to a company with certain common directors.

11.

RELATED PARTY TRANSACTIONS (continued)

(e)

As at December 31, 2005, a balance of $5,688,000 was due from Minera Santa Cruz (Note 3(d)). This consists of the loan balance and accrued interest of $ nil, the net profits royalty on ore mined to January 28, 2005 (Note 3(d)) totalling $222,000, and advances and allocations to Minera Santa Cruz to fund exploration and mine development expenditures incurred by Minera Santa Cruz totalling $6,581,000, less the Company's $1,115,000 share of the net losses of Minera Santa Cruz during the period. The net profits royalty receivable and the exploration and mine development advances are unsecured, interest bearing and due on demand. As of December 31, 2006, the amounts are eliminated on consolidation, however the amounts remain payable on demand.

12.

INCOME TAXES

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

	December 31, 2006	December 31, 2005	February 28, 2005
Canadian statutory tax rates	34.12%	34.12%	35.62%
Income tax benefit computed at Canadian statutory rates	$ 870	$ 1,934	$ 914
Foreign tax rates different from statutory rate	(203)	(170)	5
Temporary differences not recognized in the period	3,524	(271)	50
Permanent differences	(534)	(803)	(521)
Unrecognized tax losses	(2,059)	(690)	(448)
	$ 1,598	$ -	$ -

The tax effect of the temporary differences that gives rise to future tax assets as of December 31, 2006 and December 31, 2005 is presented below:

Mexico operations	December 31, 2006	December 31, 2005
Future income tax assets:		
Tax loss carryforwards	$ 1,692	$ -
Future income tax liabilities:		
Temporary differences	(3,140)	-
Acquisition of Metalurgica	(1,150)	
Acquisition of Minera Santa Cruz	(865)	-
Future income tax liabilities, net	$ (3,463)	$ -

12.

INCOME TAXES (continued)

Canada operations	December 31, 2006	December 31, 2005
Future income tax assets:		
Tax loss carryforwards	$ 2,308	$ 1,915
Mineral properties	600	661
Buildings and equipment	5	5
Total future income tax assets	2,913	2,581
Valuation allowance	(2,913)	(2,581)
Future income tax assets, net	$ -	$ -

As at December 31, 2006, the Company had available the following amounts for deduction against future earnings in Canada:

Canada operations	
Non-capital losses, expiring as follows:	
2007 to 20010	$ 314
2011	1,034
2012 to 2015	1,431
2026	1,502
Total non-capital losses	4,281
Capital losses	$ 887
Share capital financing costs	$ 2,341

As at December 31, 2006, the Mexico operations had $5,902,000 of non-capital losses available for deduction against future earnings through fiscal 2016.

13.

SEGMENT DISCLOSURES

The Company has one operating segment, being the exploration and development of mineral properties. All of the Company's assets are located in Mexico and Canada. Segmented disclosures are as follows:

	December 31, 2006		
	Canada	Mexico	Total
Cash and cash equivalents	$ 34,992	$ 2,145	$ 37,137
Marketable Securities	3,506	-	3,506
Accounts Receivable and prepaids	110	3,504	3,614
Inventories	-	3,797	3,797
Due from related parties	-	40	40
Mineral property,plant and equipment	-	25,246	25,246
Net loss	$ (4,765)	$ 617	$ (4,148)

	December 31, 2005		
	Canada	Mexico	Total
Cash anc cash equivalents	$ 18,256	$ 305	$ 18,476
Accounts Receivable and prepaids	34	1,705	1,739
Due from related parties	-	5,688	5,688
Mineral property,plant and equipment	-	4,412	4,412
Net loss	$ 2,897	$ 2,772	$ 5,669

For the periods ended December 31, 2006, December 31, 2005, and February 28, 2005 substantially all revenue and capital expenditures are attributed to the Mexico operations.

14. RECONCILIATION WITH UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

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

(a) Accounting for investments in debt and equity securities

U. S. GAAP requires marketable securities to be recorded at fair value in accordance with SFAS 115 " *Accounting for Certain Investments in Debt and Equity Securities*" ("SFAS 115"). Unrealized gains and losses are recorded in, other comprehensive income, a separate component of shareholders' equity with the year-over-year change recorded as other comprehensive income (loss), except for declines in fair value that are determined to be other than temporary. These declines in value are charged to the statement of operations, which is similar to Canadian GAAP.

(b) Comprehensive income

U. S. GAAP requires a company to present comprehensive income (loss) in accordance with SFAS 130 "Reporting Comprehensive Income", which establishes standards for reporting and display of comprehensive income (loss) and all changes to shareholders' equity except those resulting from investments by owners and distribution to owners.

(c) Mineral property exploration

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

For Canadian GAAP, cash flows relating to mineral property exploration costs are reported as investing activities. For U.S. GAAP, these costs would be characterized as operating activities.

(d) Stock based compensation

Under U.S. GAAP, Financial Accounting Standards No. 123 (revised 2004), *"Share-Based Payment"* ("SFAS 123(R)"), which is a revision of SFAS 123, *"Accounting for Stock Based Compensation"* and supersedes APB Opinion No. 25, "Accounting for Stock Issued to Employee", requires all share based payments to employees, including grants of employee stock options, to be recognized in the income statement based on their fair values. Pro forma disclosure is no longer an alternative. The Company currently uses the fair value method to account for all stock option grants. For the years presented, there are no differences in stock-based compensation.

Under U.S. GAAP, stock based compensation would be presented within general and administrative costs whereas the stock-based compensation expense reported separately for Canadian GAAP.

The effect of the differences between Canadian GAAP and U.S. GAAP on the balance sheets and statements of operations and cash flows is summarized as follows:

Consolidated balance sheet:

	As at December 31	
	2006	2005
Assets under Canadian GAAP	$ 73,340	$ 30,400
Adjustment to reconcile to U.S. GAAP:		
Adjustment for unrealized gains on marketable securities (b)	656	-
Adjustment for mineral property exploration costs (c)	(998)	(544)
Assets under U.S. GAAP	$ 72,998	$ 29,856
Shareholders' equity under Canadian GAAP	$ 63,908	$ 29,057
Adjustments to reconcile to U.S. GAAP:		
Adjustment for unrealized gains on marketable securities (b)	656	-
Adjustment for mineral property exploration costs (c)	(998)	(1,786)
Recovery of exploration expenditures	-	1,242
Shareholders' equity under U.S. GAAP	$ 63,566	$ 28,513

Consolidated Statement of Operations and Comprehensive Loss:

	Year Ended December 31, 2006	Ten Months Ended December 31, 2005	Year Ended February 28, 2005
Loss for the period under Canadian GAAP	$ (4,148)	$ (5,669)	$ (2,565)
Adjustments to reconcile to U.S. GAAP:			
Mineral property exploration costs incurred in the period (c)	(454)	(544)	(1,242)
Deferred exploration costs included in write-down of mineral properties	-	-	14
Recovery of exploration expenditures	-	1,242	-
Loss for the period under U.S. GAAP	$ (4,602)	$ (4,971)	$ (3,793)
Unrealized gains on marketable securities (b)	656	-	-
Comprehensive loss under U.S. GAAP	$ (3,946)	(4,971)	(3,793)
Basic and diluted loss per share under U.S. GAAP	$ (0.12)	$ (0.20)	$ (0.21)

Consolidated Statement of Cash Flows:

