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, 2008**

Commission file number: **001-33153**

ENDEAVOUR SILVER CORP.

(Exact Name of Registrant as Specified in its Charter)

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

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

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

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

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

Securities registered or to be registered pursuant to Section 12(g) of the Act: **N/A**

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

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

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

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report: As at December 31, 2008, **49,080,478** 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" [X] is marked, indicate the filing number assigned to the Registrant in connection with such Rule. [ ] Yes [X] No

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

EXPLANATORY NOTE

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

FORWARD-LOOKING STATEMENTS

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

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

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

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

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

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

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

RESOURCE AND RESERVE ESTIMATES

The Company's Annual Information Form ("AIF") filed as Exhibit 1 to this annual report on Form 40-F has been prepared in accordance with the requirements of the securities laws in effect in Canada, which differ from the requirements of United States securities laws. The terms "mineral reserve", "proven mineral reserve" and "probable mineral reserve" are Canadian mining terms as defined in accordance with Canadian National Instrument 43-101 – Standards of Disclosure for Mineral Projects ("NI 43-101") and the Canadian Institute of Mining, Metallurgy and Petroleum (the "CIM") - *CIM Definition Standards on Mineral Resources and Mineral Reserves* , adopted by the CIM Council, as amended. These definitions differ from the definitions in SEC Industry Guide 7 under the United States Securities Act of 1993, as amended (the "Securities Act"). Under SEC Industry Guide 7 standards, a "final" or "bankable" feasibility study is required to report reserves, the three-year historical average price is used in any reserve or cash flow analysis to designate reserves and the primary environmental analysis or report must be filed with the appropriate governmental authority.

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

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

CURRENCY

Unless otherwise indicated, all dollar amounts in this annual report on Form 40-F are in United States dollars. The exchange rate of Canadian dollars into United States dollars, on December 31, 2008, 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.$1.2240.

ANNUAL INFORMATION FORM

The Company’s AIF for the fiscal year ended December 31, 2008 is filed as Exhibit 1 and incorporated by reference in this annual report on Form 40-F.

AUDITED ANNUAL FINANCIAL STATEMENTS

The audited consolidated financial statements of the Company for the years ended December 31, 2008, 2007 and 2006, including the report of the independent auditor with respect thereto, are filed as Exhibit 2 and incorporated by reference in this annual report on Form 40-F. For a reconciliation of material measurement differences between Canadian and United States GAAP, see Note 20 to the Company’s audited consolidated financial statements.

MANAGEMENT’S DISCUSSION AND ANALYSIS

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

TAX MATTERS

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

CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

At the end of the period covered by this annual report for the fiscal year ended December 31, 2008, an evaluation was carried out under the supervision of, and the with the participation of, the Company's management, including its Chief Executive Officer (CEO) and Chief Financial Officer (CFO), of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) of the Exchange Act). Based upon that evaluation, the Company's CEO and CFO have concluded that the disclosure controls and procedures were effective to give reasonable assurance that the information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is (i) recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms, and (ii) accumulated and communicated to management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Management's Report on Internal Control over Financial Reporting

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

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

Management, including the CEO and CFO, assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2008. In making this assessment, management used the criteria set forth in the Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on its assessment, management has concluded that, as of December 31, 2008, the Company's internal control over financial reporting was effective and no material weaknesses in the Company's internal control over financial reporting were discovered.

The Company is required to provide an auditor's attestation report on its internal control over financial reporting for the fiscal year ended December 31, 2008. In this annual report, the Company's independent registered public accounting firm, KPMG LLP ("KPMG"), has provided its opinion as to the effectiveness of the Company's internal control over financial reporting as of December 31, 2008. KPMG has also audited the Company's financial statements included in this annual report on Form 40-F and issued a report thereon.

Auditor's Attestation Report

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

Changes in Internal Control over Financial Reporting

Management, including the CEO and CFO, has evaluated the Company's internal control over financial reporting to determine whether any changes occurred during the period covered by this annual report that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. During the year ended December 31, 2008, management implemented the following initiatives to remediate the material weaknesses in internal control over financial reporting identified as at December 31, 2007.

Control Environment

In 2007, the Company's control environment did not sufficiently promote effective internal control over financial reporting throughout the organization. Specifically, the Company did not define nor communicate authority limits for entering into or approving contracts, making capital expenditures, or approving invoices for purchases, or develop policies and procedures to address the risk of management override. This applied to both the Canadian head office and Mexican operations. Further, the Company did not define nor communicate guidelines regarding investments in marketable securities. None of these control deficiencies by themselves directly resulted in a misstatement to the financial statements, however, deficiencies in the control environment were pervasive in nature and this material weakness was a contributing factor in other material weaknesses described below.

Information & Communication

In 2007, the Company did not maintain adequate controls to facilitate the flow of information used in financial reporting throughout the organization. Specifically, the Company did not effectively communicate employees' duties over financial reporting. In addition, the Company did not have effective controls over the translation of all contracts and communication of them to appropriate personnel for consideration of financial reporting implications, in particular commitments and contingencies and mineral property acquisition costs. These control deficiencies did not result in adjustments to the financial statements, however, they were pervasive in nature and created a reasonable possibility that a material misstatement of the financial statements would not be prevented or detected in a timely basis. Remediation of Control Environment and Information & Communication Weaknesses

- During January 2008, management developed and communicated an authority limit policy, a capital expenditure policy, an investment policy and strengthened invoice approval controls.
- During March 2008, management developed policies and procedures to appropriately segregate duties to reduce the risk of management override by implementing management access restrictions in the Company's accounting systems.
- During April 2008, management implemented more robust weekly and monthly internal reporting, along with more frequent management meetings and Company communications to ensure appropriate flow of communication through out the organization.
- During March 2008, the Company implemented controls so that all Spanish language contracts will have certified English translations, which will be maintained in the corporate office, that are reviewed by either the Chief Executive Officer or Chief Operating Officer and either the Chief Financial Officer or Controller.

Foreign Exchange

In 2007, the Company's controls over foreign currency translation were not designed effectively. Specifically, a cash account was not translated into the reporting currency and the Company's foreign exchange account reconciliation control was insufficiently precise to detect the error. This resulted in a material adjustment to cash and foreign exchange gain and created a reasonable possibility that a material misstatement of the financial statements would not be prevented or detected in a timely basis.

Remediation of Foreign Exchange Weakness

- In April 2008, management designed and implemented a more robust foreign exchange translation review process, including multiple levels of review, embedded self checks within the process and improved reasonability assessments.

Income Tax Accounting

In 2007, the Company did not maintain effective controls over accounting for Mexican income taxes. Specifically, the Company did not have personnel with adequate expertise in accounting for Mexican taxes. This deficiency resulted in material adjustments to current and future income tax expense and recovery and current and future income taxes payable. This deficiency resulted in a reasonable possibility that a material misstatement of the financial statements would not be prevented or detected in a timely basis.

Remediation of Income Tax Accounting Weakness

- In May 2008, management engaged the services of international tax consultants from one of the big four accounting firms to assist with the review of monthly and annual Mexican tax returns, assist with transfer pricing and international tax planning and preparation of the year end future income tax provision information.
- Management hired an employee with adequate knowledge and skills to effectively prepare and manage the Company's Mexican tax position.
- Management reviewed and discussed with advisors its annual tax return and future income tax provision calculation processes.

Except for the changes discussed above, there have been no changes that occurred during the period covered by this annual report that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

CORPORATE GOVERNANCE

The Company's Board of Directors (the "Board of Directors") is responsible for the Company's Corporate Governance policies and has separately designated standing Compensation, Nominating and Audit Committees. The 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 section 803 of the NYSE Amex Company Guide.

Compensation Committee

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

Nominating Committee

Nominees for the election to the Board of Directors are recommended by the Nominating Committee. The Nominating Committee is charged with the responsibility of, among other things, establishing the criteria for the selection of new directors, identifying qualified individuals to be presented to the Board of Directors and/or the Company's shareholders, monitoring the orientation and continued education of the Company's directors, reviewing the Board of Directors' committee structure and making recommendations for committee member service. 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. The Nominating Committee Charter is available on the Company's website at www.edrsilver.com.

AUDIT COMMITTEE

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

- Geoffrey Handley
- Rex McLennan
- Mario Szotlender

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

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

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

Audit Committee Financial Expert

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

PRINCIPAL ACCOUNTING FEES AND SERVICES – INDEPENDENT AUDITORS

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

	2008	2007
Assurance Fees (1)	$440,150	$597,000
Tax Fees (2)	$30,448	$16,420
All other fees (3)	$0	$0
Total*	$470,598	$613,420

* All amounts are expressed in Canadian dollars

(1) The aggregate fees billed in each of the last two fiscal years for assurance and related services by the Company's external auditor that are reasonably related to the performance of the audit or review of the Company's financial statements.

(2) The aggregate fees billed in each of the last two fiscal years for professional services rendered by the company's external auditor for tax compliance and tax advice.

(3) The aggregate fees billed in each of the last two fiscal years for products and services provided by the Company's external auditor, other than the services reported under clauses 1and 2 above.

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

The Audit Committee pre-approves all audit services to be provided to the Company by its independent auditors. Non-audit services that are prohibited to be provided to the Company by its independent auditors may not be pre-approved. In addition, prior to the granting of any pre-approval, the Audit Committee must be satisfied that the performance of the services in question will not compromise the independence of the independent auditors. All non-audit services performed by the Company's auditor for the fiscal year ended December 31, 2008 were pre-approved by the Audit Committee of the Company. No non-audit services were approved pursuant to the *de minimis* exemption to the pre-approval requirement.

OFF-BALANCE SHEET TRANSACTIONS

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

CODE OF ETHICS

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

During the fiscal year ended December 31, 2008, the Company did not substantively amend, waive or implicitly waive any provision of the Code with respect to any of the directors, executive officers or employees subject to it.

CONTRACTUAL OBLIGATIONS

The following table lists as of December 31, 2008 information with respect to the Company's known contractual obligations.

	Payments due by period (in thousands of dollars)				
Contractual Obligations	Total	Less than 1 year	1 – 3 years	3 – 5 years	More than 5 years
Operating Lease	$ 651	$217	$434	-	-
Other Long-Term Liabilities	$1,445		-	$534	$911
Total	$2,096	$217	$434	$534	$911

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, 2008 concerning any equity security subject to a blackout period under Rule 101 of Regulation BTR.

NYSE AMEX CORPORATE GOVERNANCE

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

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

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

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

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

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

UNDERTAKING

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

CONSENT TO SERVICE OF PROCESS

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

EXHIBIT INDEX

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

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

Consolidated Balance Sheets as of December 31, 2008 and 2007

Consolidated Statement of Operations and Comprehensive Income for the year ended December 31, 2008, year ended December 31, 2007 and year ended December 31, 2006

Consolidated Statement of Shareholders' Equity and Deficit for the year ended December 31, 2008, the year ended December 31, 2007 and the year ended December 31, 2006

Consolidated Statements of Cash Flow for the year ended December 31, 2008, the year ended December 31, 2007 and the year ended December 31, 2006

Notes to Consolidated Financial Statements (which includes a reconciliation with United States GAAP as Note 20)

3. Management's Discussion and Analysis

Certifications

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

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

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

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

Consents

8. Consents of William Lewis, B.Sc., P.Geo. of Micon International Ltd ("Micon")

9. Consents of Robert J. Leader, P.Eng of Micon

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

11. Consents of Charley Murahwi, M.Sc., P.Geo, MAusIMM of Micon

12. Consent of KPMG LLP

SIGNATURES

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

ENDEAVOUR SILVER CORP.

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

Date: March 31, 2009

ANNUAL INFORMATION FORM

("AIF")

of

ENDEAVOUR SILVER CORP.

(the "Company" or "Endeavour")

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

Dated: March 31, 2009

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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, 2008, for the year ended December 31, 2007 and for the year ended December 31, 2006, together with the Management Discussion and Analysis accompanying such financial statements.

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

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

Type of Document	Effective Date / Period Ended	Date Filed / Posted	Document name which may be viewed at the SEDAR website at **www.sedar.com** (or alternative location for non-SEDAR documents)
NI 43-101 Technical Report on the Resource and Reserve Estimates for the Guanacevi Project, Durango State, Mexico	March 18, 2009	March 31, 2009	Technical Report (43-101) – English Qualification Certificate(s) and Consent(s)
NI 43-101 Technical Report for the Guanajuato Mines Project, Durango State, Mexico	March 18, 2009	March 31, 2009	Technical Report (43-101) – English Qualification Certificate(s) and Consent(s)

1.2 Date of Information

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

1.3 Forward-Looking Statements

This Annual Information Form contains "forward-looking statements" within the meaning of application Canadian securities legislation. Such forward-looking statements concern the Company's anticipated results and developments in the Company's operations in future periods, planned exploration and development of its properties, plans related to its business and other matters that may occur in the future. These statements relate to analyses and other information that are based on expectations of future performance, including silver and gold production and planned work programs.

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

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

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

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

1.4 Currency and Exchange Rates

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

1.5 Classification of Mineral Reserves and Resources

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

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

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

and its registered and records office is located at:

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

2.2 Subsidiaries

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

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

ITEM 3: GENERAL DEVELOPMENT OF THE BUSINESS

3.1 Three Year History

Overview

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

Guanacevi Mines Project

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

Under the option interest agreement, the scheduled January 28, 2007 payment of $638,000 was made with 176,201 shares of the Company in lieu of cash. The Company was able to acquire the remaining shares of Minera Santa Cruz y Garibaldi S.A. de C.V. (“Minera Santa Cruz”), which owned 49% of the Santa Cruz silver-gold mine, for the final option interest agreement payment of $638,000 in January 2008, however the Company negotiated an early buy out of the minority shareholders. In May 2007, the Company issued 1,350,000 shares of the Company with a fair market value of $5.04 to acquire the remaining 49% of outstanding shares in Minera Santa Cruz. The settlement price reflects the minority shareholders’ earnings to date, the 2008 option payment and the projected 2007 earnings.

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

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

On February 27, 2007 the Company announced that it has acquired the exploitation contracts to the producing Unidad Bolanitos silver (gold) mines located in the northern parts of the Guanajuato and La

Luz silver districts in the state of Guanajuato, Mexico. The Company signed a binding initial agreement to purchase the Unidad Bolanitos exploitation rights from Minas de la Luz SA de CV ("MdlL") for $3.4 million, comprised of $2.4 million in cash and $1.0 million in common shares of the Company. On April 30, 2007 the Company completed the acquisition by paying $2.4 million in cash and issuing 224,215 common shares priced at $4.46 per share.

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

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

Endeavour’s main short-term goal at Guanajuato is to invest in mine exploration and development in order to access more historic reserve blocks and increase mine production up to the 500 tpd plant capacity. The Company’s longer term goal is to invest in exploration, find new higher grade ore bodies and, if successful, evaluate the potential for a plant expansion.

Three Year History

2009 to March 31

During the first quarter of 2009, management has focused on providing the Company with additional financing and expanding the development of the Guanacevi and Guanajuato mines projects.

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

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

On March 31, 2009 the Company released updated NI 43-101 Reserve and Resource estimates as at December 31, 2008 for its active silver mining and exploration projects in Mexico, the Guanacevi Mines Project and the Guanajuato Mines Project.

2008

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

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

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

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

During 2008 the Company continued to strengthen the management team through the appointment of Dan Dickson, CA, the Company's former Controller, as interim CFO effective March 31, 2008 and the appointment of Richard Downes as Mine Manager of the Guanacevi Mines Project.