	Year Ended December 31, 2006	Ten Months Ended December 31, 2005	Year Ended February 28, 2005
Cash from (used for) operating activities under Canadian GAAP	$ 2,547	$ (4,456)	$ (1,320)
Adjustment to reconcile to U.S. GAAP:			
Adjustment for mineral property exploration costs (c)	(454)	(544)	(1,243)
Cash from operating activities under U.S. GAAP	$ 2,093	$ (5,000)	$ (2,563)
Cash provided (used for) from investing activities under Canadian GAAP	$ (16,522)	$ (2,555)	$ (5,475)
Adjustments to reconcile to U.S. GAAP:			
Adjustment for mineral property exploration costs (c)	454	544	1,243
Cash provided from investing activities under U.S. GAAP	$ (16,068)	$ (2,011)	$ (4,232)

(e) Impact of recent United States accounting pronouncements:

(i) In March 2004, the Emerging Issues Task Force ("EITF") issued EITF 04-3, " *Mining Assets: Impairment and Business Combinations*". EITF 04-3 requires mining companies to consider cash flows related to the economic value of mining assets (including mineral properties and rights) beyond those assets' proven and probable reserves, as well as anticipated market price fluctuations, when assigning value in a business combination in accordance with SFAS 141 and when testing the mining assets for impairment in accordance with SFAS 144. EITF 04-3 is effective for fiscal periods beginning after March 31, 2004. The adoption of EITF 04-3 did not have material impact on the Company's financial position, results of operations or cash flows.

(ii) In June 2005, the FASB issued SFAS No. 154, " *Accounting Changes and Error Corrections*", a replacement of APB Opinion No. 20, "*Accounting Changes*", and FASB Statement No. 3, " *Reporting Accounting Changes in Interim Financial Statements*". SFAS 154 requires retrospective application to prior periods' financial statements of a change in accounting principle unless it is impracticable to do so. This is a change from the existing practice that requires most accounting changes to be accounted for by including in net income in the period of the change the cumulative effect of changing to the new accounting principle. SFAS 154 will be effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. The impact of SFAS 154 cannot be determined until such time as the Company makes a change in accounting policy.

(iii) In June 2006, The FASB has issued FASB Interpretation No. 48, " *Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109"* ("FIN 48"). FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The Interpretation also provides guidance on

derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006. The provisions of FIN 48 are to be applied to all tax positions upon initial adoption, with the cumulative effect adjustment reported as an adjustment to the opening balance of retained earnings. The Company has not yet completed its evaluation of the potential impact, if any, that the adoption of FIN 48 will have on its consolidated financial statements

(iv)

In September 2006, The US Securities and Exchange Commission issued Staff Accounting Bulletin No. 108, *"Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements"* ("SAB 108"). SAB 108 provides guidance on how prior year misstatements should be considered when quantifying misstatements in the current year financial statements. SAB 108 requires misstatements to be quantified using both a balance sheet and an income statement approach and evaluate whether either approach results in an error that is material. SAB 108 is effective for fiscal years ending after November 15, 2006. Upon initial application, SAB 108 permits a one-time cumulative effect adjustment to beginning retained earnings. The Company's adoption of SAB 108 had no impact on the periods presented.

15.

SUBSEQUENT EVENT

On February 27, 2007 the Company announced that it has acquired the exploitation contracts to the producing Unidad Bolanitos silver-gold mines and plant located in the northern parts of the Guanajuato and La Luz silver districts in the state of Guanajuato, Mexico.

The Company has signed a binding initial agreement to purchase the Unidad Bolanitos exploitation rights from Minas de la Luz SA de CV ("MdlL") for US$3.25 million, comprised of US$2.25 million in cash and US$1.0 million in common shares of the Company. The number of shares will be determined by the average closing price on the AMEX exchange for the five days prior to closing. Following an extension to the closing date announced by the Company on April 2, 2007, this transaction is now scheduled to close on April 30, 2007, upon the signing of definitive agreements, subject only to Endeavour's final due diligence and Endeavour Board of Directors and regulatory approvals.

HEAD OFFICE	#800 – 850 West Hastings Street Vancouver, BC, Canada V6C 1E1 Telephone: (604) 685-9775 1-877-685-9775 Facsimile: (604) 685-9744 Website: www.edrsilver.com
DIRECTORS	Bradford Cooke Godfrey Walton Leonard Harris Mario Szotlender Geoff Handley
OFFICERS	Bradford Cooke ~ Chairman and Chief Executive Officer Godfrey Walton ~ President and Chief Operating Officer Dave Drips ~ Vice-President, Mexico Operations Michael Rasmussen ~ Vice-President, Exploration Philip Yee ~ Chief Financial Officer Stewart Lockwood ~ Secretary
REGISTRAR AND TRANSFER AGENT	Computershare Trust Company of Canada 3rd Floor - 510 Burrard Street Vancouver, BC, V6C 3B9
AUDITORS	KPMG LLP 777 Dunsmuir Street Vancouver, BC, V7Y 1K3
SOLICITORS	Vector Corporate Finance Lawyers #1040 – 999 West Hastings Street Vancouver, BC, V6C 2W2
SHARES LISTED	Toronto Stock Exchange Trading Symbol - EDR American 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, 2006

CAUTION – FORWARD LOOKING STATEMENTS

We seek safe harbour.

Certain statements contained herein regarding the Company and its operations constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995. All statements that are not historical facts, including without limitation statements regarding future estimates, plans, objectives, assumptions or expectations of future performance, are "forward-looking statements". We caution you that such "forward looking statements" involve known and unknown risks and uncertainties that could cause actual results and future events to differ materially from those anticipated in such statements. Such risks and uncertainties include fluctuations in precious metal prices, unpredictable results of exploration activities, uncertainties inherent in the estimation of mineral reserves and resources, fluctuations in the costs of goods and services, problems associated with exploration and mining operations, changes in legal, social or political conditions in the jurisdictions where the Company operates, lack of appropriate funding and other risk factors, as discussed in the Company's filings with Canadian and American Securities regulatory agencies. The Company expressly disclaims any obligation to update any forward-looking statements.

1.0 Preliminary Information

The following Management's Discussion and Analysis ("MD&A") of Endeavour Silver Corp. (the "Company") should be read in conjunction with the accompanying audited consolidated financial statements for the year ended December 31, 2006 and the audited consolidated financial statements for the ten month period ended December 31, 2005 and the audited consolidated financial statements for the year ended February 28, 2005, which are available at the SEDAR website at www.sedar.com.

In March 2005, the Company changed its fiscal year end from February 28 to December 31. During the transition year, the fiscal period is for the ten-month period from March 1, 2005 to December 31, 2005.

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

All information contained in the MD&A is as of April 10, 2007 unless otherwise indicated.

1.1 Background

The Company is engaged in the evaluation, acquisition, exploration, development and exploitation of mineral properties. Historically, the business philosophy was to acquire and explore early-stage mineral prospects. 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.

Management's decision to focus the Company on silver in 2003 was based on the analysis that the silver price was about to enter into a secular bull market. Since late 2003, the average annual silver price has more than tripled, from US$4.88 per oz in 2003, to US $6.67 in 2004, to US$7.32 in 2005, to US$11.55 in 2006, including a peak of US$14.94 per oz in Q2 of fiscal 2006.

The Company historically financed its operating activities principally by the issuance of common shares. Since 2004, equity financings have facilitated the acquisition and development of the Guanacevi project, a high-grade silver mine and large ore process plant located in Durango, Mexico. With the consolidation of the Company's 51% interest in the Guanacevi project on January 28, 2006, the Company may be able to finance some of its operating activities from production cash flow.

In May 2004, the Company 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. Terms of the agreement gave the Company the option to acquire a 51% interest in these operating assets by paying a total of US$4 million to the vendors and incurring US$1 million in mine exploration and development within one year. The balance of the 49% interest could be earned by paying a further US$3 million over the period to January 2008. To complete the acquisition of the initial 51% interest, payments totalling US$1 million had to be made by January 28, 2006.

At January 28, 2006, the Company made payments totalling US$1 million thereby fully earning and vesting its 51% interest in the Guanacevi Mines Project.

In July 2006, the Company acquired the remaining 49% interest in the processing plant through the acquisition of 100% of the shares of Metalurgica Guanacevi, S.A. de C.V. ("Metalurgica") for US$2.2 million comprised of cash and units of the Company. The Company paid US$437,774 in cash and issued 671,558 units at a market price of CAD$3.53 per unit. Each unit was comprised of one common share and one-quarter of a common share purchase warrant; each full warrant can be exercised to purchase one common share at an exercise price of CAD$3.70 until August 23, 2007.

A preliminary allocation has been made of the consideration for the fair value of the assets and liabilities acquired at the Guanacevi Mine Project. This is recorded in the Notes to the Consolidated Financial statements. Final valuation estimates of mineral properties, contingencies and future tax assets/liabilities are not yet complete due to the inherent complexity associated with the valuations.

1.2 Operating Performance

The Guanacevi Mines Project

In the first quarter of 2007, Micon International Ltd. ("Micon") completed an audit of the NI 43-101 compliant silver reserves and resources at the Guanacevi Mines Project to the end of 2006. The full report will be filed on SEDAR on or before April 22, 2007. Micon's Qualified Persons who completed the audit of the reserves and resources are William Lewis, P.Geo., Jim Leader, P.Eng., and Dibya Kanti Mukhopadhyay, MAusIMM, who will be authoring the report to be filed on SEDAR. {Note: Micon did not audit the stockpiles nor did they audit silver equivalents.}

Endeavour is in a transition period moving from using traditional manual methods to estimate the resource and reserves in mine and project areas to using computer generated block models to determine the resource and reserves. In December 2006, resources were estimated using a block model, while reserves were generated using traditional methods. In the Micon report, mineral reserves were estimated using manual methods and underground sample data. Mineral resources were estimated using the Company's drill hole and underground sample data to December 31, 2006.

Proven and probable reserves increased 285% to 9.93 million oz silver at year-end from 3.48 million oz silver in March 2006 (notwithstanding the 2006 mine production to the plant plus stockpiles, estimated to total 1.9 million oz silver). The in-situ reserves total 608,308 tonnes ore grading 508 gpt silver and 0.94 gpt gold (16.2 oz per ton Ag

equivalents), as shown in the following table.

Porvenir Mine Reserves					
Category	**Tonnes**	**Silver (gpt)**	**Gold (gpt)**	**Silver Ozs contained**	**Gold Oz**
Proven					
Zone 1 - 2	91,436	513	0.92	1,508,049	2,718
Zone 2	82,063	671	0.97	1,770,316	2,558
Zone 3	182,498	483	0.91	2,833,911	5,314
Zone 4	10,072	658	0.95	213,070	309
Total proven	366,069	537	0.93	6,325,346	10,899
Probable					
Zone 1	218,818	476	0.98	3,348,659	6,892
Zone 3	23,421	341	0.73	256,799	550
Total probable	242,239	537	0.93	3,605,458	7,442
Proven and Probable	608,308	508	0.94	9,930,804	18,341

Reserves were based on a US$12 silver price, a US$600 gold price, minimum mining width of 1.5 metre, mine extraction rate of 87%, and mine dilution based on waste and fill grades.

Indicated resources increased from nil to 21.06 million oz silver at year-end and inferred resources declined slightly to 9.99 million oz silver.

The mineral resources were as follows:

Indicated Resources (Cut-off Grade 200 g/t Silver)

Area	Million tonnes	Silver (g/t)	Gold (g/t)	Silver million ozs
Porvenir	1.38	300	0.46	13.33
Porvenir Dos	0.22	349	0.66	2.47
Santa Cruz	0.33	391	0.69	4.21
Alex Breccia	0.10	314	0.62	1.05
Total	2.03	327	0.54	21.06

Inferred Resources (Cut-off Grade 200 g/t Silver and within 75 m of indicated sample)

Area	Million tonnes	Silver (g/t)	Gold (g/t)	Silver million ozs
Porvenir	0.68	284	0.58	6.19
Santa Cruz	0.22	379	0.62	2.67
Alex Breccia	0.13	277	0.5	1.13
Total	1.03	323	0.6	9.99

Porvenir Mine

For the year ended December 31, 2006, total output from the Porvenir Mine was 153,795 dry tonnes, of which 117,255 tonnes, grading 449 gpt silver were processed and 46,891 tonnes, were stockpiled at the ore processing plant for future processing, as the mine continued to outperform the plant while the plant was being refurbished. Including low grade and custom ores, stockpiles as of December 31, 2006 totaled 57,643 tonnes grading 308 gpt silver, or 570,805 ozs of silver.

For the year ended December 31, 2006, the Company focused on boosting ore production from the Porvenir Mine and silver production from the Guanacevi plant. Silver mining grade was 17% higher in 2006 compared to the 2005 year and recoveries were higher by 7%. As a result, silver production increased 43% to 1,352,661 ozs silver compared to the year ended December 31, 2005. The mill has been expanded from an average process rate of 420-tpd to 800-tpd at the end of 2006 through the installation of a larger ball mill which was commissioned in February 2007.

The Company consolidated and commenced to report the Guanacevi operations from 28 January 2006. The following table compares 100% production from the mine in 2006 to 100% production in the 2005 year when the mine was under option to purchase. Calendar quarters rather than financial quarters are used for comparison purposes:

		Grade		Recovered Ounces		Recoveries	
Period	**Tonnes**	**Ag(gpt)**	**Au(gpt)**	**Ag(oz)**	**Au(oz)**	**Ag(%)**	**Au(%)**
Production 2005 Year: During Option Earning period							
Q1, 2005	19,898	417	0.97	209,066	495	78.3	79.4
Q2, 2005	24,861	256	1.00	147,405	630	72.1	78.9
Q3, 2005	30,360	434	0.79	306,374	596	72.3	77.3
Q4, 2005	27,498	424	0.81	285,478	611	76.0	86.2
2005	102,617	385	0.88	948,323	2,332	74.7	80.5
Production 2006 Year: 51% mine ownership 28 January 2006							
Q1, 2006	24,805	479	0.95	300,872	503	77.4	66
Q2, 2006	27,585	492	1.18	350,087	700	80.3	67
Q3, 2006	31,201	404	0.73	332,407	619	81.9	85
Q4, 2006	33,664	426	0.80	369,295	671	80.2	77
2006	117,255	449	0.90	1,352,661	2,493	80.0	73
Q4, 2006 : Q3, 2006	8%	5%	10%	11%	8%	-2%	-9%
Q4, 2006 : Q4, 2005	22%	0%	-1%	29%	10%	6%	-11%
2006 : 2005	14%	17%	2%	43%	7%	7%	-9%

Other properties

In August 2006, the Company acquired an option to purchase a 100% interest in the Minas Nuevas properties, in the Parral silver district of Chihuahua, Mexico, for US$3 million in cash payments over a 30-month period. The Company also acquired an option to purchase two additional properties in the same district for US$913,000 in cash payments over a 3-year period. An amount of $253,000 in total was paid in 2006 for the Parral properties.

In October 2006 the Company acquired the Arroyo Seco silver project in Michoacan State from the Mexican Geological Survey for US$229,000 payable over 2 years, plus a 1% NSR production royalty. An amount of $46,000 was paid in 2006.