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

2007

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

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

At the Guanacevi Mines Project, silver production increased 41% over 2006 primarily due to the increase in the plant throughput as the new ball mill was on stream and allowed a higher daily processing rate. Other improvement completed during the year were upgrading the performance of the CCD leach, Merrill Crowe precipitation and refinery circuits. Other capital projects completed during the year were the lined tailings pond, underground pump station, expansion of the plant electrical substation, widening of the

Santa Cruz Mine level #6 to access the Alex Breccia zone and a new mine camp and kitchen. The Company also expanded the mineralization at the Porvenir mine and discovered three new mineralized zones (Alex Breccia, La Prieta and El Pelayo).

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

On November 27, 2007 the company acquired an option to purchase the El Milache properties which are located along the trend of the Santa Cruz silver vein approximately 2 kilometers northwest of the Porvenir Mine, part of Endeavour's Guanacevi Mines Project in Durango, Mexico. The Company can acquire a 100% interest by paying $50,000 (paid) and issuing 30,000 (issued) shares upon signing the agreement and paying $50,000 after 18 months.

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

During the year the Company expanded its mining assets considerably through the acquisition of the Guanajuato Mines Project through the following transactions:

- 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$3.4 million cash and US$1.0 million of common stock of the Company.
- On April 30, 2007 the Company closed the acquisition of the Unidad Bolanitos exploitation contracts for $2.4 million and 224,215 common shares, which were valued at $4.46 per share.
- On May 1, 2007 the Company entered into an agreement with two subsidiary companies of Penoles to purchase all of the Guanajuato property and plant assets for 800,000 common shares of the Company and a share purchase warrant that gives Penoles the right to purchase an additional 250,000 common shares at CA$5.50 per share for a two year period.
- On May 30, 2007 the Company closed the acquisition of a 100% interest in the Guanajuato Mines Project (formerly referred to as Bolanitos) property and plant assets, free and clear of any royalties, for 800,000 common shares of the Company, which were valued at $4.84 per share, and a share purchase warrant that gives Penoles the right to purchase an additional 250,000 common shares at CA$5.50 per share for a two year period.

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

The Company also focused on strengthening its management team through the year and David Howe, M.Sc. Mining Geology was appointed as Vice President, Mexico Operations, Fernand Rondeau was appointed Mine Manager of the Guanajuato Mines Project, Nelson Pena was appointed Senior Engineer Mine Planning, Miguel Lampson was appointed Chief Mine Geologist of the Guanajuato Mines Project and Francisco Gameros was appointed Financial Controller of Endeavour's Mexican operations Mr. Barry Devlin, M.Sc.,P.Geo. joined the Company as the new Vice President, Exploration .

On January 29, 2007 the Company's common shares commenced trading on the NYSE Alternext U.S., formerly known as the American Stock Exchange, under the symbol EXK and on June 14, 2007 Endeavour expanded and strengthened the Board of Directors with the appointment of Rex McLennan.

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

2006

During January 2006 the Company completed the acquisition of 51% of the Guanacevi Mines Project mining assets and processing plant through payments totaling $1 million and then in July 2006 acquired the remaining 49% of the processing plant for $2.2 million comprised of cash and units of the Company.

During the year ended December 31, 2006, the Company focused on boosting ore production from the Porvenir Mine, within the Guanacevi Mines Project, and silver production at the Guanacevi plant. Silver mining grade increased 17%, recoveries increased 7% and silver production increased by 43% as compared to 2005. The mill was expanded from an average process rate of 420 ton per day to 800 tons per day at the end of 2006 through the installation of a larger ball mill.

Other mine, mill and development projects during the year included; drove 6,800 metres of underground ramps, sills and raises, purchased 6 new scoops and ordered two new jumbo drills, built 2 new underground electrical substations, refurbished the mine offices, built a new electrical substation at the mill and upgraded the plant laboratory.

The Company also acquired exploration properties during 2006. On August 10, 2006 Endeavour acquired options to purchase La Aurora and El Cometa properties in the Parral district, Chihuahua State, Mexico for $913,000 cash payable over 3 years and on 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 $229,000 payable over 2 years plus 1% NSR production royalty.

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

During the year the Company raised approximately CDN$32 million through private placements and warrant exercises of the Company.

3.2 Significant Acquisitions

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

ITEM 4: DESCRIPTION OF THE BUSINESS

4.1 General Description

The Business of the Company

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

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.

Number of Employees

The Company has approximately 675 full and part-time employees.

4.2 Risk Factors

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

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

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

In general, if the Company is or becomes a PFIC, any gain recognized on the sale of securities and any "excess distributions" (as specifically defined in the Code) paid on the securities must be ratably allocated to each day in a U.S. taxpayer's holding period for the securities. The amount of any such gain or excess distribution allocated to prior years of such U.S. taxpayer's holding period for the securities generally will

be subject to U.S. federal income tax at the highest tax applicable to ordinary income in each such prior year, and the U.S. taxpayer will be required to pay interest on the resulting tax liability for each such prior year, calculated as if such tax liability had been due in each such prior year.

Fluctuations in the price of consumed commodities

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

Competitive Conditions

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

Operating Hazards and Risks

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

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

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

Exploration and Development

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

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

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

Calculation of Reserves and Resources and Precious Metal Recoveries

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

Government Regulation

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

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

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

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

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

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

Agreements with Other Parties
The Company has entered into agreements with other parties relating to the exploration, development and production of its properties.

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

Employee Recruitment, Retention and Human Error

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

Potential Conflicts of Interest

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

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

Foreign Countries and Regulatory Requirements

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

Foreign Operations

The majority of the Company's current operations are conducted by its subsidiaries in, and all of the Company's current production and revenue is derived from its operations in, Mexico. As the Company's business is carried on in a foreign country, it is exposed to a number of risks and uncertainties including; labour unrest, high rates of inflation, changes to tax regimes, extreme fluctuations in currency exchange rates and difficulty obtaining key equipment and components for equipment.

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

Absolute Assurance on Financial Statements
We prepare our financial reports in accordance with accounting policies and methods prescribed by Canadian generally accepted accounting principles. In the preparation of financial reports, management may need to rely upon assumptions, make estimates or use their best judgment in determining the financial condition of the Company. Significant accounting details are described in more detail in the notes to our annual consolidated financial statements for the year ended December 31, 2008. In order to have a reasonable level of assurance that financial transactions are properly authorized, assets are safeguarded against unauthorized or improper use and transactions are properly recorded and reported, we have implemented and continue to analyze our internal control systems for financial reporting. Although we believe our financial reporting and financial statements are prepared with reasonable safeguards to ensure reliability, we cannot provide absolute assurance in that regard.

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

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

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

Recent market events and conditions
In 2007 and into 2008, the U.S. credit markets began to experience serious disruption due to a deterioration in residential property values, defaults and delinquencies in the residential mortgage market (particularly, sub-prime and non-prime mortgages) and a decline in the credit quality of mortgage backed securities. These problems led to a slow-down in residential housing market transactions, declining housing prices, delinquencies in non-mortgage consumer credit and a general decline in consumer confidence. These conditions continued and worsened in 2008, causing a loss of confidence in the broader U.S. and global credit and financial markets and resulting in the collapse of, and government intervention in, major banks, financial institutions and insurers and creating a climate of greater volatility, less

liquidity, widening of credit spreads, a lack of price transparency, increased credit losses and tighter credit conditions. In addition, general economic indicators have deteriorated, including declining consumer sentiment, increased unemployment and declining economic growth and uncertainty about corporate earnings.

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

Substantial Volatility of Share Price

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

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

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

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

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

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

The Company documented and tested during its most recent fiscal year, its internal control procedures in order to satisfy the requirements of Section 404 of the U.S. Sarbanes-Oxley Act ("SOX"). SOX requires an annual assessment by management of the effectiveness of the Company's internal control over financial reporting and an attestation report by the Company's independent auditors addressing this

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

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

Potential dilution of present and prospective shareholdings

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

Lack of Dividends

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

Future Sales of Common Shares by Existing Shareholders

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

Claims Under U.S. Securities Laws

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

4.3 Asset-Backed Securities Outstanding

The Company has not issued any asset-backed securities.

4.4 Mineral Projects

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

Guanacevi Mines Project, Durango State, Mexico

The 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 to the following most recent technical report presumed by management to be compliant with National Instrument 43-101 ("**NI 43-101**"):

"Audit of the Resource and Reserve Estimates for the Guanacevi Project, Durango State, Mexico" dated March 18, 2009. The Qualified Persons who completed the audit of the reserves and resources are Robert J. Leader, P.Eng., William Lewis, P.Geo., and Dibya Kanti Mukhopadhyay, MAusIMM, of Micon International. The report was filed on Sedar on March 31, 2009.

The following summary is extracted from a technical report titled "Audit *of the Resource and Reserve Estimates for the Guanacevi Project, Durango State, Mexico*" prepared by William J. Lewis, BSc., P.Geo., Charley Murahwi, M.Sc., P.Geo, MAusIMM, Robert J. Leader, P. Eng. and Dibya Kanti Mukhopadhyay, MAusIMM of Micon International Limited and dated March 18. The complete report can be viewed on SEDAR at www.sedar.com. The detailed disclosure contained in the abovementioned report is incorporated by reference into this AIF.

Endeavour Silver Corp. (Endeavour Silver) has retained Micon International Limited (Micon) to conduct an audit of the updated resource and reserve estimate for its Guanaceví Mines project, located near the town of Guanaceví in the northwest part of the State of Durango in Mexico. This Technical Report constitutes an audit of the December 31, 2008 mineral resource and reserve estimate conducted on the property by Endeavour Silver. The audit was performed to ensure that the mineral resources and reserves comply with the Canadian Institute of Mining, Metallurgy and Petroleum (CIM) standards and definitions referred to in Canadian National Instrument 43-101 (NI 43-101).

An earlier resource and reserve estimate was the subject of an April, 2008 NI 43-101 Technical Report conducted in-house by Endeavour Silver. The Micon audit incorporates the exploration data gathered since the publication of the April, 2008 report. The April, 2008 Endeavour Silver Technical Report was posted on the System for Electronic Document Analysis and Retrieval (SEDAR). SEDAR is the filing system developed for the Canadian Securities Administrators (CSA).

Property Description

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

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

Ownership

Endeavour Silver holds the Guanaceví Mines project through its 100% owned Mexican subsidiary Endeavour Gold Corporation S.A. de C.V. (Endeavour Gold). Endeavour Gold holds the project through its two 100% owned subsidiaries Minera Plata Adelante S.A. de C.V. (Minera Plata Adelante) and Refinadora Plata Guanaceví S.A. de C.V. (Refinadora Plata Guanaceví). At present, the project is comprised of 36 mineral concessions. The mineral concessions are not all contiguous and vary in size, for a total property area of 998 ha. The annual 2009 concession tax for the Guanaceví properties is approximately 175,732 Mexican pesos, which is equal to about US$11,539 at an exchange rate of 15.23 pesos to US$1.00 dollar.

Since Micon Technical Report was published on SEDAR in 2007, the most significant material change to the various agreements are as follows.

Under the option interest agreement, the scheduled January 28, 2007 payment of $638,000 was made with 176,201 shares of Endeavour Silver in lieu of cash. Endeavour Silver was able to acquire the remaining shares of Minera Santa Cruz y Garibaldi S.A. de C.V. (Minera Santa Cruz), which owned 49% of the Santa Cruz silver-gold mine, for the final option interest agreement payment of $638,000 in January, 2008; however, Endeavour Silver negotiated an early buy-out of the minority shareholders. In May, 2007, Endeavour Silver issued 1,350,000 shares of the Company with a fair market value of US$5.04 per share to acquire the remaining 49% of outstanding shares in Minera Santa Cruz. The settlement price reflects the minority shareholders' earnings to date, the 2008 option payment and the projected 2007 earnings.

During 2007, Endeavour Silver also made two new acquisitions, Milache and San Pedro, both located in the San Pedro sub-district of the Guanaceví mining district. In addition to the concessions already held (San Pedro Uno and La Sultana), Endeavour now controls approximately 456 hectares in the San Pedro area. In February, 2009, Endeavour Silver acquired the Porvenir Cuatro and La Brisa concessions totalling approximately 55 hectares. The Porvenir Cuatro and La Brisa agreement is an option to earn 100% of these properties over two years for a total consideration of US$700,000. The first payment is US$100,000 cash on signing and US$200,000 in shares based on the 10 day average price before the signing date of Febraury 9, 2009. The subsequent payments are 12 months from signing with US$240,000 as shares again based on the average price 10 days prior to February 9, 2010. The final payment is due on or before February 9, 2011 and consists of a payment of US$160,000 either as cash or shares.

Endeavour Silver can acquire a 100% interest in the El Milache properties by paying US$50,000 and issuing 30,000 shares upon signing the option-to-purchase agreement and paying US$50,000 after 18 months. Endeavour Silver can earn a 100% interest in the San Pedro properties by issuing 120,000 common shares and issuing 60,000 warrants to purchase 60,000 shares at $4.69 within a 1 year period and a further 570,776 shares within a 24 month period. On signing, 120,000 common shares and 60,000 warrants were issued to the vendor. The vendor will retain a 1% net smelter royalty on mineral production.

Geology and Mineralization

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

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

Exploration

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

During 2008, Endeavour completed 18,483 m in 89 surface and underground drill holes at the Guanaceví Mines project. A total of 10,437 samples were also collected and submitted for assay. The exploration efforts are beginning to yeild fruit as evidenced by the significant increase in the mineral resource base.

Reserve and Resource Estimation

An earlier Resource and Reserve estimate was the subject of an April 16, 2007 NI 43-101 Technical Report conducted by Micon. An updated Reserve and Resource estimation was prepared by Endeavour staff using updated data and 3-D modeling techniques utilizing the Vulcan software and this was the subject of an April 15, 2008 Technical Report prepared by Endeavour Silver staff This present repor incorporates data gathered since the publication of the Endeavour Silver 2008 Technical Report and discusses any changes in the estimation methodologies.

In-situ, diluted, recoverable Proven and Probable Reserves are summarized in Table 1.1. For Proven Reserves, tonnage and grades are based on the channel sample data only. Probable Reserves are estimated using both channel samples and drill hole intercepts included in the current mine plan. Dilution was estimated using parameters for wall rock dilution as well as additional mining and mucking dilution. Dilution grades are assumed to be the same for wall rock and additional mining dilution. Ore losses were estimated using parameters similar to those outlined in the Micon Technical Report dated April 16, 2007. The Proven and Probable Reserves represent only those portions of the deposits for which Endeavour has a mine plan in place at the Porvenir mine. The tonnages in Table 1.1 include a combination of both dilution and ore losses and can be considered as estimates of the extractable or recoverable Reserves.

At a cut-off grade of 270 g/t silver, the total remaining Proven and Probable mineral Reserve is 535,000 tonnes at a grade of 353 g/t silver and 0.49 g/t gold containing an estimated 6,070,500 oz of silver and 8,400 oz of gold.

Table 0.1
Proven and Probable Reserves for the Guanaceví Mines Project as of December 31, 2008 (Cut-off Grade 270 g/t Silver)

Reserves	**Diluted Recoverable Tonnes & Grade**				
	Tonnes	**Silver (g/t)**	**Gold (g/t)**	**Ounces Ag**	**Ounces Au**
Proven					
Porvenir Mine	57,000	361	0.49	661,300	900
Total Proven	**57,000**	**361**	**0.49**	**661,300**	**900**
Probable					
Porvenir Mine	478,000	352	0.49	5,409,200	7,500
Total Probable	**478,000**	**352**	**0.49**	**5,409,200**	**7,500**
Total Proven + Probable	**535,000**	**353**	**0.49**	**6,070,500**	**8,400**

Endeavour Silver also updated Indicated and Inferred Resource estimates as of December 31, 2008 (Table 1.2) . These Resources are in addition to the Reserves reported in Table 1.1.