On February 27, 2007 the Company announced that it has acquired the exploitation contracts to the producing Unidad Bolanitos silver (gold) mines and plant located in the northern parts of the Guanajuato and La Luz silver districts in the state of Guanajuato, Mexico. The Company has signed a binding initial agreement to purchase the Unidad Bolanitos exploitation rights from Minas de la Luz SA de CV ("MdlL") for US$3.25 million, comprised of US$2.25 million in cash and US$1.0 million in common shares of the Company. This transaction was scheduled to close on March 31, 2007, upon the signing of definitive agreements, subject only to the Company's final due diligence and the Company's Board of Directors and regulatory approvals. On April 2, 2007 the Company announced that the closing date had been postponed one month until April 30, 2007 to allow more time to reach a final reconciliation of the mine and plant inventories and costs.

Other Matters

On February 7, 2006, the shares of the Company were listed for trading on the Toronto Stock Exchange; previously its shares were listed on the TSX Venture Exchange.

Pursuant to an agency agreement dated April 24, 2006 (the "Agency Agreement") among Salman Partners Inc., BMO Nesbitt Burns Inc., Canaccord Capital Corporation and Dundee Securities Corporation (together, the "Agents") and the Company, the Agents agreed to sell, on a best efforts basis, up to 5,000,000 Special Warrants at a price of $4.50 per Special Warrant. The Agents were also granted an over-subscription option to sell up to an additional 2,000,000 special warrants (the "Over-subscription Option"). Each Special Warrant has converted into, for no additional consideration, one common share of the Company (a "Common Share") and one-half of one warrant, with each whole warrant (a "Warrant"), being exercisable for one common share of the Company (a "Warrant Share") for a period of 18 months from closing. On April 24, 2006, the Company closed with the Agents on the placement of 5,110,000 special warrants (the "Special Warrants"), generating gross proceeds to the Company of $22,995,000. This figure included 110,000 Special Warrants sold pursuant to the Over-subscription Option. The 5,110,000 Special Warrants were exercised and converted on May 15, 2006, pursuant to the Company's prospectus dated effective May 15, 2006 (available on SEDAR at www.sedar.com under the heading "Final short form prospectus – English"). Each Warrant is exercisable into one Warrant Share at a price of $5.25 for a period of 18 months ending October 24, 2007. On closing, the Agents received a 6% cash commission of $1,379,700 and 306,600 agent special warrants (the "Agents' Special Warrants"). Each Agents' Special Warrant, on their deemed exercise, converted into one agent warrant (an "Agent Warrant"). Each Agent Warrant is exercisable to acquire one common share at $5.25 per share until October 24, 2007 (an "Agent Warrant Share"). The Special Warrants were issued under and are governed by an indenture dated April 24, as amended May 10, 2006, (together the "Special Warrant Indenture") between the Company and Computershare Trust Company of Canada (the "Warrant Agent"). The Warrants were issued under an indenture (the "Warrant Indenture") dated April 24, 2006 between the Company and the Warrant Agent upon the exercise of the Special Warrants. The Warrants from this private placement offering were listed and posted for trading on the Toronto Stock Exchange on May 23, 2006.

The remaining special warrants in the best efforts private placement offering received shareholder approval in June 2006. In July 2006, the Company issued 1,112,000 special warrants at $4.50 per special warrant for gross proceeds

of $5.0 million. Each special warrant was converted into 1.1 common share and 0.55 common share purchase warrants upon their exercise or deemed exercise in October and November 2006, for a total of 1,223,200 shares and 611,600 share purchase warrants. Each full share purchase warrant will be exercisable to acquire one common share of the Company at $5.25 per share until October 24, 2007. On closing of the over-subscription, the Agents received a 6% cash commission totalling $300,240 and 66,720 agent special warrants. Each agent special warrant was deemed exercised and converted into one agent warrant in November 2006. Each agent warrant is exercisable to acquire one common share at $5.25 per share until October 24, 2007.

In May 2006, the Company welcomed Mr. Geoff Handley as the newest member of its Board of Directors.

In July 2006, Minas Penoles S.A. de C.V. exercised its warrants for 1,000,000 common shares at $2.10 per share for total proceeds of $2.1 million, increasing their ownership in Endeavour to 2,000,000 shares, thereby having a registered ownership of 4.58% interest in the Company as at March 23, 2007.

1.3 Selected Annual Financial Information

Selected annual information for the Company for each of the three fiscal periods ended December 31, 2006, December 31, 2005 and February 28, 2005 are as follows:

(in C$000s except per share amounts)	Year Ended December 31, 2006	Ten Months Ended December 31, 2005	Year Ended February 28, 2005
Sales Revenue	$ 17,768	$ -	$ -
Net loss:			
(i) Total	$ (4,148)	$ (5,669)	$ (2,565)
(ii) Basic per share	$ (0.11)	$ (0.23)	$ (0.15)
(iii) Diluted per share	$ (0.11)	$ (0.23)	$ (0.15)
Dividends per share	$ -	$ -	$ -

	December 31, 2006	December 31, 2005	February 28, 2005
Total assets	$ 73,340	$ 30,400	$ 11,246
Total long-term liabilities	$ 4,575	$ -	$ -

In 2006 the Company consolidated the operations at the Guanacevi Mines Project in Mexico for the first time. As a result this is the first year that Sales Revenue is reported. The Company incurred a net loss of $4.1 million. Total assets more than doubled to $73.3 million as a result of equity capital raisings. Capital raisings were applied to the purchase of the Guanacevi Mines Project assets and to working capital at year end and to fully earning its 51% interest in the Guanacevi Mines Project.

1.4 Results of Operations

Year ended December 31, 2006 compared with ten- months ended December 31, 2005

In March 2005, the Company changed its fiscal year end from February 28 to December 31. During the transition year, the fiscal period was for the ten-month period from March 1, 2005 to December 31, 2005. For the year ended December 31, 2006, the comparable prior period presented for its statements of operations and cash flows is for the ten -months ended December 31, 2005 and the year ended February 28, 2005.

Select operating and financial data from the Company's Guanacevi Mines Project are as follows:

	December 31, 2006
Operating Data	
Guanacevi Project:	
Silver production in ounces	1,352,661
Gold production in ounces	2,493
Mine Production:	
Dry tonnes	153,795
Additions to stockpiles (tonnes, excluding low grade and custom ores)	46,891
Processing Plant:	
Dry tonnes	117,255
Ag gpt	449
Au gpt	0.90
Recoveries for silver	80.0%
Recoveries for gold	73.0%
Financial Data (Consolidated from February 1, 2006 to December 31, 2006)	(in CAD$000s)
Revenues from mine operations	$ 17,768
Cost of mine operations	(10,401)
Amortization and depletion	(2,992)
Earnings from mine operations	$ 4,375

The Company realized Mine Operating Earnings of $4.4 million from its mining and milling operations on sales of $17.8 million for the year ended December 31, 2006. Most of the revenues were generated from the North Porvenir property. Production from the El Porvenir property began to be ramped up during the year. Cost of sales was $10.4 million and depreciation and depletion $3.0 million. Depreciation and depletion charges were recorded in 2006 on the consolidated Guanacevi assets.

The company incurred an Operating Loss of $3.0 million after General and Administration costs of $2.9 million, Corporate Development of $0.5 million and Stock Based Compensation of $4.0 million

The Loss Before Taxes was $1.2 million after Investment and Other Income which increased to $1.8 million due

primarily to interest income and foreign exchange gains earned on higher cash balances from share issues (see Liquidity and Capital Resource sections of this report).

The Company incurred a Consolidated Loss of $4.1 million after Non-controlling Interest of $1.3 million and Provision for Tax of $1.6 million.

Mine production outpaced mill production, due to delays in commissioning of the larger ball mill. This resulted in a large inventory of ore stockpiles held at cost of $2.8 million at December 31, 2006.

1.5 Cash Costs (Non-GAAP Measure)

Cash cost per oz is a non-GAAP measure used by the Company as a measure of operating performance and widely reported in the silver and gold mining industry as a benchmark of performance, but does not have standardized meaning.

The cash cost per oz in 2006 averaged US$6.55 per oz silver net of gold credits. Operating costs were higher than expected due to an increase in labour costs as the mine moved from contract to employee labour. The unit rate was also impacted by lack of plant availability during the mill expansion program.

Reconciliation of cash cost per oz to cost of sales:

	US$	US$/oz *
Cost of Sales CAD$10,401,000 @ 0.8818	9,174,000	
Add/(Subtract):		
Change in Inventories – CAD$280,000 @ 0.8818	247,000	
By-Product gold sales	(1,302,000)	
Cash Operating Costs	8,119,000	6.55

* Based on payable silver production attributable to cost of sales and adjusted for date of acquisition of the Guanacevi Mines Project: 1,239,846 ozs silver.

1.6 Summary of Quarterly Results

The following table presents selected financial information of the Company for each of the last eight quarters ended December 31, 2006:

(in $000s except per share amounts)	Dec 31, 2006 Period End				Dec 31, 2005 Period End			Feb 28, 2005
	Dec 31	Sept 30	June 30	Mar 31	Dec 31	Aug 31	May 31,	Feb 28,
Total Revenues	$ 6,842	$ 3,181	$ 5,159	$ 2,586	$ -	$ -	$ -	$ -
Net income (loss):								
(i) Total	$ (353)	$ (173)	$ (1,693)	$ (1,929)	$ (3,488)	$ (1,024)	$ (1,157)	$ (649)
(ii) Basic per share	$ -	$ -	$ (0.05)	$ (0.06)	$ (0.13)	$ (0.05)	$ (0.05)	$ (0.04)
(iii) Diluted per share	$ -	$ -	$ (0.05)	$ (0.06)	$ (0.13)	$ (0.05)	$ (0.05)	$ (0.04)

In 2005 the Guanacevi Mines Project was under option and was accounted for as an interest in mineral properties. From January 28, 2006 when 51% ownership was attained the Project was accounted for using the purchase method of accounting and consolidated into the financial results.

In 2006 the revenue trend reflects higher sales proceeds achieved particularly in the June and December quarters from higher metal prices. In addition the Mexican subsidiaries previously accounted for revenue on a net proceeds basis (i.e. net of refining charges). In the December quarter 2006, an increase of $0.4 million was recorded for Revenues to reflect 2006 Revenue on a gross proceeds basis before refining charges. A corresponding adjustment has been made to increase the cost of production.

Costs increased in the December quarter due to an increase in labour costs at the Guanacevi Mines Project as the mine moved from contract to employee labour. In addition, a provision of $0.4 million was recorded in the December quarter to reflect estimates of additional employee related taxes payable for the Mexican operations in 2006.

1.7 Liquidity and Capital Resources

Operating activities generated a $2.5 million surplus in 2006 compared to a loss in 2005. The turnaround results from the Companies transition to a producer of silver from its operations at Guanacevi, Mexico and strong metal prices for silver (and gold).

Investing activities included $12.8 million for the acquisition of property, plant and equipment together with a subsidiary company all related to the Guanacevi Mines Project. Net $3.7 million was invested in marketable securities.

Financing activities through the issue of shares, warrants and conversion of options raised net $32.6 million in 2006. In 2005 the company raised $20.5 million. Refer below for Details of 2006 Capital Raising.

The cash and cash equivalents balance increased from $18.5 million at December 31, 2005 to $37.1 million at December 31, 2006. Working capital increased from $24.6 million at Dec 31, 2005 to $44.5 million at Dec 31, 2006 as a result of the share issues and cash surplus from operations less administration and acquisition costs.

The following table contains selected financial information of the Company's liquidity:

(in $000s)	December 31, 2006	December 31, 2005
Cash and cash equivalents	$ 37,137	$ 18,476
Working capital	$ 44,548	$ 24,645

Contractual Obligations

The Company has future capital obligations for purchase of equipment and construction together with purchase obligations. The following table lists as of December 31, 2006 information with respect to the Company's known contractual obligations.

	Payments due by Period				
Contractual Obligations	*Total*	*Less than 1 year*	*1-3 years*	*3-5 years*	*More than 5 years*
Long-Term Debt Obligations	Nil	Nil	Nil	Nil	Nil
Capital (Finance) Lease Obligations	Nil	Nil	Nil	Nil	Nil
Operating Lease Obligations	Nil	Nil	Nil	Nil	Nil
Purchase Obligations (i)	$5,193,000	$1,604,000	$3,589,000	Nil	Nil
Other Long-Term Liabilities Reflected on the Company's Balance Sheet under Canadian GAAP (ii)	$1,112,000	Nil	Nil	Nil	$1,112,000
TOTAL	$6,305,000	$1,604,000	$3,589,000	Nil	$1,112,000

(i) Includes $633,000 of commitments for capital expenditure due for payment in Less than 1 year and $4,560,000 of obligations under property option agreements necessary to attain 100% ownership of producing properties and certain exploration properties.

(ii) Asset Retirement Obligations – Reclamation and Closure Costs $1,112,000.

Details of 2006 Capital Raising

Pursuant to an agency agreement dated April 24, 2006 (the "Agency Agreement") among Salman Partners Inc., BMO Nesbitt Burns Inc., Canaccord Capital Corporation and Dundee Securities Corporation (together, the "Agents") and the Company, the Agents agreed to sell, on a best efforts basis, up to 5,000,000 Special Warrants at a price of $4.50 per Special Warrant. The Agents were also granted an over-subscription option to sell up to an additional 2,000,000 special warrants (the "Over-subscription Option"). Each Special Warrant has converted into, for no additional consideration, one common share of the Company (a "Common Share") and one-half of one warrant, with each whole warrant (a "Warrant"), being exercisable for one common share of the Company (a "Warrant Share") for a period of 18 months from closing. On April 24, 2006, the Company closed with the Agents on the placement of 5,110,000 special warrants (the "Special Warrants"), generating gross proceeds to the Company of $22,995,000. This figure included 110,000 Special Warrants sold pursuant to the Over-subscription Option. The 5,110,000 Special Warrants were exercised and converted on May 15, 2006, pursuant to the Company's prospectus

dated effective May 15, 2006 (available on SEDAR at www.sedar.com under the heading "Final short form prospectus – English"). Each Warrant is exercisable into one Warrant Share at a price of $5.25 for a period of 18 months ending October 24, 2007. On closing, the Agents received a 6% cash commission of $1,379,700 and 306,600 agent special warrants (the "Agents' Special Warrants"). Each Agents' Special Warrant, on their deemed exercise, converted into one agent warrant (an "Agent Warrant"). Each Agent Warrant is exercisable to acquire one common share at $5.25 per share until October 24, 2007 (an "Agent Warrant Share"). The Special Warrants were issued under and are governed by an indenture dated April 24, as amended May 10, 2006, (together the "Special Warrant Indenture") between the Company and Computershare Trust Company of Canada (the "Warrant Agent"). The Warrants were issued under an indenture (the "Warrant Indenture") dated April 24, 2006 between the Company and the Warrant Agent upon the exercise of the Special Warrants. The Warrants from this private placement offering were listed and posted for trading on the Toronto Stock Exchange on May 23, 2006.