Table 0.2
Indicated and Inferred Resources for the Guanaceví Mines Project as of December 31, 2008

Resource of Povenir (200 g/t Cut-off)							
	Category	Tonnes	Au (g/t)	Ag (g/t)	Cu(%)	Pb(%)	Zn (%)
	Indicated	530,000	0.55	302			
	Inferred	415,000	0.61	378			
Resource of Exploration Areas (100 g/t Cut-off)							
Category	Area	Tonnes	Au (g/t)	Ag (g/t)	Cu(%)	Pb(%)	Zn (%)
Indicated	Porvenir Dos	272,707	0.66	325			
	Santa Cruz	461,105	0.55	305			
	MCH-VER-Blanca	19,781	0.45	259			
Total		**753,593**	**0.59**	**312**			
Inferred	Porvenir Dos	88,396	0.39	251			
	Santa Cruz	99,847	0.55	278			
	MCH-VER-Blanca	74,910	0.41	251			
Total		**263,153**	**0.46**	**261**			

Resource of Exploration Areas (100 g/t Cut-off)							
Category	Area	Tonnes	Au (g/t)	Ag (g/t)	Cu(%)	Pb(%)	Zn (%)
Indicated	Santa Cruz	96,656	0.54	252	0.06	1.79	2.70
	Alex Breccia	329,923	0.34	235	0.04	0.91	1.70
Total		**426,579**	**0.39**	**239**	**0.05**	**1.11**	**1.93**
Inferred	Santa Cruz	44,695	0.43	164	0.09	0.87	1.32
	Alex Breccia	352,104	0.34	176	0.05	0.86	1.56
	Noche Buena	488,476	0.15	165	0.02	0.60	1.08
Total		**885,275**	**0.24**	**169**	**0.03**	**0.71**	**1.29**
Additional Resource of Alex Breccia and Santa Cruz (50 g/t Cut-off and >3.5% Pb +Zn)							
Category	Area	Tonnes	Au (g/t)	Ag (g/t)	Cu(%)	Pb(%)	Zn (%)
Indicated	Alex Breccia	17,370	0.26	71	0.09	2.66	3.90
	Santa Cruz	31,889	0.26	78	0.06	1.39	2.59
	Buena Fe	35,807	0.08	52	0	2.58	4.38
Total		**85,000**	**0.18**	**66**	**0.07**	**2.20**	**3.60**
	Alex Breccia	47,644	0.23	75	0.07	2.28	3.32

Inferred	Santa Cruz	52,601	0.28	74	0.05	1.40	2.27
	Buena Fe	159,574	0.09	71	0	2.21	3.79
Total		**260,000**	**0.16**	**72**	**0.06**	**3.40**	**2.10**

Development and Operations

For the year ending December 31, 2008, silver production was 1,852,969 oz compared to 1,907,795 oz in 2007, a decrease of 3%, with gold production of 3,845 oz compared to 3,957 oz in 2007, also a decrease of 3%. Plant throughput for 2008 was 255,656 tonnes at an average grade of 318 g/t silver and 0.58 g/t gold as compared to 226,295 tonnes at an average grade of 375 g/t silver and 0.70 g/t gold during 2007. In 2008, recoveries averaged 70.9% and 80.7% for silver and gold, respectively. Production in 2008 is summarized in Table 1.3.

Table 0.3
Production for the Guanaceví Mines Project (2008)

Year	Tonnes	Silver (g/t)	Gold (g/t)	Oz Silver recovered	Oz Gold recovered	Recovery Ag	Recovery Au
2008	255,656	318	0.58	1,852,969	3,845	70.9	80.7

Endeavour Silver is planning a program of surface and underground exploration drilling and development to discover and upgrade Reserves and Resources; the nature of narrow vein mining requires continuous development of new Reserves and Resources.

The Guanaceví Mines project produces doré silver bars. However, potentially economic base metals in new deposits currently under development (Alex Breccia and Santa Cruz) may be recovered from Endeavour Silver's re-commissioned flotation circuit. In 2009, Endeavour will be finalizing its reactivation of the flotation circuits.

Conclusions and Recommendations

The Guanaceví Mines project is an operating silver (gold) mine with good potential for the discovery of additional resources and reserves as development and exploration at the mine continue. Endeavour Silver's sustained exploration efforts in the last 3 to 5 years are being rewarded as evidenced by the growth of its mineral resource inventory.

Endeavour Silver's properties in the Guanaceví district, including recently acquired properties and potential new acquisitions, are highly prospective for further resources which may be converted into reserves with additional exploration and development. Given the amount of historic mining in the district, the extent of the mineralization within known mining areas, and the lack of modern exploration programs covering the properties in the past, the properties have the potential to host additional zones of silver and gold mineralization, similar in character and grade to those exploited in the past, outside the present Resource and Reserve base.

As part of its ongoing exploration at the Guanaceví Mines project, Endeavour is budgeted to spend US$1,296,000 on exploration in an effort to continue to expand the resource base through both exploration drilling and development on the property and within the mine during 2009. Micon believes that Endeavour Silver's 2009 exploration budget is both appropriate and warrented.

Micon has audited and accepted the current resource and reserve estimate for the project and makes the following additional recommendations:

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

2)

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

3)

In order to minimize contamination between samples, Micon recommends that Endeavour Silver increase the usage of blanks among its control samples. It is further recommended that the blanks must look like the rest of the samples and not be in powder form. If the blanks are already crushed and pulverized, they will escape the critical test at the crushing stage.

4)

In pursuit of the multi-metal precious and base metal resources at Alex Breccia and Santa Cruz, Micon recommends that Endeavour Silver conducts detailed metallurgical test work to determine how optimum metal recoveries can be achieved and the economics of running such an operation. It is further recommended that this program takes precedence over further exploration programs to expand the multi-metal resource. Endeavour Silver has conducted in-house metallurgical testing at its facility in Guanaceví for optimizing the circuit for Alex Breccia.

5)

Micon recommends that, as further data are generated from mining, more detailed examination of the block modeling parameters should be undertaken to develop better estimation protocols. This would not only help in future exploration but would also help in infill drilling.

6)

Micon recommends that Endeavour Silver incorporate routine mineralogical investigations into its exploration programs to assist in the interpretation of mineralization patterns and to explain variations in recoveries at the mill site.

Guanajuato Mines Project, Guanajuato State, Mexico

The Guanajuato Mines Project is subject to the following most recent technical report presumed by management to be compliant with National Instrument 43-101 ("**NI 43-101**"):

"Audit of the Resource and Reserve Estimates For the Guanajuato Mines Project Guanajuato State Mexico" dated March 18, 2009. The Qualified Person reporting for the reserves is Robert J. Leader, P. Eng and the Qualified Persons reporting for the resources are William J. Lewis, BSc., P.Geo. and Charley Murahwi, M.Sc., P.Geo, MAusIMM. All Qualified Persoms are employees of Micon International Limited. The full report was filed on Sedar on March 31, 2009.

The following summary is extracted from the technical report titled "Audit of the Resource and Reserve Estimates For the Guanajuato Mines Project Guanajuato State Mexico" prepared by William J. Lewis, BSc., P.Geo., Charley Murahwi, M.Sc., P.Geo, MAusIMM, Robert J. Leader, P. Eng. and Alan San Martin, Ing. of Micon International Limited and dated March 18, 2009. The complete report can be viewed on SEDAR at www.sedar.com. The detailed disclosure contained in the abovementioned report is incorporated by reference into this AIF.

Endeavour Silver Corp. (Endeavour Silver) has retained Micon International Limited (Micon) to conduct an audit of the updated resource and reserve estimate for its Guanajuato Mines project, located near the city of Guanajuato in the State of Guanajuato in Mexico. This Technical Report constitutes an audit of the December 31, 2008 mineral resource and reserve estimate conducted on the property by Endeavour Silver. The audit was performed to ensure that the resources and reserves comply with the Canadian

Institute of Mining, Metallurgy and Petroleum (CIM) standards and definitions referred to in Canadian National Instrument 43-101 (NI 43-101).

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

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

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

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

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

The annual 2009 concession tax payment for the Guanajuato Mines property is approximately 462,903 Mexican pesos (pesos), which is equal to about US$30,400 at an exchange rate of 15.23 pesos to US$1.00 dollar. All concessions are subject to a bi-annual fee (i.e., twice per year) and the filing of reports in May of each year covering the work accomplished on the property between January and December of the preceding year. It should be noted that as of December 21, 2005 (by means of an amendment made on April 28, 2005 to the Mexican mining law) there is only one type of mineral concession in Mexico.

In addition to the mineral rights, Endeavour Silver has agreements with various private ranch owners that provide access for exploration and exploitation purposes.

The Guanajuato Mines project consists of three operating mines in two areas. Mina Cebada is located about 5 km north of the city of Guanajuato. The Bolañitos mine and the processing plant are situated approximately 5 km west of Cebada, and both properties are readily accessed by paved and well maintained gravel roads. The Golondrinas mine is 3.5 km to the southwest of Cebada. The Bolañitos and Golondrinas mines are located near the town of La Luz, about 12 km to the northeast of Guanajuato.

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

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

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

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

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

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

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

It is impossible to state with even approximate accuracy what the production of precious metals was in the early days. When the Spanish arrived in Mexico there were no Aztec records and although accurate records were kept up until 1810, smuggling prevailed to such an extent, owing to the heavy tax on silver, as to render it impossible to arrive at exact figures.

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

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

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

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

Mining of the epithermal silver-gold veins has occurred for more than 450 years and is estimated to have produced more than 130 tonnes of gold and 30,000 tonnes of silver.

Most of the production has been extracted from three principal vein systems on normal faults, the La Luz, Veta Madre and La Sierra which are illustrated in Figures 7.3 and 7.4. Economic concentrations of precious metals are present in isolated packets (known as bonanzas, or "spikes") distributed vertically and laterally between non-mineralized segments of the veins. There is a vertical mineralogical zonation within these veins. The upper-levels are acanthite + adularia + pyrite + electrum + calcite + quartz and the lower-levels are chalcopyrite + galena + sphalerite + adularia + quartz + acanthite. The Veta Madre has been the most productive vein and it is by far the most continuous, having been traced on the surface for approximately 20 km. The vein dips from 35° to 55º to the southwest and it has measured displacements of around 1,200 m near the Las Torres mine and 1,700 m near La Valenciana mine. Most of the other productive veins in the district strike parallel to the Veta Madre.

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

With the Guanajuato Mines project, Endeavour Silver has acquired a silver mining operation located in the State of Guanajuato, Mexico with a high potential for the discovery of additional resources and reserves as development and exploration at the mines continue. In addition since Endeavour Silver has taken over the day-to-day operation of the mine there are a number of areas which will see increased productivity and efficiency measures which may lead to increased cost savings in the future.

Micon has conducted an audit of the Endeavour Silver resource and reserve estimate for the period ending December 31, 2008.

The probable mineral reserves are those indicated mineral resource blocks which are currently economic and for which Endeavour Silver has a mine plan in place. The indicated mineral resources are those blocks which have had some of the historical mine sampling superseded by Endeavour Silver's 2007 check channel samples and the 2008 channel sampling program which, in conjunction with confidence gained from the historical reconciliations, provide a reasonable level of confidence in the sample grades and resultant block estimates where channel sampling has identified economically mineable mineralization.

Endeavour Silver caps the channel samples statistically based on the cumulative probability of approximately 95%. Endeavour Silver has capped each area or vein separately and has not used an average for its entire project which preserves the individual mineralogical nature of each area or vein during the resource and reserve estimate.

A minimum horizontal width of 1.50 m was used for compositing channel and drill hole sample grades.

The cut-off grade applied to resource blocks was 200 g/t AgEq. The cut-off grade applied to reserve blocks was 230 g/t AgEq. Silver-equivalencies are calculated using long-term prices of US$12 per ounce for silver and US$900 per ounce for gold.

For the December 31, 2008 resource and reserve report, two different methodologies have been employed for the estimation for the Guanajuato Mines project. Endeavour Silver is still using a classic polygonal method to estimate the majority of the mineral resources and all mineral reserves. All resources for the 3785 (Robbins #5) zone discovered in the Cebada mine at the end of 2007 are now being estimated using block model methods using Vulcan computer software. Endeavour Silver is in a transition period in regard to the resource and reserve estimates and since taking over the Guanajuato operations in 2007 has been implementing a number of changes.

A varying amount of dilution, ranging between 6% and 33%, has been applied to convert the mineral resources to mineral reserves. Dilution for individual blocks depends mainly on the deposit width and the size of equipment that will be used.

In 2008, a recovery factor ranging from 92% to 97% was also included in the estimation process to generate the mineral reserves. This is because some mineralized pillars are now being left behind during the mining of the various veins when mining at Cebada, and 100% extraction for some resource and reserve blocks is not possible at the mines. The cut and fill method does allow for a resource block to be mined from the bottom up in its entirety in some areas but complete extraction is rarely achieved.

Micon's audited Endeavour Silver mineral resource estimates are contained in Tables 1.1 and 1.2, with the mineral reserves summarized in Table 1.3. The figures in the tables have been rounded to reflect that the resources and reserves are estimates. However, while rounding has been applied to the block estimates in order to provide a statement which implies an appropriate level of accuracy; this may result in apparent errors which are not considered material.

Micon believes that the resource and reserve estimate compiled by Endeavour and audited by Micon has been reasonably prepared and conforms to the current CIM standards and definitions for estimating resources and reserves as required under NI 43-101 "Standards of Disclosure for Mineral Projects". Therefore, Micon accepts Endeavour Silver's resource and reserve estimate as its basis for the ongoing mining operations at the Guanajuato Mines project.

Table 1.1
December 31, 2008 Indicated Mineral Resource Estimate, Guanajuato Mines Project
(Cut-off Grade 200 g/t Silver-Equivalent)

Area	Tonnes	Gold (g/t)	Silver (g/t)	Gold (oz)	Silver (oz)
Cebada	83,000	2.00	179	5,000	478,000
Bolañitos	186,000	1.34	217	8,000	1,298,000
Golondrinas	19,000	2.39	159	2,000	97,000
Total	**288,000**	**1.60**	**202**	**15,000**	**1,873,000**

Table 1.2
December 31, 2008 Inferred Mineral Resource Estimate, Guanajuato Mines Project
(Cut-off Grade 200 g/t Silver-Equivalent)

Area	Tonnes	Gold (g/t)	Silver (g/t)	Gold (oz)	Silver (oz)
Cebada	162,000	1.90	280	10,000	1,461,000
Bolañitos	513,000	1.96	231	32,000	3,809,000
Golondrinas	107,000	2.32	140	8,000	481,000
Total	**782,000**	**2.00**	**229**	**50,000**	**5,751,000**

Thus, at a block cut-off grade of 200 g/t silver, Micon estimates that the total remaining mineral resource as of December 31, 2008 is 288,000 t at a grade of 202 g/t silver and 1.60 g/t gold for the Indicated Resources, and 782,000 t at a grade of 229 g/t silver and 2.0 g/t gold for the Inferred Resources. The Indicated portion of this mineral resource contains an estimated 1,873,000 oz of silver and 15,000 oz of gold, while the Inferred portion of the mineral resource contains an estimated 5,751,000 oz of silver and 50,000 oz of gold. The mineral resources are exclusive of the mineral reserves.

Table 1.3
December 31, 2008 Mineral Reserve Estimate, Guanajuato Mines Project
(Cut-off Grade 230 g/t Silver-Equivalent)

Area	In-situ Tonnes and Grade					Recoverable Tonnes and Grade				
	Tonnes (t)	Gold (g/t)	Silver (g/t)	Gold (oz)	Silver (oz)	Tonnes (t)	Gold (g/t)	Silver (g/t)	Gold (oz)	Silver (oz)
Cebada	82,000	2.02	319	5,000	844,000	89,000	1.75	277	5,000	792,000
Bolañitos	73,000	2.60	200	6,000	468,000	76,000	2.31	178	6,000	437,000
Lucero	39,000	3.42	389	4,000	483,000	41,000	3.03	346	4,000	451,000
Soledad	6,000	2.60	189	1,000	36,000	6,000	2.31	168	400	34,000
San Jose	2,000	1.00	240	100	15,000	2,000	0.89	213	100	14,000
Total	**202,000**	**2.51**	**285**	**16,100**	**1,846,000**	**214,000**	**2.20**	**251**	**15,500**	**1,728,000**

Thus, at a cut-off grade of 230 g/t silver-equivalent, Micon estimates that the total remaining mineral reserve as of December 31, 2008 is 214,000 t at a grade of 251 g/t silver and 2.2 g/t gold for the recoverable probable mineral reserves. The recoverable probable mineral reserves contain an estimated 1,728,000 oz of silver and 15,500 oz of gold. The recoverable reserves include appropriate factors for mine recovery and dilution, but do not include metallurgical recovery factors.

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

Given the success of Endeavour Silver's previous exploration program it plans a two-phase exploration program focused on following up several of the new discoveries made near Endeavour Silver's mining operation at Guanajuato and testing several new prospective targets within the district. If the initial 2009 drilling is successful, a budget for a second phase exploration program will be prepared and submitted for approval by the Endeavour Silver's Board of Directors. The primary long-term goal of this program is to expand reserves and resources and to identify properties for potential acquisition in the Guanajuato district to secure future growth.

Phase 1 of the exploration program will include 3,000 m of core in 11 surface diamond drill holes to target vein discoveries and new prospective areas in the Cebada and Bolanitos areas of the Guanajuato district. Endeavour Silver is budgeting to spend an estimated US$500,000, mainly on surface diamond drilling, in an effort to continue to expand the resource base through both exploration and development on its properties during 2009. The estimated cost of diamond drilling is US$140/m.

Phase 1 Target Areas

Phase 1 targets include: Bolañitos-San Jose South and Cebada North.

1) *Bolañitos-San Jose South – surface mapping/sampling; surface diamond drilling (1,500 m).*

2) *Cebada North - surface mapping/sampling/trenching; surface diamond drilling (1,500 m).*

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

Through its acquisition of the Guanajuato Mines project, Endeavour Silver has acquired an operating project in one of the major silver producing districts in Mexico. Micon has audited and accepted the current resource and reserve estimate for the project and makes the following additional recommendations:

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

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

3) *Micon recommends that a blank sample should be generated from either un-mineralized rock formations within the district or from un-mineralized sand deposits in the area. Enough material should be acquired to generate blank samples for use throughout the QA/QC program at the Guanajuato Mines project.*

4) *Micon recommends that Endeavour Silver continues sending out representative samples of the various mineralized zones encountered in the drilling for bulk density determinations and that this information is used in conducting future resource and reserve estimates on the Guanajuato Mines project.*

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

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

ITEM 5: DIVIDENDS

5.1 Dividends

No dividends have been declared during the past three fiscal years covering the period beginning January 1, 2006 and ending December 31, 2008. 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 31, 2009, the Company has 51,537,018 common shares issued and outstanding.

The following table provides a summary concerning the Company's share capital as of December 31, 2008:

	December 31, 2008
Authorized share capital	Unlimited number of common shares without par value
Number of shares issued and outstanding	49,080,478 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 " **TSX**") under the symbol "EDR". The Company listed on the TSX and delisted from the TSX Venture Exchange on February 7, 2006. The Company listed on the NYSE Amex, formerly known as the American Stock Exchange, on January 29, 2007 under the symbol EXK.

The price ranges in Canadian $ and volume traded on the TSX for the most recently completed fiscal period ended December 31, 2008 and the months of January and February 2009 are set out below:

Date	Open	High	Low	Close	Volume Traded
Feb-09	1.75	2.34	1.50	1.63	2,514,400
Jan-09	1.27	2.09	1.21	1.85	4,724,900
Dec-08	1.60	1.62	1.16	1.24	3,194,100
Nov-08	1.10	1.73	1.00	1.65	1,537,900
Oct-08	2.17	2.45	1.00	1.11	2,157,100
Sep-08	2.23	2.61	1.35	2.17	2,638,100
Aug-08	2.99	3.02	2.05	2.40	1,317,300
Jul-08	3.31	3.59	2.85	2.95	1,557,800
Jun-08	3.03	3.31	2.91	3.20	1,446,400
May-08	2.82	3.60	2.71	3.02	1,875,800
Apr-08	3.34	3.85	2.65	2.82	2,068,700
Mar-08	4.26	4.48	3.41	3.45	2,072,100
Feb-08	3.80	4.49	3.25	4.19	2,050,951
Jan-08	3.95	4.46	2.90	3.72	3,280,452

The price ranges in US$ and volume traded on the NYSE Amex for the most recently completed fiscal period ended December 31, 2008 and the months of January and February 2009 are set out below::

Date	Open	High	Low	Close	Volume Traded
Feb-09	1.31	1.87	1.20	1.37	5,883,086
Jan-09	1.08	1.73	0.98	1.51	6,405,374
Dec-08	1.16	1.36	0.90	1.02	4,110,288
Nov-08	0.89	1.49	0.83	1.30	2,590,225
Oct-08	2.29	2.32	0.71	0.93	4,127,421
Sep-08	2.41	2.60	1.25	2.10	5,172,183
Aug-08	2.97	2.99	1.90	2.27	2,825,862
Jul-08	3.14	3.60	2.71	2.90	3,606,545
Jun-08	3.05	3.32	2.75	3.12	2,229,672
May-08	2.80	3.60	2.64	3.06	3,041,927
Apr-08	3.34	3.82	2.61	2.80	3,564,287
Mar-08	4.30	4.57	3.30	3.40	4,505,415
Feb-08	3.77	4.60	3.24	4.34	3,529,875
Jan-08	3.90	4.52	2.80	3.72	5,138,467

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	0.18% (as of March 31, 2009)

As at March 31, 2009, 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 Endeavour Silver Corp.	Director, Chairman and Chief Executive Officer (From July 25, 2002)	1,264,350 2.45%
Godfrey J. Walton British Columbia, Canada	President, G.J. Walton & Associates Ltd. and Director, President and COO of Endeavour Silver Corp.	Director, President and Chief Operating Officer (From July 25, 2002)	163,300 0.32%
Leonard Harris 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., Sulliden Exploration Inc., IMA Exploration Inc., Morgain Minerals Inc., Indico Resources Ltd, Aztec Metals Corp., Golden Arrow Resources Corp	Director (From July 24, 2003)	10,000 0.02%
Mario D. Szotlender (1) Caracas, Venezuela	President, Mena Resources Inc.	Director (From July 25, 2002)	79,200 0.15%
Geoff Handley (1) Sydney, Australia	Past Executive VP Strategic Development, Placer Dome Inc., Currently Director of Eldorado Gold Ltd, Pan Australian Resources Limited, Boart Longyear Limited, Oryx Mining and Exploration Ltd.	Director (From June 14, 2006)	Nil

Rex McLennan (1)	Chief Financial Officer of Viterra Inc.,Past Chief Financial Officer and Executive Vice President of 2010 Vancouver Olympics Organizing Committee, Past Chief Financial Officer & Executive Vice President of Placer Dome Inc.	Director (From June 14, 2007)	Nil
Bernie Poznanski British Columbia, Canada	Lawyer, Koffman Kalef Business Lawyers	Corporate Secretary (From March 9, 2009)	Nil
Dan Dickson British Columbia, Canada	Controller for Endeavour Silver Corp from March, 2007 to March, 2008, Manager KPMG from Sept 2002 to February 2007	Chief Financial Officer (From April 1, 2008)	Nil
Barry Devlin Blaine, Washington	Past Manager of Generative Exploration and Chief Geologist for Hecla Mining	Vice President, Exploration (From May 2, 2007)	Nil
David Howe Durango, Mexico	Past General Manager of St. Ann Jamaica Bauxite Ltd. & Vice President operations / GM of Hecla Venezuela	Vice President Operations, Mexico (From November 1, 2007)	Nil
Hugh Clarke British Columbia, Canada	Manager, Investor Relations for Endeavour Silver Corp. Investor Relations for Hunter Dickenson	Vice President, Corporate Communications (From April 1, 2008)	Nil

(1) Audit Committee members.

(2) As at March 23, 2009

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

As of the date hereof, the Company has three executive committees: A Compensation Committee, a Nominating Committee and a Disclosure 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 1,516,850 common shares of the Company, representing approximately 3% of the issued and outstanding common shares as at March 18, 2009.

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, 2008, the fiscal period December 31, 2007, and the fiscal period ended December 31, 2006, the Company did 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, 2008 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, 2008, for the fiscal period ended December 31, 2007 and the fiscal period ended December 31, 2006, 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 Investor Services Inc.
3rd Floor, 510 Burrard Street
Vancouver, BC
Canada, V6C 3B9

ITEM 14: MATERIAL CONTRACTS

14.1 Material Contracts

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

There are no other contracts, other than those entered into in the ordinary course of the Company's business, that are material to the Company and which were entered into in the most recently completed fiscal period ended December 31, 2008 or before or after the most recently completed financial period and still in effect as of the date of this AIF.

ITEM 15: INTERESTS OF EXPERTS

15.1 Names of Experts

KPMG LLP is the external auditor of the Company and reported on the fiscal 2008 audited financial statements of the Company. See Item 1.1.

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"). The report *"Technical Report Audit of the Resource and Reserve Estimates for the Guanacevi Project, Durango State, Mexico*" dated March 18, 2009 was filed on Sedar on March 31, 2009.

The Qualified Persons who completed the audit of the reserves and resources are Jim Leader, P.Eng., William Lewis, P.Geo., and Charley Murahwi P.Geo, MAusIMM, of Micon International ("Micon"). The report *"Technical Report Audit of the Resource and Reserve Estimates for the Guanajuato Mines Project, Guanajuato State, Mexico*" dated March 18, 2009 was filed on Sedar on March 31, 2009.

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, 2008.

16.2 Audit Committee

1. The Audit Committee's Charter

Multilateral Instrument 52-110 *Audit Committees* ("MI 52-110") became applicable to all issuers listed on the Toronto Stock Exchange after July 1, 2005. Effective March 17, 2008, MI 52-110 was rescinded and replaced by National Instrument 52-110 Audit Committees ("NI 52-110). NI 52-110 requires that every issuer disclose certain information concerning the constitution of its audit committee and its relationship with its independent auditor, as set forth below.

2. Composition of the Audit Committee

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

Geoff Handley	Mario D. Szotlender	Rex McLennan

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

All of the members of the audit committee are financially literate, meaning that he must be able to read and understand financial statements.

3. Relevant Education and Experience

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

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

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

4. Reliance on Certain Exemptions

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

(a) the exemption in section 2.4. *De Minimis Non-audit Services;,*

(b) the exemption in section 3.2 *Initial Public Offerings;*

(c) the exemption in section 3.4 *Events Outside Control of Member;*

(d) the exemption in section 3.5 *Death, Disability or Resignation of Audit Committee Member;* or

(e) an exemption from National Instrument 52-110, *Audit Committees,* in whole or part granted under Section 8, *Exemptions*

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

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

6. Reliance on Section 3.8

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

7. Audit Committee Oversight

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

8. Pre-Approval Policies and Procedures

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

9. External Auditor Service Fees (By Category)

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

Financial Year End	**Assurance Fees**(1)	**Tax Fees**(2)	**All Other Fees**(3)
December 31/2007	$597,000	$16,420	Nil
December 31/2008	$440,150	$30,448	Nil

*All amounts are Canadian dollars

(1) The aggregate fees billed in each of the last two fiscal years for assurance and related services by the Company's external auditor that are reasonably related to the performance of the audit or review of the Company's financial statements.

(2) The aggregate fees billed in each of the last two fiscal years for professional services rendered by the company's external auditor for tax compliance and tax advice.

(3) The aggregate fees billed in each of the last two fiscal years for products and services provided by the Company's external auditor, other than the services reported under clauses 1 and 2 above.

SCHEDULE "A"

ENDEAVOUR SILVER CORP. (the "Company") |

Audit Committee Charter
(effective October 31, 2006)

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

1 Purpose Of Audit Committee

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

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

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

2 Composition

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

3 Duties

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

The specific duties of the Committee are as follows:

- Management Oversight:

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

- External Auditor Oversight

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

- Financial Statement Oversight

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

- "Whistleblower" Procedures

- Provide for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters; and

- Provide for the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matter.



Consolidated Financial Statements

Year Ended December 31, 2008,

Year Ended December 31, 2007

and

Year Ended December 31, 2006

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

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

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

March 6, 2009

/s/ Bradford Cooke
Chief Executive Officer

/s/ Dan Dickson
Chief Financial Officer

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of Endeavour Silver Corp. (the Company) as at December 31, 2008 and December 31, 2007 and the consolidated statements of operations and comprehensive income, shareholders' equity and deficit, and cash flows for each of the years in the three-year period ended December 31, 2008. 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. With respect to the consolidated financial statements for the year ended December 31, 2008 and 2007, we also conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform 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, 2008 and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2008 in accordance with Canadian generally accepted accounting principles.

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

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2008, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 6, 2009 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

KPMG LLP (signed)

Chartered Accountants

Vancouver, Canada
March 6, 2009

COMMENTS BY AUDITORS FOR US READERS ON CANADA – US REPORTING DIFFERENCES

In the United States, reporting standards for auditors require the addition of an explanatory paragraph (following the opinion paragraph) when there is a change in accounting principles that has a material effect on the comparability of the Company's financial statements, such as the change described in note 3(c) to the consolidated financial statements as at December 31, 2008 and for the year then ended. Our report to the shareholders dated March 6, 2009 is expressed in accordance with Canadian reporting standards, which do not require a reference to such a change in accounting principles in the auditors' report when the change is properly accounted for and adequately disclosed in the financial statements.

KPMG LLP (signed)

Chartered Accountants
Vancouver, Canada
March 6, 2009

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited Endeavour Silver Corp's (the Company) internal control over financial reporting as of December 31, 2008, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion the Company's internal control over financial reporting based on our audit.

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

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

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

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2008, based on the criteria established in *Internal Control— Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In the year ended December 31, 2008 we have also conducted our audit on the consolidated financial statements in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Our report dated March 6, 2009 expressed an unqualified opinion on those consolidated financial statements.

KPMG LLP (signed)

Chartered Accountants

Vancouver, Canada
March 6, 2009

ENDEAVOUR SILVER CORP.