The remaining 1.89 million special warrants in the best efforts private placement offering received shareholder approval in June 2006. In July 2006, the Company issued 1,112,000 special warrants at $4.50 per special warrant for gross proceeds of $5 million. Each special warrant entitled the holder to acquire 1.1 common shares and 0.55 common share purchase warrant of the Company. Each full share purchase warrant will be exercisable to acquire one common share of the Company at $5.25 per share until October 24, 2007. On closing of the over-subscription, the Agents received a 6% cash commission totaling $300,240 as well as 66,720 agent special warrants. Each agent special warrant converted into one agent warrant. Each agent warrant will be exercisable to acquire one common share at $5.25 per share until October 24, 2007. Prior to year end, all the special warrants were exercised.

1.8 Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements.

1.9 Transactions with Related Parties

The Company entered into the following transactions with related parties:

(a) As at December 31, 2006, $40,000 (December 31, 2005 – $ nil) was due from companies with certain common directors. Amounts due from related parties represent amounts owed by companies with certain common directors, which do not bear any interest and provide for no specific terms of repayment.

(b) Mining costs of $4,356,000 (December 31, 2005 - $ nil and February 28, 2005 - $ nil) were incurred and paid to a company owned by two minority shareholders of Minera Santa Cruz.

(c) Legal fees and private placements costs of $289,000 (December 31, 2005 - $99,000 and February 28, 2005 - $146,000) were incurred and paid to a company with certain common management.

(d) Rent of $41,000 (December 31, 2005, - $15,000 and February 28, 2005 - $18,000) was incurred and paid to a company with certain common directors.

(e) As at December 31, 2005, a balance of $5,688,000 was due from Minera Santa Cruz. This consists of the loan balance and accrued interest of $Nil, the net profits royalty on ore mined to January 28, 2005 (Note 3) totalling $222,000, and advances and allocations to Minera Santa Cruz to fund exploration and mine development expenditures incurred by Minera Santa Cruz totalling $6,581,000, less the Company's $1,115,000 share of the net losses of Minera Santa Cruz during the period. The net profits royalty receivable and the exploration and mine development advances are unsecured, interest bearing and due on demand. As of December 31, 2006, the amounts are eliminated on consolidation, however the amounts remain payable on demand.

1.10 Proposed Transactions

There are no proposed asset or business acquisitions or dispositions, other than those in the ordinary course or as herein disclosed, before the board of directors for consideration.

1.11 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 mineral reserves, fair values on acquisition, impairment of long lived assets, determination of asset retirement obligations, valuation allowances for future income taxes and assumptions used in determining the fair value of non-cash based compensation.

There have been no changes in accounting policy during the year, but the Company did follow policies consistent with and appropriate to its change to a mining production company during the year including revenue recognition, inventory valuation and depletion on a units of production basis.

The Company's Significant Accounting policies are described in Note 2 to the Consolidated Financial Statements.

1.12 Changes in Accounting Policies including Initial Adoption

There have been no changes in Accounting Policies, but there have been adoption of policies to reflect the change in operations of the Company from exploration/development to production. These include revenue recognition, amortization of mineral properties, plant & equipment, and inventory valuation which are more fully explained in the Financial Statements Note 2 Significant Accounting Policies.

1.13 Financial Instruments and Other Instruments

The Company held cash, cash equivalents and marketable securities at December 31, 2006 as recorded in the Consolidated Financial Statements. There were no other off balance sheet financial or other instruments.

1.14 Other MD&A Requirements

1.14.1 Other MD&A Requirements

Additional information relating to the Company are as follows:

(a) may be found on SEDAR at www.sedar.com;

(b) may be found in the Company's annual information form; and

(c) is also provided in the Company's audited consolidated financial statements for the year ended December 31, 2006.

1.14.2 Additional Disclosure for Venture Issuers without Significant Revenue

Not applicable.

1.14.3 Outstanding Share Data

Authorized Capital

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

Common Shares

Changes in the Company's share capital for the Year Ended December 31, 2006 were as follows:

	Number of Shares	Amount
		(in $000s)
Balance, December 31, 2005	32,366,330	$ 39,706
Issued on private placement	6,333,200	25,913
Exercise of options	282,500	945
Exercise of warrants	2,579,366	6,161
Issued on acquisition of mineral properties	671,558	2,516
Share appreciation rights	141,034	154
Balance, December 31, 2006	42,373,988	$ 75,395

As at December 31, 2006, a total of 93,750 common shares were held in escrow, the release of which is subject to regulatory approval.

As at April 4, 2007, the Company had 43,682,802 common shares issued and outstanding.

Options

At December 31, 2006, the Company had outstanding options to purchase an aggregate 3,626,400 common shares as follows:

	December 31, 2006	
	Number of Shares	Weighted average exercise price
Outstanding, beginning of period	2,223,900	$1.88
Granted	1,910,000	$2.91
Exercised	(282,500)	$2.04
Cancelled	(225,000)	$1.52
Outstanding, end of period	3,626,400	$2.43
Options exercisable at period-end	3,626,400	

At April 4, 2007, options for 3,192,400 shares remain outstanding.

Warrants

At December 31, 2006, the Company had outstanding warrants to purchase an aggregate 6,329,842 common shares as follows:

Exercise Prices	Expiry Dates	Oustanding at December 31, 2005	Issued	Exercised	Expired	Oustanding at December 31, 2006
$2.30	February 1, 2007	1,058,000	-	(731,000)	-	327,000
$2.30	July 22, 2007	1,000,000	-	(1,000,000)	-	-
$2.90	October 5, 2007	3,450,000	-	-	-	3,450,000
$5.25	October 24, 2007	-	3,233,320	(848,366)	-	2,384,954
$3.70	August 23, 2007	-	167,888	-	-	167,888
		5,508,000	3,401,208	(2,579,366)	-	6,329,842

At April 4, 2007, warrants for 5,261,361 shares remain outstanding.

1.15 Outlook

The property acquisitions in Mexico, coupled with cash and cash equivalents of approximately $37 million and working capital of approximately $45 million at December 30, 2006, should help facilitate the Company's goal to becoming a top tier primary silver producer. The special warrant offering of $28 million in 2006 has significantly enhanced the Company's ability to seek more advanced properties for acquisition and to expand its operations on a more accelerated basis. The Company will focus on expanding its landholdings and silver production, reserves and resources through expanded programs of exploration drilling, underground development and production optimization. The new ball mill lifts the rated average process rate from 420-tpd to 800-tpd. The stockpiled ore at December 31, 2006 will be scheduled for processing in fiscal 2007.

In 2007, production from the Guanacevi Mines Project is forecast to double to 2.57 million oz silver and 4,700 oz gold (2.80 million oz Ag equivalents) from 276,000 tonnes (756 tonnes per day) grading 380 gpt silver and 0.70 gpt gold. The Porvenir mine is scheduled to produce 212,000 tonnes (582 tonnes per day) grading 400 gpt silver and 0.70 gpt gold and the 63,000 tonne balance will be drawn from the stockpiles and tailing inventory.

The plant expansion program at Guanacevi will continue in 2007 with the emphasis on improving metal recoveries and overall plant efficiency. The expansion includes: an increase in the capacity of the crushing/screening circuit; an aeration system for leach agitation tanks; a change in the circuit that will incorporate an intermediate thickener for scalping pregnant solution; a new Merrill-Crowe installation with pressure clarifiers; a new refinery facility; and a high density thickener to enhance the efficiency of the tailings disposal process.