CONSOLIDATED BALANCE SHEET

(expressed in thousands of US dollars)

	Notes	December 31, 2008	December 31, 2007
ASSETS			
Current assets			
Cash and cash equivalents		$ 3,582	$ 16,577
Marketable securities	6	35	3,573
Accounts receivable and prepaids	7	6,203	7,200
Inventories	8	3,159	2,916
Due from related parties	9	119	228
Total current assets		13,098	30,494
Long term deposits		914	877
Long term investments	10	2,155	3,932
Mineral property, plant and equipment	11	51,125	46,848
Total assets		$ 67,292	$ 82,151
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		$ 5,339	$ 4,348
Income taxes payable		-	781
Total current liabilities		5,339	5,129
Asset retirement obligations	12	1,445	1,578
Future income tax liability	16	4,036	5,068
Total liabilities		10,820	11,775
Shareholders' equity			
Common shares, unlimited shares authorized, no par value, issued and outstanding 49,080,478 shares (2007 - 48,982,146 shares)	Page 7	87,584	87,458
Special Warrants, (2,311,540 units)	13 (c)	2,118	-
Contributed surplus	Page 7	11,285	8,921
Accumulated comprehensive income	Page 7	212	720
Deficit		(44,727)	(26,723)
Total shareholders' equity		56,472	70,376
		$ 67,292	$ 82,151
Nature of Operations (note 1)			
Commitments and contingencies (note 19)			
Subsequent events (notes 11, 13 & 18)			

Approved on behalf of the Board

/s/ Bradford Cooke
Director

/s/ Godfrey Walton
Director

ENDEAVOUR SILVER CORP.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

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

	Notes	**Year Ended December 31 2008**	Year Ended December 31 2007	Year Ended December 31 2006
Sales		**$ 39,302**	**$ 32,319**	$ 15,671
Cost of sales		**27,802**	**24,335**	9,174
Depreciation and depletion		**8,383**	**4,682**	2,639
Exploration		**8,570**	**5,967**	400
General and administrative		**5,078**	**4,836**	3,009
Stock-based compensation	13	**2,349**	**4,681**	3,413
Earnings (loss)		**(12,880)**	**(12,182)**	(2,964)
Foreign exchange gain (loss)		**(1,452)**	**2,427**	494
Income (loss) from property option interest		**-**	**-**	122
Realized gain (loss) on marketable securities		**(637)**	**665**	176
Impairment on asset backed commercial paper	10	**(1,394)**	**(1,327)**	-
Allowance for value added tax		**(800)**	**-**	-
Write off of value added tax		**(145)**	**-**	-
Investment and other income		**305**	**867**	789
Loss before taxes and other items		**(17,003)**	**(9,550)**	(1,383)
Non-controlling interest		**-**	**(1,483)**	(1,156)
Income tax recovery (provision)	16	**(1,001)**	**(1,169)**	(1,409)
Net loss for the period		**(18,004)**	**(12,202)**	(3,948)
Other comprehensive income, net of tax				
Unrealized gain (loss) on marketable securities	4	**(1,145)**	**206**	-
Reclassification adjustment for loss (gain) included in net income	4	**637**	**(210)**	-
		(508)	**(4)**	-
Comprehensive income (loss) for the period		**(18,512)**	**(12,206)**	(3,948)
Basic and diluted loss per share based on net loss		**$ (0.37)**	**$ (0.27)**	$ (0.10)
Weighted average number of shares outstanding		**49,032,192**	**45,441,128**	37,713,913

See the accompanying notes to the consolidated financial statements.

ENDEAVOUR SILVER CORP.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY AND DEFICIT

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

	Notes	**December 31 2008**	December 31 2007	December 31, 2006
Number of common shares, opening		**48,982,146**	42,373,988	32,366,330
Issued on private placement	13 (c)	**-**	-	6,333,200
Exercise of options	13 (d)	**88,000**	727,000	282,500
Exercise of warrants	13 (f)	**-**	3,038,222	2,579,366
Issued on acquisition of mineral properties	5 & 11	**-**	2,700,416	671,558
Share appreciation rights	13 (e)	**10,332**	142,520	141,034
Number of common shares, closing		**49,080,478**	48,982,146	42,373,988
Common shares, opening		**$ 87,458**	$ 63,353	$ 31,332
Issued on private placement		**-**	-	23,366
Exercise of options	13 (d)	**105**	2,704	833
Exercise of warrants	13 (f)	**-**	8,233	5,434
Issued on acquisition of mineral properties	5 & 11	**-**	12,885	2,252
Share appreciation rights	13 (e)	**21**	283	136
Common shares, closing		**87,584**	87,458	63,353
Special warrants, opening				
Issued on private placement, net of issuance costs	13 (c)	**2,118**	-	-
Special warrants, closing		**2,118**	-	-
Contributed surplus, opening		**8,921**	5,064	2,255
Stock based compensation	13 (d)	**2,349**	4,681	3,413
Fair value of warrants issued on private placement	13 (f)	**82**	-	-
Fair value of warrants issued for mineral properties		**-**	508	(130)
Exercise of share purchase options	13 (d)	**(46)**	(1,049)	(338)
Share appreciation rights	13 (e)	**(21)**	(283)	(136)
Contributed surplus, closing		**11,285**	8,921	5,064
Accumulated comprehensive income, opening		**720**	212	79
Cumulative impact of reporting currency change	2	**-**	-	133
Cumulative impact of adoption of financial instrument standard		**-**	512	-
Unrealized gain (loss) on marketable securities		**(1,145)**	206	-
Realized loss on marketable securities included in net income		**637**	(210)	-
Accumulated comprehensive income, closing		**212**	720	212
Deficit, opening		**(26,723)**	(14,521)	(10,573)
Loss for the period		**(18,004)**	(12,202)	(3,948)
Deficit, closing		**(44,727)**	(26,723)	(14,521)

See the accompanying notes to the consolidated financial statements.

ENDEAVOUR SILVER CORP.

CONSOLIDATED STATEMENTS OF CASH FLOW

(expressed in thousands of U.S. dollars)

	Notes	Year Ended December 31, 2008	Year Ended December 31, 2007	Year Ended December 31, 2006
Operating activities				
Net loss for the period		**$ (18,004)**	**$ (12,202)**	$ (3,948)
Items not affecting cash:				
Stock-based compensation	13	**2,349**	**4,681**	3,413
Depreciation and depletion		**8,383**	**4,682**	2,639
Non-controlling interest		**-**	**1,483**	1,156
Future income tax loss (recovery)	16	**21**	**300**	1,405
Unrealized foreign exchange loss (gain)		**(58)**	**(386)**	-
Impairment of asset backed commercial paper	10	**1,394**	**1,327**	-
Allowance for doubtful IVA		**945**	**-**	-
(Gain) loss on marketable securities		**637**	**(665)**	176
Net changes in non-cash working capital	14	**(291)**	**(1,577)**	(2,994)
Cash from (used for) operations		**(4,624)**	**(2,357)**	1,847
Investing activites				
Property, plant and equipment expenditures		**(12,625)**	**(17,649)**	(10,837)
Investment in asset backed commercial paper	10	**-**	**(5,203)**	-
Acquisition of subsidiary, net of cash acquired		**-**	**-**	(67)
Long term deposits		**(37)**	**(877)**	-
Investment in marketable securities		**(3,963)**	**(1,555)**	(3,449)
Proceeds from sale of marketable securities		**5,995**	**2,504**	181
Cash used in investing activities		**(10,630)**	**(22,780)**	(14,172)
Financing activites				
Equity instruments issued	13	**2,541**	**9,891**	30,624
Share issuance costs		**(282)**	**(47)**	(1,840)
Cash from financing activites		**2,259**	**9,844**	28,784
Increase (decrease) in cash and cash equivalents		**(12,995)**	**(15,293)**	16,459
Cash and cash equivalents, beginning of period		**16,577**	**31,870**	15,411
Cash and cash equivalents, end of period		**$ 3,582**	**$ 16,577**	$ 31,870

See note 14 for supplementary cash flow information.

1. NATURE OF OPERATIONS

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

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, 2008, the Company had working capital of approximately $7.8 million. Management recognizes that the Company will need to generate additional financial resources in order to meet its planned business objectives in the near and long term. The Company's ability to continue as a going concern is dependent on the Company's ability to raise debt financing, equity financing or the attainment of profitable operations.

Subsequent to year end, management completed a convertible debt financing (see note 18) and continues to pursue alternatives to improve the financial position of the Company to remain a going concern through 2009. 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. CHANGE IN FUNCTIONAL AND REPORTING CURRENCY

Prior to January 1, 2007, the Company's operations were measured in Canadian dollars and the consolidated financial statements were expressed in Canadian dollars. Effective January 1, 2007, the US dollar was adopted as the unit of measure of the Company's operations which reflects the significant operational exposure to the US dollar, the predominantly US dollar asset and investment base of the Company and the transition from an exploration company to a mine operator. Concurrent with this change in functional currency, the Company adopted the US dollar as its reporting currency. In accordance with Canadian generally accepted accounting principles ("GAAP"), the Company is required to restate all amounts presented for comparative purposes into US dollars using the current rate method whereby all revenues, expenses and cash flows are translated at the average rates that were in effect during these periods and all assets and liabilities are translated at the closing rate in effect at the end of these periods. Equity transactions have been translated at historic rates; the resulting net translation adjustment has been credited to comprehensive income.

The effect on the consolidated financial statements resulted in an accumulated comprehensive income adjustment of $212 as at December 31, 2006.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

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

(b) Use of estimates

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Financial instruments

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

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

The disclosure of the Company financial instruments is further described in Note 17.

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

(d) Fair value of financial instruments

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

(e) Comprehensive income/loss

Other comprehensive income represents changes in shareholders' equity during a period arising from transactions and other events and circumstances from non-owner sources and includes unrealized gains and losses on financial assets classified as available-for-sale. The components of accumulated comprehensive income are disclosed in the consolidated statement of shareholders' equity. At January 1, 2007, the Company recorded a non cash increase of $512to marketable securities and a non-cash adjustment of $512 to record the cumulative effect of the change in accounting policy in accumulated other comprehensive income

(f) Foreign currency translation

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

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

(g)

Cash and cash equivalents

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

(h)

Marketable securities

Marketable securities include investments in shares of companies and other investments capable of reasonably prompt liquidation. Share investments are classified as available-for-sale and carried at fair value with unrealized gains and losses at the reporting date recognized in comprehensive income in accordance with CICA Handbook section 1530.

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

(i) **Inventories**

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

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

Mineral properties include direct costs of acquiring (including option payments) properties and costs incurred directly in the development process of feasible properties. Expenses relating to exploration properties are expensed as incurred. Prior to 2007, the Company capitalized exploration expenditures directly related to specific mineral properties. Under the current policy, exploration expenditures on non-producing properties are expensed, while acquisition costs continued to be capitalized. The change in 2007 was applied retrospectively and the comparatives for 2006 were re- stated in 2007. The amount expensed for the year ended December 31, 2006 was $400, with a corresponding reduction in mineral properties.

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

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

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

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

(k) **Asset retirement obligations**

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

(l) **Revenue recognition**

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

(m)

Stock-based compensation

The Company has a share option plan which is described in Note 13(d). The Company records all stock-based compensation for options using the fair value method. Under the fair value method, stock-based payments are measured at the fair value of the consideration received or the fair value of the equity instruments issued or liabilities incurred, whichever is more reliably measurable, and are charged to operations over the vesting period. The offset is credited to contributed surplus. Consideration received on the exercise of stock options is recorded as share capital and the related contributed surplus is transferred to share capital.

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

(n) **Income taxes**

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

(o) **Loss per share**

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

(p) **Comparative figures**

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

4. **ADOPTION OF NEW ACCOUNTING STANDARDS**

On January 1, 2008, the Company adopted five new accounting standards that were issued by the Canadian Institute of Chartered Accountants: Handbook Section 1506, *Accounting Changes*; Handbook Section 1535, *Capital Disclosures*; Handbook Section 3031, *Inventories;* Handbook Section 3862, *Financial Instruments – Disclosure* and Handbook Section 3863, *Financial Instruments – Presentation*.

(a) Effective January 1, 2008, the Company adopted the new CICA Section 1506, *Accounting Changes,* which establishes criteria for changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in estimates and correction of errors. As a result of adopting this new standard, changes in accounting policies are only permitted when required by a primary source of GAAP or when the change will result in more reliable and more relevant information. There were no changes in policies or estimates during the period, except for those new standards adopted and noted below.

(b) Effective January 1, 2008, the Company adopted the new CICA Section 1535, *Capital Disclosures*, which requires companies to disclose their objectives, policies and processes for managing capital, quantitative data about what the entity regards as capital, and whether companies have complied with externally imposed capital requirements and, if not in compliance, the consequences of such non-compliance. The Company has included this disclosure in note 13 (a).

4.

ADOPTION OF NEW ACCOUNTING STANDARDS (continued)

(c)

Effective January 1, 2008, the Company adopted the CICA Section 3031, *Inventories*, which replaces Section 3030 of the same name. This standard harmonizes accounting for inventories under Canadian GAAP with International Financial Reporting Standards ("IFRS"). Under this standard, inventories are measured at the lower of cost and net realizable value. Similar inventories within a consolidated group are to be measured using the same method, and the reversals of previous write-downs to net realizable value are required when there is a subsequent increase in the value of inventories.

The application of this section has not impacted the Company's financial statements.

(d)

Effective January 1, 2008, the Company adopted the CICA Section 3862, *Financial Instruments – Disclosures,* and Section 3863, *Financial Instruments – Presentation.* These standards replace CICA 3861, *Financial Instruments – Disclosure and Presentation.*

These standards increase the disclosures currently required, which will enable users to evaluate the significance of financial instruments for an entity's financial position and performance, including disclosures about fair value. In addition, disclosure is required of qualitative and quantitative information about exposure to risks arising from financial instruments, included specified minimum disclosures about credit risk, liquidity risk, and market risk. The quantitative disclosures must provide information about the extent to which the company is exposed to such risk, based on information provided internally to the entity's key management personnel. See note 17 for further disclosure.

(e)

Recently released Canadian accounting standards

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

i)

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

ii)

In February 2008, the CICA issued Handbook Section 3064, *Goodwill and intangible assets* which replaces section 3062, *Goodwill and intangible assets* and Section 3450, *Research and Development Costs* effective for the Company January 1, 2009. Section 3064 establishes standard for recognition, measurement and disclosure of goodwill and intangible assets. The Company's assessing the impact of these standards on its consolidated financial statements.

5.

BUSINESS ACQUISITION AND SIGNIFICANT ASSET ACQUISITIONS (continued)

a)

Acquisition of the Guanacevi property

In May 2004, the Company entered into an option agreement to acquire 100% interest in the outstanding shares of Minera Santa Cruz y Garibaldi SA de CV ("Minera Santa Cruz"), which owns 100% of the producing Santa Cruz silver-gold mine located in Durango, Mexico for $2.5 million, with final payment occurring January 28, 2008. On January 28, 2006 the Company completed the acquisition of 51% of the outstanding shares of Minera Santa Cruz on completion of initial cash payments totaling $1,275.

In May 2004, the Company entered into option agreements to purchase certain mining concessions and the Guanacevi mineral processing plant, also located in Durango, Mexico. The Company acquired a 51% beneficial ownership interest in these assets on January 28, 2006 on payment of $2.3 million. In 2006, the Company accounted for this acquisition as a purchase of an asset and accordingly reclassified $1.7 million from mineral properties to plant and equipment. The remaining 49% interest was to be transferred upon completion of the 2008 payment. However in July 2006, the Company acquired 100% shares of the company that owned the plant, Metalurgica Guanacevi, S.A. de C.V. ("Metalurgica"), for $2.6 million comprised of $438 and 671,558 units at a market price of CAN $3.53 per unit. Each unit was comprised of one common share and one-quarter of a common share purchase warrant; each full warrant was exercisable to purchase one common share at an exercise price of CAN $3.70 until August 23, 2007 (Note 13 (e))

The following table sets forth the original May 2004 payment schedules:

	Minera Santa Cruz	Processing Plant	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

Under the Minera Santa Cruz option interest agreement the scheduled January 28, 2007 payment of $638 was made with 176,201 shares of the Company in lieu of cash.

The Company was able to acquire the remaining shares of Minera Santa Cruz for the final option interest agreement payment of $638 due in January 2008, however the Company negotiated an early buy out of the minority shareholders. In May 2007, the Company issued 1,350,000 shares of the Company with a fair market value of $5.04 to acquire the remaining 49% of outstanding shares in Minera Santa Cruz. The settlement price reflected the minority shareholders' earnings to date, the 2008 option payment and the projected 2007 earnings. The aggregate purchase price of $6.8 million above the non-controlling interest liability of $4.1 million and the future income tax liability of $1.6 million was allocated to mineral properties.

BUSINESS ACQUISITION AND SIGNIFICANT ASSET ACQUISITIONS (continued)

b)

Acquisition of the Guanajuato mines project

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

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

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

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

6.

MARKETABLE SECURITIES

	December 31 2008	December 31 2007
Investment in shares of companies, at cost	**$ 35**	$ 3,066
Unrealized gain	**-**	507
	$ 35	$ 3,573

7.

ACCOUNTS RECEIVABLE AND PREPAIDS

	December 31 2008	December 31 2007
Trade receivables	**$ 1,661**	$ 1,908
IVA receivables	**2,886**	4,676
Other receivables (1)	**843**	26
Prepaids and advances	**813**	590
	$ 6,203	$ 7,200

(1) Includes receivable from monthly income tax installments of $720

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

8.

INVENTORIES

	December 31 2008	December 31 2007
Warehouse inventory	**$ 1,642**	$ 1,294
Stockpile inventory	**151**	1,012
Finished Goods inventory	**941**	348
Work in process inventory	**425**	262
	$ 3,159	$ 2,916

9.

RELATED PARTY TRANSACTIONS

The Company shares common administrative services and office space with related party companies and from time to time will incur third party costs on behalf of the related parties on a full cost recovery basis. The Company has a $21 receivable related to administration costs outstanding as of December 31, 2008 (2007 – $ nil, 2006 - $ 34).

During the course of the period the company paid $155 (2007 - $177, 2006 - $ nil) in consulting fees to a company with common directors and management.

The Company has paid $120 (2007 – $130, 2006- $255) for legal services to a legal firm with a common member of management. The Company has $31 payable related to legal and share issuances costs outstanding as of December 31, 2008.

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

Aztec paid Endeavour $43 and delivered a signed silver participation contract June 30, 2008 to exercise the option on the Matehuala property and cancelled the option to acquire the Rio Chico property during the year. The common shares acquired by the Company have an estimated value of $35 as of December 31, 2008, compared to $160 deemed cost. The Company has $98 receivable related to 2008 property tax payments and the initial Rico Chico option payment outstanding as of December 31, 2008. Subsequent to year end, the Company agreed to accept common shares in lieu of cash for the outstanding receivable.

In 2007, the Company paid $95 in performance bonus compensation to terminated employees who are now employees of a company with common directors and management. There were no such transactions during the current fiscal year.

10.

LONG TERM INVESTMENTS

At December 31, 2008 the Company held Canadian Asset Backed Commercial Paper “ABCP” purchased in a Canaccord Capital account in August 2007 with a par value $5.2 million. At the dates at which we acquired the investments, the non-bank sponsored ABCP was rated RI (High) by Dominion Bond Rating Services (“DBRS”), the highest credit rating issued for commercial paper. In August 2007, the ABCP market experienced liquidity problems and was subsequently frozen.

In September 2007, a Pan-Canadian Committee (the “Committee”) consisting of a panel of major ABCP investors was formed to restructure the affected ABCP trusts. A press release issued by the Committee on December 23, 2007 outlined a proposal to restructure ABCP for new notes that have maturities based on the maturities of the assets of underlying ABCP

As of December 31, 2007, based on the information available, the Company estimated the fair value of our ABCP investments to be $3.9 million, calculated by taking a 20% impairment from the face value of the asset and discounting the remaining value over a one year period using a discount rate of prime + 1%, resulting in an $1.3 million impairment.

On March 20, 2008 the Committee issued an information statement which provided details of the restructuring plan. The proposed restructuring plan (the “Restructuring Plan”) was submitted under the Companies Creditors Arrangement Act and approved by the majority of noteholders on April 25, 2008. The Restructuring Plan was sanctioned by the Ontario Superior Court on June 5, 2008. Subsequent to the approval the court of appeal reviewed filing by a group of investors seeking relief including dismissal of the Restructuring Plan and as of September 19, 2008 the Supreme Court of Canada denied the noteholders seeking relief thereby allowing the implementation of the Restructuring Plan January 19, 2009.

The Company has assessed the estimated fair value of our ABCP investments and based on the available information regarding current market conditions, the underlying assets of our existing trusts and the indicative values contained in the report issued by JP Morgan, we recorded an additional impairment of $1.4 million in the third quarter of 2008 on completion of the court process for implementation of the Restructuring Plan. There is a significant amount of uncertainty in estimating the amount of timing of cash flows associated with the ABCP. The Company estimated the value using a basic discounted cashflow model assuming principal is repaid between 2013 and 2016, interest earned at banker acceptance less 50 bps, using a 12% discount rate. This results in an estimated fair value of CAN$2.6 million.

10. LONG TERM INVESTMENTS (continued)

Subsequent to December 31, 2008 the Restructuring Plan was executed as follows:

- The creation of three master asset vehicles (MAV).
- Within each MAV, the issuance of 5 different series of notes:
  - Class A-1 Notes will be the senior notes, with the other series of Notes subordinated to them. Class A-1 Notes are expected to receive AA ratings, have maturities from 6 to 8 years and a coupon rate of Bankers Acceptance ("BA") Rate less 0.5%.
  - Class A-2 Notes will be senior to the Class B Notes, C Notes and IA Tracking Notes. Class A- 2 Notes are expected to receive AA ratings, have maturity of 8 years and a coupon rate of BA Rate less 0.5%
  - Class B Notes will be senior to the Class C Notes and IA Tracking Notes. Class B Notes will not be rated and are expected to have a maturity of 8 years and a coupon rate BA Rate of less 0.5%
  - Class C Notes will be senior to the IA Tracking Notes. Class C Notes will not be rated and are expected to have a maturity of 8 years and a coupon rate of 20%. It was stated by JP Morgan the Class C Notes that "investors" should expect return closer to BA Rate less 0.5%.
  - IA Tracking Notes will not be rated. IA Tracking Notes are expected to have a maturity of 8 years and a coupon rate equivalent to the net rate of return generated by the specific underlying assets.
- The allocation of existing ABCP notes to the new notes were based on a report issued by J.P. Morgan, financial advisor to the Committee. The new notes were issued subsequent to year end based on the relative contribution from the assets underlying the existing trusts based on this report.
- There is no market data on these notes and no formal rating have yet been issued by DBRS.

Based on Restructuring Plan:

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

11. MINERAL PROPERTY, PLANT AND EQUIPMENT

Mineral property, plant and equipment comprise:

	December 31, 2008			December 31, 2007		
	Cost	**Accumulated amortization**	**Net book value**	Cost	Accumulated amortization	Net book value
Properties	**$ 37,066**	**$ 9,041**	**$ 28,025**	$ 32,365	$ 5,444	$ 26,921
Mill	**17,380**	**3,366**	**14,014**	13,723	1,517	12,206
Machinery and equipment	**7,575**	**1,190**	**6,385**	6,754	480	6,274
Transportation and vehicles	**1,003**	**370**	**633**	720	182	538
Buildings	**1,770**	**185**	**1,585**	724	74	650
Office equipment	**689**	**206**	**483**	324	65	259
	$ 65,483	**$ 14,358**	**$ 51,125**	$ 54,610	$ 7,762	$ 46,848

(a)

Guanacevi properties and plant (Durango, Mexico)

See note 5, Business acquisitions and significant asset acquisitions to these financial statements for a discussion of the acquisitions of Minera Santa Cruz and Metalurgica.

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 allowed the Company to acquire the outright ownership of the six mineral concessions as

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

well as a 4.5% net proceeds royalty from Peñoles. The Company is required to send all mineral production from these properties to the Peñoles smelter in Torreon, Mexico, for smelting and refining. Peñoles retains a 3% net proceeds royalty on future production after deduction of all shipping and smelting costs, including taxes and penalties if any. The Company 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 purchase price, which is 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. The fair value of the warrants was determined to be $260 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%.

On November 22, 2007, the Company paid $50 and 30,000 common shares to enter into an option agreement to acquire 100% interest in the El Maliche property in the Guanacevi district. To exercise the option an additional $50 is payable in May 2009.

On November 29, 2007, the Company signed an option to acquire 100% interest in 15 properties within the San Pedro district in the state of Durango. The Company issued 120,000 common shares and 60,000 1-year warrants with an exercise price of US $4.69. The fair value of the warrants was determined to be $48; the fair value was based on an expected stock price volatility of 55.5%, expected life of 1 year and an estimated risk-free rate of 3.98%. The warrants expired unexercised subsequent to year end. To acquire the properties, the Company is required to issue 570,776 shares as final payment in November 2009.

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

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

(b) **Parral properties**

In August 2006, The Company acquired the option to purchase the concession rights in the El Cometa properties. During the year ended December 31, 2008 the Company made the 2008 payments on the properties totaling $130 and has paid $250 to date. The Company continues to explore the property and has option payments totaling $100 in August 2009 to acquire the concession rights.

In January 2008, the Company signed an option agreement to acquire 100% interest in the Navegantes properties, Chihuahua, Mexico for $470 over two years. On ratification of the option agreement the Company paid $50, however the Company subsequently dropped the option.

(c) **Arroyo Seco properties**

In October 2006, the Company acquired an option to purchase a 100% interest in the Arroyo Seco property, in Michoacan, Mexico for $229,000 over 5 years. The Company paid $92 during the year ended December 31, 2008 and has paid $184 of the total option agreement.

11. MINERAL PROPERTY, PLANT AND EQUIPMENT (continued)

(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) Subsequent Events

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

12. ASSET RETIREMENT OBLIGATIONS

Although the ultimate amount of the reclamation costs to be incurred cannot be predicted with certainty, the total undiscounted amount of estimated cash flows required to settle the Company's estimated obligations is $1,858 (2007 – $2,047) based on costs at December 31, 2008, which has been discounted using a credit adjusted risk free rate of 8.25%. Significant reclamation and closure activities include land rehabilitation, decommissioning of buildings and mine facilities, ongoing care and maintenance and other costs. The payment timing of cash flows has been estimated based on the mine lives using current reserves, measures and indicated resources.

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

Balance at December 31, 2007	$	1,578
Changes during the period:		
Incurrence		-
Change in estimate		(264)
Interest accretion		131
Balance at December 31, 2008	**$**	**1,445**

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

13. SHARE CAPITAL

(a)

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

(b)

As at December 31, 2008 and December 31, 2007 a total of 93,750 common shares are held in escrow, the release of which is subject to regulatory approval.

(c)

Private Placements

(i)

In December 2008, the Company completed a brokered and non brokered private placements of special warrants for 2,311,540 units at CAN$1.30 per unit for gross proceeds of CAN$3.0 million. Each special warrant is exercisable into a unit comprised of one common share and one-half of a common share purchase warrant. Each whole share purchase warrant is exercisable to purchase one common share at an exercise price of CAN$1.90 until February 25, 2014 (Note 13(e)). The agents received a cash commission of 6% totaling $0.1 million and 131,792 agents' warrants at an exercise price of CAN$1.51 until February 25, 2014. The warrants issued to the agents have an estimated fair value of $0.1 million and have been recorded in share capital on a net basis. The special warrants are classified as a separate equity component at year end as the Company had not yet received final approval from the provincial securities regulator on the final prospectus. As of February 25, 2009, the Company received receipt of final prospectus approval. As of February 25, 2009, all of the special warrants have been converted into units.

(ii)

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 CAN$4.50 per special warrant for gross proceeds of up to CAN$22.5 million. An over-subscription option allowed for up to an additional 2 million special warrants for additional proceeds of CAN$9 million. On April 24, 2006, the Company closed the placement for 5,110,000 special warrants, for gross proceeds of CAN$23.0 million. Each special warrant was comprised of one common share and one-half of a common share purchase warrant. Each whole share purchase warrant was exercisable to purchase one common share at a price of CAN$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 had the same terms as the warrants in the private placement.

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 CAN$4.50 per special warrant for gross proceeds of CAN$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 was exercisable to acquire one common share of the Company at CAN$5.25 per share until October 24, 2007. On closing of the over-subscription, the Agents received a 6% cash commission totaling CAN$ 0.3 million as well as 66,720 agent special warrants. Each agent special warrant converted into one agent warrant. Each agent warrant was exercisable to acquire one common share at $5.25 per share until October 24, 2007.

(iii)

In February 2005, the Company completed brokered and non-brokered private placements to raise a total of CAN $1.6 million. The Company completed a brokered private placement for 312,500 units at CAN$1.60 per unit for gross proceeds of CAN$ 0.5 million. Each unit consisted of one common share and one share purchase warrant, exercisable to acquire one common share at an exercise price of CAN$2.10 until February 1, 2006 and CAN$2.30 thereafter until February 1, 2007 (Note 13(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 CAN$1.1 million in gross proceeds. Share issuance costs consisted of agents' fees of CAN$38 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 CAN$22 and have been recorded in share capital on a net basis.

13. **SHARE CAPITAL** (continued)

(iv) In October 2005, the Company completed a private placement for 6,000,000 units at CAN$2.40 per unit for gross proceeds of CAN$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 CAN$2.90 until October 5, 2007. The underwriters received a cash commission of CAN$0.9 million and 450,000 agents' warrants that have the same terms as the warrants in the private placement.

(d) **Purchase options**

Options to purchase common shares have been granted to directors, officers, employees and consultants pursuant to the current Company's stock option plan approved by the Company's shareholders in fiscal 2006, at exercise prices determined by reference to the market value on the date of the grant. The stock option plan allows for granting options to its directors, officers, employees and consultants to acquire up to 6,768,000 shares. In June 2008, Company sought approval from shareholders' to increase the option pool to 9,800,000 shares. Subsequent to shareholder approval the TSX determined there was inadequate disclosure within the management information circular for shareholders to effectively approve the plan amendment. Due to the TSX rejection of the amendment, the Company was in a position whereby it could not fulfil the exercise of the entire options granted by management within the year. As of December 19, 2008, directors and officers surrendered 900,000 of their 2008 option grants.

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

Prices expressed in CAN $

	December 31, 2008		**December 31, 2007**		**December 31, 2006**	
	Number of Shares	**Weighted average exercise price**	Number of Shares	Weighted average exercise price	Number of Shares	Weighted average exercise price
Outstanding, beginning of period	**4,089,400**	**$3.25**	3,626,400	$2.43	2,223,900	$1.88
Granted	**2,133,000**	**$3.20**	1,685,000	$4.13	1,910,000	$2.91
Exercised	**(88,000)**	**$0.83**	(727,000)	$2.70	(282,500)	$2.04
Cancelled (1)	**(1,401,000)**	**$3.31**	(495,000)	$3.07	(225,000)	$1.52
Outstanding, end of period	**4,733,400**	**$3.28**	4,089,400	$3.25	3,626,400	$2.43
Options exercisable at period-end	**4,263,400**	**$3.33**	4,089,400	$3.25	3,626,400	$2.43

(1) 20,000 priced at CAN $1.60 options were cancelled in exchange for 10,332 share appreciation rights in 2008, while 245,000 and 225,000 options were cancelled in exchange for 142,520 and 141,034 share appreciation rights in 2007 and 2006, respectively. See note 13 (e).