On February 27, 2007 the Company announced that it has acquired the exploitation contracts to the producing Unidad Bolanitos silver (gold) mines and plant located in the northern parts of the Guanajuato and La Luz silver districts in the state of Guanajuato, Mexico. The Company has signed a binding initial agreement to purchase the Unidad Bolanitos exploitation rights from Minas de la Luz SA de CV ("MdlL") for US$3.25 million, comprised of

US$2.25 million in cash and US$1.0 million in common shares of the Company. The number of shares will be determined by the average closing price on the AMEX exchange for the five days prior to closing. Management's 2007 production forecast for Unidad Bolanitos will be released at the end of the 2nd quarter, 2007.

In 2007, exploration drilling will continue at Guanacevi but emphasis will also be placed on the Company's new projects, including the Bolanitos mine in Guanajuato, the Parral project in Chihuahua and the Arroyo Seco project in Michoacan. Management's goal is to add at least 20 million oz of new silver resources through exploration in 2007.

1.16 Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Based upon the evaluation of the effectiveness of the disclosure controls and procedures regarding the Company's consolidated financial statements for the year ended December 31, 2006 and this MD&A, the Company's Chief Executive Officer and Chief Financial Officer have concluded that the disclosure controls and procedures were effective to ensure that material information relating to the Company was made known to others within the Company particularly during the period in which this report and accounts were being prepared, and such controls and procedures were effective to ensure that information required to be disclosed by the Company in the reports that it files or submits under regulatory rules and securities laws is recorded, processed, summarized and reported, within the time periods specified. Unforeseen circumstances in subsidiaries acquired during 2006 have necessitated additional work being undertaken at year end which has impacted on the timeliness of this filing. Refer below to Changes in Internal Controls Over Financial Reporting - Remedial Action Implemented and Planned. Management of the Company recognizes that any controls and procedures can only provide reasonable assurance, and not absolute assurance, of achieving the desired control objectives, and management necessarily was required to apply its judgement in evaluating the cost-benefit relationship of possible controls and procedures.

Internal Control Risks

Risks from Remote Operations

The Company's operations are undertaken in remote locations in Mexico. The operations were previously undertaken by private corporations which were purchased by the Company. The officers and staff of those private corporations have previously not been required to maintain disclosure controls or internal controls over financial reporting to the same standard now required. In addition, there was a large turnover of accounting staff at the Mexican operations in the last quarter of 2006 and the first quarter of 2007.

Internal Control Weaknesses Identified

There have been difficulties in establishing the opening balance sheet on a Canadian GAAP and US GAAP basis of the subsidiaries acquired, there have been difficulties in confirming the taxation base of the subsidiaries acquired, there have been difficulties in transforming the reporting of the subsidiaries acquired from a cash basis of reporting to an accruals basis of reporting, there have been difficulties in obtaining timely information from the subsidiaries acquired, and there have been difficulties in the reconciliation process for the accounts in the subsidiaries acquired. There have been instances of insufficient segregation of duties which although typical of small companies of this size were outside those anticipated. There have been accounting staff resource constraints both in capacity and skills which have impacted on the financial reporting of income taxes and complex accounting transactions.

Likelihood of Material Misstatement

Management has determined that certain weaknesses in the Company's internal controls over financial reporting stemming principally from its Mexican operations could result in a more than remote likelihood that a material misstatement would not be prevented or detected. Management in Canada and Mexico and the board of directors have been working to mitigate the risk of a material misstatement in financial reporting. However, there can be no assurance that this risk can be reduced to less than a remote likelihood of a material misstatement at this time.

Remedial Action Implemented and Planned

The Company has taken steps to improve its internal controls through the appointment of more experienced and qualified staff in Mexico and Canada and through the hiring of specialist services particularly in relation to local Mexican taxation regulatory matters. Significant time has been spent by senior financial staff on proving balances in the Mexican subsidiaries as at December 31 2006. More rigorous reporting and control standards have been introduced since year end. Management and senior financial staff will continue to closely monitor the financial reporting from the operations in Mexico. Management and the Audit Committee intend to engage additional external audit services to perform additional procedures including the testing of internal controls and the review of the accuracy of financial reporting progressively through 2007 until the control weaknesses are remedied.

CERTIFICATION

I, Bradford Cook, certify that:

I have reviewed this annual report on Form 40-F of Endeavour Silver Corp.;

1. 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;

2. Based on my knowledge, the financial statements, and other financial information included in this annual 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;

3. The issuer's other certifying officer 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)) for the issuer and have:

4. (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) 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

(c) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

5. The issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: April 10, 2007

By: */s/ Bradford Cooke*
Bradford Cooke
Chief Executive Officer

CERTIFICATION

I, Philip Yee, certify that:

I have reviewed this annual report on Form 40-F of Endeavour Silver Corp.;

1. 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;

2. Based on my knowledge, the financial statements, and other financial information included in this annual 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;

3. 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)) for the issuer and have:

4. (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) 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

(c) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

5. The issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: April 10, 2007

By: */s/ Philip Yee*
Philip Yee
Chief Financial Officer

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, 2006 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Bradford Cooke, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

April 10, 2007

/s/ Bradford Cooke
Bradford Cooke
Chief 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.

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, 2006 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Philip Yee, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

April 10, 2007

/s/ Philip Yee
Philip Yee
Chief Financial 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
PO Box 10426 777 Dunsmuir Street
Vancouver BC V7Y 1K3
Canada

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

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors of Endeavour Silver Corp.

We consent to the inclusion in this annual report on Form 40-F of our auditors' report dated March 30, 2007, except as to note 15 which is as of April 2, 2007, on the consolidated balance sheets of Endeavour Silver Corp. ("the Company") as at December 31, 2006 and 2005, and the consolidated statements of operations, shareholders' equity and deficit and cash flows for the year ended December 31, 2006, the ten month period ended December 31, 2005 and the year ended February 28, 2005 which is incorporated by reference in this annual report on Form 40-F of the Company for the fiscal year ended December 31, 2006.

KPMG LLP

Chartered Accountants

Vancouver, Canada
April 10, 2007

KPMG LLP, a Canadian limited liability partnership is the Canadian member firm of KPMG International, a Swiss cooperative.

CONSENT of AUTHOR

TO: British Columbia Securities Commission
Alberta Securities Commission
Ontario Securities Commission
Autorité des marchés financiers
TSX Toronto Stock Exchange
AMEX, American Stock Exchange

"I, Arnt Eric Olson, MAusIMM the Qualified Person for the technical information compliant with National Instrument 43-101 (**"NI 43-101"**) set out and supporting the report named "Mineral Resource and Reserve Estimate, Guanacevi Project", dated Mar 31, 2006 and referred to by Endeavour Silver Corp. (the "**Company**") in its Annual Information Form dated April 2 , 2007 (**"AIF"**). I hereby consent to the disclosure and reference as set out in the "**AIF**", and section 4.4 in particular and by cross reference to the Annual Managements Discussion and Analysis For the Year Ended December 31, 2006 dated as of March 30, 2007 (the **"MD&A"**) and by cross reference to the US Securities Exchange Commission Form 40-F Statement for the fiscal Year ended December 31, 2006 **("Form 40F")**.

Dated this 2nd Day of April, 2007.