The following tables summarize information about stock options outstanding at December 31, 2008:

13.

SHARE CAPITAL (continued)

	Options Outstanding			Options Exercisable	
CAN $ Price Intervals	Number Outstanding as at Dec 31, 2008	Weighted Average Remaining Contractual Life (Number of Years)	Weighted Average Exercise Prices	Number Exercisable as at Dec 31, 2008	Weighted Average Exercise Prices
$0.00 - $0.99	105,000	0.1	$0.66	105,000	$0.66
$1.00 - $1.99	380,000	0.9	$1.55	348,000	$1.59
$2.00 - $2.99	2,040,400	2.1	$2.63	1,970,400	$2.64
$3.00 - $3.99	648,000	4.4	$3.14	280,000	$3.20
$4.00- $4.99	1,405,000	7.5	$4.72	1,405,000	$4.72
$5.00- $5.99	155,000	3.3	$5.48	155,000	$5.48
	4,733,400	3.9	$3.28	4,263,400	$3.33

During the year ended December 31, 2008, the Company recognized stock-based compensation expense of $2.3 million (2007 - $4.7 million, 2006 – $3.4 million) based on the fair value of options granted.

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

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

	Period Ended December 31, 2008	**Period Ended December 31, 2007**	**Period Ended December 31, 2006**
Weighted average fair value of options granted during the period	$1.71	$2.76	$1.73
Risk-free interest rate	3.23%	3.98%	3.05%
Expected dividend yield	0%	0%	0%
Expected stock price volatility	67%	67%	83%
Expected option life in years	4.00	5.52	4.00

In 2008, the Company granted stock options to new employees to acquire up to 498,000 common shares at a weighted average exercise price of CAN $3.91 per share with expiry dates between January 1, 2013 and May 31, 2013 with no vesting periods.

In 2008, the Company granted stock options to directors, officers, employees and contractors to acquire up to 1,635,000 common shares at an exercise price of CAN $2.98 per share with expiry dates between June 1, 2013 and November 30, 2013. All options granted subsequent to June 1, 2008 are subject to a vesting period, where by 20% of the options vest immediately while the remaining vest 20% every six months over a two year period.

13. **SHARE CAPITAL** (continued)

(e) **Share appreciation rights plan**

The company allowed that in the event that the Company graduated to a TSE listing, a participant may, as allowed under the Exchange policies, if determined by the Board, have the right (the "Right"), when entitled to exercise an Option, to terminate such Option in whole or in part by notice in writing to the Company and in lieu of receiving Common Shares pursuant to the exercise of the Option, shall receive instead and at no cost to the participant that number of Common Shares, disregarding fractions, which, when multiplied by the market price on the day immediately prior to the exercise of the Right, have a total value equal to the product of that number of Common shares subject to the Option times the difference between the market price on the day immediately prior to the exercise of the Right and the Option exercise price. The shareholder rights plan agreement was approved and activated June 14, 2006. During fiscal 2008, 20,000 options (2007 – 245,000, 2006 – 225,000) were cancelled for the exchange of 10,332 share appreciation rights (2007 – 142,520, 2006 – 141,034).

(f) **Warrants**

At December 31, 2008, the Company had outstanding warrants to purchase an aggregate 1,597,562 common shares as follows:

Exercise Price	Expiry Dates	Oustanding at December 31, 2007	Issued	Exercised	Expired	Oustanding at December 31, 2008
CAN $						
$5.50	May 30, 2009	250,000	-	-	-	250,000
$4.65	January 8, 2009 [1]	60,000	-	-	-	60,000
$1.51	February 25, 2014	-	131,792	-	-	131,792
		310,000	131,792	-	-	441,792

[1] Subsequent to December 31, 2008 60,000 warrants priced at $4.65 expired.

1,155,770 warrants with a 5 year life and an exercise price of $1.90 were issued on the on the conversion of the special warrants subsequent to year end. See note 13 (c)(i) for more details.

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

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

13.

SHARE CAPITAL (continued)

At December 31, 2006, the Company had outstanding warrants to purchase an aggregate 6,636,442 common shares as follows:

Exercise Price	Expiry Dates	Oustanding at December 31, 2005	Issued	Exercised	Expired	Oustanding at December 31, 2006
CAN $						
$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	-	(848,366)	-	2,601,634
$5.25	October 24, 2007	-	3,539,920		-	3,539,920
$3.70	August 23, 2007	-	167,888	-	-	167,888
		5,508,000	3,707,808	(2,579,366)	-	6,636,442

14.

SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	Period Ended December 31, 2008	Period Ended December 31, 2007	Period Ended December 31, 2006
Net changes in non-cash working capital			
Accounts receivable and prepaids	**$ 52**	$ (4,096)	$ (1,481)
Inventories	**(662)**	634	(2,234)
Due from related parties	**109**	(194)	(35)
Accounts payable and accrued liabilities	**991**	1,302	752
Income taxes payable	**(781)**	777	4
	$ (291)	$ (1,577)	$ (2,994)
Non-cash financing and investing activities:			
Reclamation included in mineral property, plant and equipment	**$ (264)**	$ 525	$ 954
Tax gross up related to acquistion of subsidiaries	**-**	1,853	986
Fair value of stock options allocated to shares issued on exercise of stock options	**46**	1,049	338
Fair value of shares issued under the share appreciation rights plan	**21**	283	136
Fair value of equity issued on buy out of Minera Santa Cruz	**-**	7,444	204
Fair value of agent warrants issued on private placement	**82**	-	-
Fair value of equity issued on acquisition of Guanajuato mines project	**-**	5,332	-
Fair value of equity issued on acquisition of other mineral properties	**-**	661	-
Fair value of equity issued on acquisition of Metalurgica	**-**	-	2,121

15. SEGMENT DISCLOSURES

The Company has corporate/exploration and mining segments, while Guanacevi and Guanajuato operations are disclosed below as separate producing operations.

	December 31, 2008			
	Corporate	**Guanacevi**	**Guanajuato**	**Total**
Cash and cash equivalents	$ 3,246	$ 255	$ 81	$ 3,582
Marketable securities	35	-	-	35
Accounts receivables and prepaids	1,758	2,837	1,608	6,203
Inventories	-	2,175	984	3,159
Due to related parties	119	-	-	119
Mineral property,plant and equipment	100	41,547	9,478	51,125
Long term investments	2,155	-	-	2,155
Revenue	-	30,692	8,610	39,302
Net income (loss) before taxes and other items	$ (20,180)	$ 4,757	$ (1,580)	(17,003)

	December 31, 2007			
	Corporate	**Guanacevi**	**Guanjuato**	**Total**
Cash and cash equivalents	$ 16,404	$ 779	$ (606)	$ 16,577
Marketable securities	3,573	-	-	3,573
Accounts receivables and prepaids	253	4,473	2,474	7,200
Inventories	-	2,544	372	2,916
Due to related parties	228	-	-	228
Mineral property,plant and equipment	166	37,194	9,488	46,848
Long term investments	3,932	-	-	3,932
Revenue	-	28,245	4,074	32,319
Net income (loss) before taxes and other items	$ (11,270)	$ 4,481	$ (2,761)	$ (9,550)

16. INCOME TAXES

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

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

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

		December 31, 2008		December 31, 2007
Canadian statutory tax rates		**31.00%**		34.12%
Income tax benefit computed at Canadian statutory rates	**$**	**(5,263)**	$	(3,772)
Foreign tax rates different from statutory rate		**838**		(341)
Temporary differences not recognized in the period		**2,031**		4,606
Permanent differences		**2,063**		2,008
Change in Mexico tax regime estimate		**1,332**		(1,332)
				-
	$	**1,001**	$	1,169

The tax effect of the temporary differences that gives rise to future tax as of December 31, 2008 and 2007 for Mexico subsidiaries is presented below:

Mexico operations		**December 31, 2008**		December 31, 2007
Future income tax assets:				
Tax loss carryforwards	**$**	**2,281**	$	-
Other		**810**		-
Future income tax liabilities:				
Mineral properties, plant and equipment	**$**	**(7,127)**	$	(5,099)
Future income tax liabilities, net	**$**	**(4,036)**	$	(5,099)

As at December 31, 2008, the Company had available for deduction against future taxable income in Mexico non-capital losses of approximately MXN $111.1 million (2007 – MXN $89.1 million). These losses, if unutilized, have expiration years ranging from 2011 to 2018.

16. **INCOME TAXES** (continued)

The tax effect of the temporary differences that gives rise to future tax assets as of December 31, 2008 and December 31, 2007 for Canadian operations is presented below:

Canada operations	**December 31, 2008**	December 31, 2007
Future income tax assets:		
Tax loss carryforwards	**$ 3,861**	$ 3,641
Mineral properties, plant and equipment	**508**	640
Other	**437**	
Total future income tax assets	**4,806**	4,281
Valuation allowance	**(4,806)**	(4,250)
Future income tax assets, net	$ -	$ 31

As at December 31, 2008, the Company had available for deduction against future taxable income in Canada non-capital losses of approximately CAN$16.0 million (2007 – CAN $12.0 million). These losses, if unutilized, have expiration years ranging from 2011 to 2028.

17. FINANCIAL INSTRUMENTS

(i) Financial Assets and Liabilities

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

The fair values of cash and cash equivalents, accounts receivables, accounts payable and accrued liabilities approximate carrying value because of the short term nature of these instruments. The fair value of the asset backed commercial paper is determined by discounting the stream of future payments at the estimated prevailing market rates (See note 10). There are no significant differences between the carrying values and the fair values of any financial assets or liabilities.

(ii) Financial Instrument Risk Exposure and Risk Management

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

Credit Risk

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

Liquidity Risk

The Company ensures that there is sufficient capital in order to meet short term business requirements, after taking into account the Company's holdings of cash equivalents, marketable securities and receivables. The Company believes that these sources will be sufficient to cover the likely short term cash requirements and commitments.

Market Risk

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

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

FINANCIAL INSTRUMENTS (continued)

The US dollar equivalent of financial assets and liabilities denominated in currencies other than the US dollar as at December 31, 2008 are as follows:

	Canadian Dollar	Mexican Peso
Financial Assets	5,068	4,825
Financial Liabilities	(870)	(2,679)
Net Financial Assets	4,198	2,146

As at December 31, 2008, with other variables unchanged, a 20% strengthening of the US dollar against the Canadian dollar would decrease net earnings by $0.6m due to these financial assets and liabilities.

As at December 31, 2008, with other variables unchanged, a 20% strengthening of the US dollar against the Mexican peso would decrease net earnings by $0.4m due to these financial assets and liabilities.

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

Commodity Price Risk – The value of the Company's mineral resource properties is related to the price of silver and gold, and the outlook for these minerals. Silver and gold prices have historically fluctuated widely and are affected by numerous factors outside of the Company's control, including, but not limited to, industrial and retail demand, central bank lending, forward sales by producers and speculators, levels of worldwide production, short-term changes in supply and demand because of speculative hedging activities, and certain other factors. The Company has elected not to actively manage our commodity risk at this time.

18. SUBSEQUENT EVENT

In February 2009, the Company issued CAN $14 million in 10% subordinated unsecured convertible redeemable debentures (the "Debentures") maturing February 2014. The interest is 10% annually, paid quarterly in arrears. At any time after February 26, 2009, each Debenture may be converted by the holder into one unit of the Company consisting of one of the Company's common shares and one half of a common share purchase warrant at a conversion price of CAN $1.90 per Debenture. Each full share purchase warrant will entitle the holder to purchase one common share at an exercise price of CAN $2.05 for up to 5 years from conversion. A total of 7,364,737 common shares are issuable upon conversion. Subsequent to July 26, 2010, each Debenture can be redeemed by the Company for cash, plus a redemption fee of 7%, provided the closing share price is greater than CAN $2.85 for thirty consecutive days. The Company incurred placement fee totaling CAN $1,081 offsetting proceeds, and issued 644,414 share purchase warrants exercisable at CAN$ 1.90 for five years.

19. COMMITMENTS

The Company has operating lease commitments for office space for $217 annually until 2011, totalling $0.7 million.

20. RECONCILIATION WITH UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

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

(a) Stock based compensation

Under U.S. GAAP, Financial Accounting Standards No. 123 (revised 2004), *"Share-Based Payments"* ("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 of $1,696, $586 and $67 would be presented within general and administrative costs, cost of sales and exploration expense, respectively in 2008, whereas the stock- based compensation expense is reported separately for Canadian GAAP. In 2007 and 2006 stock based compensation of $4,681 and $3,413, respectively would be presented within general and administrative costs.

(c) Reporting comprehensive income

Statement of Financial Accounting Standards No 130 (SFAS 130) *Reporting Comprehensive Income*, establishes standards for the reporting and display of comprehensive income and its components in a full set of general purpose financial statements. Comprehensive income equals net income (loss) for the year as adjusted for all other non-owner changes in shareholders' equity. SFAS 130 requires that all items that are required to be recognized under accounting standards as components of comprehensive income be reported in a financial statement. For the years ended December 31, 2006 and 2005, comprehensive loss equals $512 and $ nil, respectively. Upon adoption of CICA Handbook Section 1530 on January 1, 2007, there are no ongoing differences between Canadian and US GAAP in reporting and displaying comprehensive income.

(d) Mineral property exploration

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

20.

RECONCILIATION WITH UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

(e)

Accounting for uncertainty in income taxes

In June 2006, The FASB has issued FASB Interpretation No. 48, " *Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109"* ("FIN 48"). FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The Interpretation also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006. The provisions of FIN 48 are to be applied to all tax positions upon initial adoption, with the cumulative effect adjustment reported as an adjustment to the opening balance of retained earnings. The Company did not have any unrecognized tax benefits at January 1, 2007. In addition, no adjustments were recognized for uncertain tax benefits during the year. Accordingly, there is no impact on the Company's December 31, 2008 consolidated financial statements.

The Company files income tax returns in Canada and Mexico. Years ranging from 2002 through 2008, as applicable, are subject to examination by the taxing authorities in the respective jurisdictions where returns are filed.

(f)

Impact of recent United States accounting pronouncements:

(i)

Effective January 1, 2008, for US GAAP accounting purposes, the Company has adopted SFAS No.157, *Fair Value Measurement* (SFAS 157). SFAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. The statement only applies to fair value measurements that are already required. There is no difference between Canadian and US GAAP to the Company's December 31, 2008 consolidated financial statements resulting from the adoption of SFAS 157.

(ii)

Effective January 1, 2008, for US GAAP accounting purposes, the Company has adopted SFAS No.159, *Fair Value Options for Financial Assets and Liabilities* (SFAS 159). SFAS 159 permits entities to choose to measure various financial instruments and certain other items at fair value. As the Company has not elected to measure any asset under SFAS 159, there is no effect on the Company's December 31, 2008 consolidated financial statements.

(iii)

In June 2008, the EITF reached a consensus on EITF Issue No. 07-5, *Determining Whether an Instrument (or Embedded Feature) Is Indexed to an Entity's Own Stock* (EITF 07-5). EITF 07-5 addresses the determination of whether an equity linked financial instrument (or embedded feature) that has all of the characteristics of a derivative under other authoritative U.S. GAAP accounting literature is indexed to an entity's own stock and would therefore meet the first part of a scope exception from classification and recognition as a derivative instrument. The Company plans to adopt the provisions of EITF 07-5 on January 1, 2009, for US GAAP accounting purposes. The Company is currently assessing the effect of the adoption of EITF 07-5 on its consolidated financial statements.