AE Olson, MAusIMM

Watts, Griffis and McOuat

Consulting Geologists and Engineers

April 4, 2007

CONSENT of AUTHOR

TO: British Columbia Securities Commission
Alberta Securities Commission
Ontario Securities Commission
Autorité des marchés financiers
TSX Toronto Stock Exchange
AMEX, American Stock Exchange

Ladies and Gentlemen:

I, Andrew Harasimowicz, P.Eng., Senior Associate Mining Engineer of Watts, Griffis and McOuat Limited, is one of the Qualified Persons for the technical information compliant with National Instrument 43-101 set out and supporting the report authored by Velasquez Spring and Andrew Harasimowicz and titled "*A Technical Review of the Guanacevi Project in Durango State, Mexico for Endeavour Gold Corp.* " dated March 12, 2004 and amended April 21, 2004, and referred to by **Endeavour Silver Corp.** (the "Company") in its Annual Information Form dated April 2, 2007 ("AIF").

I hereby consent to the disclosure and reference as set out in the "AIF", and section 4.4 in particular and by cross reference to the Annual Managements Discussion and Analysis For the Year Ended December 31, 2006 dated as of March 30, 2007 (the "MD&A") and by cross reference to the US Securities Exchange Commission Form 40-F Statement for the fiscal Year ended December 31, 2006 ("Form 40F").

Dated this 4th Day of April, 2007.

Sincerely,



Andrew Harasimowicz, P.Eng.

AH/ls

WATTS, GRIFFIS AND McOUAT LIMITED Suite 400 • 8 King Street East • Toronto • Canada • M5C 1B5
Tel: (416) 364-6244 • Fax (416) 864-1675 • Email: wgm@wgm.on.ca • Web: www.wgm.on.ca

Watts, Griffis and McOuat
Consulting Geologists and Engineers

April 4, 2007

CONSENT of AUTHOR

TO: British Columbia Securities Commission
Alberta Securities Commission
Ontario Securities Commission
Autorité des marchés financiers
TSX Toronto Stock Exchange
AMEX, American Stock Exchange

Ladies and Gentlemen:

I, Velasquez Spring, P.Eng., Senior Geologist of Watts, Griffis and McOuat Limited, is one of the Qualified Persons for the technical information compliant with National Instrument 43-101 set out and supporting the report authored by Velasquez Spring and Andrew Harasimowicz and titled "*A Technical Review of the Guanacevi Project in Durango State, Mexico for Endeavour Gold Corp.*" dated March 12, 2004 and amended April 21, 2004, and referred to by **Endeavour Silver Corp.** (the "Company") in its Annual Information Form dated April 2, 2007 ("AIF").

I hereby consent to the disclosure and reference as set out in the "AIF", and section 4.4 in particular and by cross reference to the Annual Managements Discussion and Analysis For the Year Ended December 31, 2006 dated as of March 30, 2007 (the "MD&A") and by cross reference to the US Securities Exchange Commission Form 40-F Statement for the fiscal Year ended December 31, 2006 ("Form 40F").

Dated this 4th Day of April, 2007.

Sincerely,

Velasquez Spring, P.Eng.
Senior Geologist

VS/ls

WATTS, GRIFFIS AND McOUAT LIMITED Suite 400 • 8 King Street East • Toronto • Canada • M5C 1B5
Tel: (416) 364-6244 • Fax (416) 864-1675 • Email: wgm@wgm.on.ca • Web: www.wgm.on.ca

CONSENT of AUTHOR

TO: British Columbia Securities Commission
Alberta Securities Commission
Ontario Securities Commission
Autorité des marchés financiers
TSX Toronto Stock Exchange
AMEX, American Stock Exchange

"I, William Lewis, B.Sc. P.Geo., along with Jim Leader, P.Eng. and Dibya Kanti Mukhopadhyay, MAusIMM are the Qualified Persons for the technical information set out and supporting the news release of Endeavour Silver Corp. (the "**Company**") dated March 8, 2007, and we are currently preparing the supporting NI 43-101 Technical Report Audit of the Resource and Reserve Estimates for the Guanaceví Project, Durango State, Mexico and dated April 16, 2007 for filing with the above regulators and we do hereby consent to the incorporation of the technical disclosure as set out in Annual Information Form of the Company dated as of March 30, 2007 (the "**AIF**"), and section 4.4 in particular and the Annual Managements Discussion and Analysis For the Year Ended December 31, 2006 dated as of March 30, 2007 (the **"MD&A"**) and section 1.2 in particular. I have reviewed this technical disclosure as set out in that AIF and that MD&A and confirm that they fairly and accurately represent the disclosure in the March 8, 2007 news release of the Company, and the underlying technical data that we were responsible for.

Dated this 30th Day of March, 2007.

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

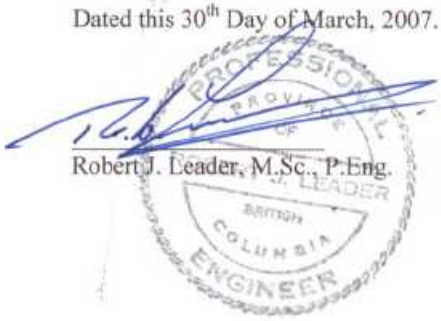


CONSENT of AUTHOR

TO: British Columbia Securities Commission
Alberta Securities Commission
Ontario Securities Commission
Autorité des marchés financiers
TSX Toronto Stock Exchange
AMEX, American Stock Exchange

"I, Robert James Leader, M.Sc. P.Eng., along with William Lewis, P.Geo., and Dibya Kanti Mukhopadhyay, MAusIMM are the Qualified Persons for the technical information set out and supporting the news release of Endeavour Silver Corp. (the "**Company**") dated March 8, 2007, and we are currently preparing the supporting NI 43-101 Technical Report Audit of the Resource and Reserve Estimates for the Guanaceví Project, Durango State, Mexico and dated April 16, 2007 for filing with the above regulators and we do hereby consent to the incorporation of the technical disclosure as set out in Annual Information Form of the Company dated as of March 30, 2007 (the "**AIF**"), and section 4.4 in particular and the Annual Managements Discussion and Analysis For the Year Ended December 31, 2006 dated as of March 30, 2007 (the **"MD&A"**) and section 1.2 in particular. I have reviewed this technical disclosure as set out in that AIF and that MD&A and confirm that they fairly and accurately represent the disclosure in the March 8, 2007 news release of the Company, and the underlying technical data that we were responsible for.

Dated this 30th Day of March, 2007.



Robert J. Leader, M.Sc., P.Eng.

CONSENT of AUTHOR

TO: British Columbia Securities Commission
Alberta Securities Commission
Ontario Securities Commission
Autorité des marchés financiers
TSX Toronto Stock Exchange
AMEX, American Stock Exchange

"I, Dibya Kanti Mukhopadhyay, MAusIMM, along with Jim Leader, P.Eng. and William Lewis, B.Sc. P.Geo. are the Qualified Persons for the technical information set out and supporting the news release of Endeavour Silver Corp. (the "**Company**") dated March 8, 2007, and we are currently preparing the supporting NI 43-101 Technical Report Audit of the Resource and Reserve Estimates for the Guanaceví Project, Durango State, Mexico and dated April 16, 2007 for filing with the above regulators and we do hereby consent to the incorporation of the technical disclosure as set out in Annual Information Form of the Company dated as of March 30, 2007 (the "**AIF**"), and section 4.4 in particular. I have reviewed this technical disclosure as set out in that AIF and that MD&A and confirm that they fairly and accurately represent the disclosure in the March 8, 2007 news release of the Company, and the underlying technical data that we were responsible for.

Dated this 30th Day of March, 2007.



_____
Dibya Kanti Mukhopadhyay, MAusIMM