(iv)

The FASB has issued FASB Statement No. 141(R), *Business Combinations* (SFAS 141R), which amends SFAS No. 141, and provides revised guidance for recognizing and measuring identifiable assets and goodwill acquired, liabilities assumed, and any noncontrolling interest in the acquire. It also provides disclosure requirements to enable users of the financial statements to evaluate the nature and financial effects of the business combination. SFAS 141R is effective for fiscal years beginning on or after December 15, 2008 and is to be applied prospectively. This statement will affect how the Company accounts for future business combinations.

20. RECONCILIATION WITH UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

(v)

The FASB has issued FASB Statement No.160, *Non -controlling Interests in Consolidated Financial Statements – an amendment of ARB No.151* (SFAS 160). SFAS 160 establishes accounting and reporting standards pertaining to (i) ownership interests in subsidiaries held by parties other than the parent, (ii) the amount of net income attributable to the parent and to the non-controlling interest, (iii) changes in a parent's ownership interest, and (iv) the valuation of any retained non-controlling equity investment when a subsidiary is deconsolidated. For presentation and disclosure purposes, SFAS 160 required non-controlling interests to be classified as a separate component of stockholders' equity. SFAS 160 is effective for fiscal years beginning on or after December 15, 2008 and is to be applied prospectively, except for the presentation and disclosure requirements which are to be applied retrospectively for all periods presented. The Company does not expect this standard to have an effect on the consolidated financial statements.

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

PRELIMINARY INFORMATION

The following Management's Discussion and Analysis ("MD&A") of Endeavour Silver Corp. (the "Company") should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2008 and the related notes contained therein. In addition, the following should be read in conjunction with the Company's most recent Annual Information Form, which has been filed with the Canadian Provincial Securities Regulatory Authorities (*) and the most recent annual report on Form 40-F which has been filed with the U.S. Securities and Exchange Commission (the "SEC"). All financial information in this MD&A is prepared in accordance with Canadian generally accepted accounting principles ("CAN GAAP"), and all dollar amounts are expressed in U.S. dollars unless otherwise indicated.

Cautionary Note concerning Forward-Looking Statements: This MD&A contains "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform act of 1995 and "forward-looking information" within the meaning of applicable Canadian securities legislation. Such forward-looking statements and information herein include, but are not limited to, statements regarding Endeavour's anticipated performance in 2009, including silver and gold production, timing and expenditures to develop new silver mines and mineralized zones, silver and gold grades and recoveries, cash costs per ounce, capital expenditures and sustaining capital. The Company does not intend to, and does not assume any obligation to update such forward-looking statements or information, other than as required by applicable law. Forward-looking statements or information involve known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of Endeavour and its operations to be materially different from those expressed or implied by such statements. Such factors include, among others: fluctuations in the prices of silver and gold, fluctuations in the currency markets (particularly the Mexican peso, Canadian dollar and U.S. dollar); changes in national and local governments, legislation, taxation, controls, regulations and political or economic developments in Canada and Mexico; operating or technical difficulties in mineral exploration, development and mining activities; risks and hazards of mineral exploration, development and mining (including, but not limited to environmental hazards, industrial accidents, unusual or unexpected geological conditions, pressures, cave-ins and flooding); inadequate insurance, or inability to obtain insurance; availability of and costs associated with mining inputs and labour; the speculative nature of mineral exploration and development, diminishing quantities or grades of mineral reserves as properties are mined; the ability to successfully integrate acquisitions; risks in obtaining necessary licenses and permits, and challenges to the company's title to properties; as well as those factors described in the section "risk factors" contained in the Company's most recent annual report on Form 40-F filed with the SEC and Annual Information Form filed with the Canadian securities regulatory authorities. Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements or information, there may be other factors that cause results to be materially different from those anticipated, described, estimated, assessed or intended. There can be no assurance that any forward-looking statements or information will prove to be accurate as actual results and future events could differ materially from those anticipated in such statements or information. Accordingly, readers should not place undue reliance on forward-looking statements or information.

Cautionary Note to U.S. Investors concerning Estimates of Measured, Indicated and Inferred Resources: In this MD&A, the terms "measured", "indicated" and "inferred" resources are used. The Company advises U.S. investors that while such terms are recognized and permitted under Canadian securities rules, the SEC does not recognize them. U.S. investors are cautioned not to assume that all or any part of the mineral deposits in these categories will ever be converted to proven or probable reserves**.** "Inferred resources" in particular have a great amount of uncertainty as to their existence, and their economic feasibility. U.S. investors are cautioned not to assume that all or any part of an inferred mineral resource actually exists, will ever be upgraded to a higher resource category or will ever be economically feasible to mine. Under Canadian securities rules, estimates of inferred resources may not form part of the basis of feasibility or other economic studies.

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

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HISTORY AND STRATEGY

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

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

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

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

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

The Company historically funded its exploration and development activities through equity financings. Equity financings also facilitated the acquisition and development of the Guanacevi and Guanajuato Mines projects. However, since 2004, the Company has been able to finance more and more of its acquisition, exploration, development and operating activities from production cash flows.

OPERATING PERFORMANCE

2008 Highlights

- Mineral sales climbed 22% to $39.3 million
- Mine operating earnings jumped 44% to $11.5 million
- Cash costs fell 4% to $9.03 per oz silver produced
- Silver production increased 10% to 2.3 million ounces
- Silver reserves fell by 7.1 million ounces
- Silver resources grew by 12.3 million ounces
- Completed major capital projects at Guanacevi
    - Mine Development 5,048 meters
    - Ventilation Shaft 292 meters deep
    - Pump Station Modification
    - Leach Circuit Expansion
    - Electrical Substation Expansion
    - Flotation Circuit Rehabilitation
    - Tailings Dam Phase 2 Expansion
    - New Silver Refinery
    - New Warehouse
    - New Security Building
    - New Assay Lab

- New Toxic Waste Storage

- Completed major capital projects at Guanajuato
  - Mine Development 2,197 meters
  - Shaft Safety Upgrades 4 shafts
  - Mine Equipment Rehabilitation
  - Crushing Circuit Rehabilitation

- New Concentrate Load-Out
- New Assay Lab
- New Mechanic's Shop
- Tailings Dam Phase 2 Expansion
- Drill road/pad Replanting 2,000 trees

- Successful exploration projects at Guanacevi
  - Extended by drilling each of the known North Porvenir, Santa Cruz, and Alex Breccia ore-bodies to the northwest and to depth
  - Discovered economically interesting silver-gold-lead-zinc mineralization in five separate high grade vein systems, three moderate grade manto systems, and one bulk tonnage, lower grade stock-work zone in the San Pedro area

- Successful exploration projects at Guanajuato
  - Discovered economically interesting silver-gold mineralization in two separate high grade vein systems, the 3785 zone in the Veta Madre and the Lucero, San Jose, Bolanitos and Santa Maria zones in the Vetas La Luz

In 2008, the Company continued to make safety a primary focus, as demonstrated by management's decision to close all of the production shafts at Guanjuato in January in order to upgrade them to North American safety standards, in spite of the fact that the shafts were deemed to be safe under Mexican safety standards. This caused silver production to fall in the first half of the year but after the shafts were re-opened in June, the Guanajuato operations were able to quickly expand production through the latter half of the year. Safety training programs are held regularly at both operations and the direct result is safer working environments.

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

The Company is pro-active in its employee relations, which resulted in an enhanced employee bonus program during the year. Endeavour also tries to maintain good relations with each of the local communities in which it operates, including the introduction of new employment opportunities and skills training programs.

Comparative Table of Consolidated Mine Operations

Period	Plant T'put Tonnes	Grade Ag(gpt)	Au(gpt)	Recovered ounces Ag(oz)	Au(oz)	Recoveries Ag(%)	Au(%)	Cash cost per oz $
Production 2007 Year:								
Q1, 2007	47,781	427	0.88	490,986	1,020	74.8	75.1	5.45
Q2, 2007	58,060	290	0.99	430,248	1,481	74.8	76.4	9.67
Q3, 2007	94,469	281	0.80	577,384	1,804	67.8	74.4	10.64
Q4, 2007	91,251	319	0.85	636,866	2,122	68.0	80.4	11.09
Total	291,561	319	0.87	2,135,484	6,427	70.4	76.8	9.38
Production 2008 Year:								
Q1, 2008	78,157	304	0.71	504,669	1,433	66.2	79.8	10.01
Q2, 2008	86,391	257	0.77	517,077	1,705	72.8	83.0	9.62
Q3, 2008	96,721	270	0.93	625,094	2,465	75.4	84.9	9.55
Q4, 2008	90,927	288	0.98	696,075	2,416	82.2	88.4	7.43
Total	352,196	279	0.85	2,342,915	8,019	74.5	84.2	9.03
YTD 2008 : YTD 2007	21%	-12%	-1%	10%	25%	6%	10%	-4%

Comparative Table of Guanacevi Mine Operations

Period	Plant T'put Tonnes	Grade Ag(gpt)	Au(gpt)	Recovered Ounces Ag(oz)	Au(oz)	Recoveries Ag(%)	Au(%)	Cash cost per oz $
Production 2007 Year:								
Q1, 2007	47,781	427	0.88	490,986	1,020	74.8	75.1	5.45
Q2, 2007	40,749	377	0.72	382,377	824	75.9	76.4	9.86
Q3, 2007	68,084	342	0.61	491,643	987	65.8	74.5	10.31
Q4, 2007	69,681	370	0.65	542,789	1,126	65.4	76.9	7.45
Total	226,295	375	0.70	1,907,795	3,957	69.4	75.7	8.16
Production 2008 Year:								
Q1, 2008	68,651	322	0.60	458,624	1,012	64.5	75.9	8.61
Q2, 2008	65,276	287	0.55	419,245	883	69.2	78.7	8.92
Q3, 2008	63,979	321	0.58	465,661	976	70.7	81.3	9.66
Q4, 2008	57,750	346	0.58	514,867	917	79.4	87.7	7.37
Total	255,656	318	0.58	1,858,397	3,788	70.6	80.6	8.60
YTD 2008 : YTD 2007	13%	-15%	-17%	-3%	-4%	2%	7%	5%

Comparative Table of Guanajuato Mine Operations

	Plant T'put	Grade		Recovered Ounces		Recoveries		Cash costs
Period	**Tonnes**	**Ag(gpt)**	**Au(gpt)**	**Ag(oz)**	**Au(oz)**	**Ag(%)**	**Au(%)**	**per oz $**
Production 2007 Year:	**Purchased May 2, 2007**							
Q1, 2007	0	0	0	0	0	0	0.0	-
Q2, 2007	17,311	120	1.70	47,870	657	71.7	69.4	8.07
Q3, 2007	26,385	124	1.29	85,742	817	81.5	74.7	12.58
Q4, 2007	21,570	155	1.50	94,077	886	87.7	85.0	32.97
Total	65,266	133	1.47	227,689	2,360	81.5	76.6	20.06
Production 2008 Year:								
Q1, 2008	9,506	171	1.54	46,045	421	88.1	87.7	24.58
Q2, 2008	21,115	164	1.44	97,832	822	88.1	87.7	12.75
Q3, 2008	32,742	170	1.62	159,433	1,489	88.3	87.2	9.22
Q4, 2008	33,177	188	1.67	181,208	1,499	90.6	88.9	7.60
Total	96,540	175	1.59	484,518	4,231	89.0	87.9	10.79
YTD 2008 : YTD 2007	48%	31%	8%	113%	79%	9%	15%	-46%

Consolidated Production Results

2008 compared to 2007

In 2008, Endeavour achieved two important milestones in its silver mining operations: the Company recorded its fourth consecutive year of growing silver production, up 10% from 2007 to 2,342,915 ounces (oz) silver; and cash costs declined for four consecutive quarters, down 4% from 2007 to $9.03 in 2008.

Like 2007, consolidated silver production in 2008 was relatively flat in the first two quarters, as management focused primarily on the capital investment programs at Guanacevi, in Durango State, and Guanajuato in Guanajuato State, expanding the two operating mines and upgrading the two process plants. As a result of the capital projects, consolidated silver production rose from approximately 505,000 oz in Q1, 2008 to approximately 695,000 oz in Q4, 2008 and consolidated silver recoveries improved from 66% in Q1, 2008 to 82% in Q4, 2008. Cash costs of production fell from US$11.09 per oz silver in the fourth quarter (Q4), 2007 to US$7.43 per oz silver in Q4, 2008.

The increase in silver production is attributable to the re-commissioning of the Guanajuato Mine, which was acquired in May 2007 but only re-commenced commercial production in June 2008, after completion of major mine exploration, rehabilitation and safety upgrade programs. The decrease in cash costs is a result of both the completion of various capital projects that improved operating efficiencies, and the depreciation of the Mexican peso relative to the US dollar.

Guanacevi Mines Production Results

2008 compared to 2007

Silver production for 2008 decreased 3% from 1,907,795 in 2007 to 1,858,397 in 2008. Cash costs increased by 5% at the Guanacevi mine from $8.16 for 2007 to $8.60 for 2008, with Q4 cash operating costs falling to $7.37 per oz.

The Guanacevi Mines maintained a flat production profile in 2008 relative to 2007 as a result of the decision to back-off on production growth in Q3 and Q4, 2008. Tonnage throughput fell from 754 tonnes per day (tpd) in Q1 2008 to 634 tpd in Q4 2008 on a seven day work week. Ore grades, however, increased from 322 grams per tonne (gpt) silver and 0.60 gpt gold in Q1, 2008 to 346 gpt silver and 0.58 gpt gold in Q4, 2008, and metal recoveries also improved, resulting in record quarterly silver production in Q4, 2008.

At Guanacevi, the main factors in the slight reduction of silver production were lower ore grades in 2008 relative to 2007, the re-assignment of some mine personnel from production to focus on development and some down-time at the plant for repairs and various capital projects such as completion of the new agitation leach circuit.

Guanacevi mine development fell behind plan during the year, as the mine contractor hired at the beginning of 2008 did not perform to expectations thus delaying access to the Porvenir North area and limiting mine production to lower grade parts of the ore-body. The Company recently put renewed emphasis on accelerating mine development and has replaced the old contractor with a new mine contractor in order to meet the development plan for 2009. The Company is also focused on opening sufficient new stopes to increase mine production and provide a selection of ore grades in order to capitalize on the volatility of precious metal prices.

The plant underwent a number of improvements including expansion of the leach circuits, contact thickeners and tailings pond to effectively handle increased throughput. Subsequent to the completion of the plant expansion, reagents were also adjusted and metal recoveries significantly increased in the fourth quarter of 2008.

The production costs per ounce increased during the first three quarters of 2008 as the appreciating Mexican Peso, stope limitations and plant expansion program reduced output efficiencies. However in the fourth quarter of 2008, completion of expansion program, the downsizing of personnel, the devaluation of the Mexican Peso, improved mine grades and plant recoveries led to a significant reduction of cost per ounce for the quarter.

Guanajuato Mines Production Results

2008 compared to 2007

Silver production for 2008 increased 113% from 227,689 in 2007 to 484,518 in 2008. Cash costs decreased by 46% at the Guanajuato mine from $20.06 per oz in 2007 to $10.79 per oz in 2008, with Q4 2008 cash operating costs falling to $7.60 per oz.

The Guanajuato Mines in particular enjoyed a substantial ramp-up in silver production in 2008 due to the successful mine exploration, rehabilitation and shaft safety upgrade programs undertaken in the first half of 2008. Tonnage throughput rose from 125 tonnes per day (tpd) in Q1, 2008 to 431 tpd in Q4, 2008, operating on a 6 day work week. Ore grades increased from 171 grams per tonne (gpt) silver and 1.54 gpt gold in Q1, 2008 to 188 gpt silver and 1.67 gpt gold in Q4, 2008.

In 2008, the average silver grade increased due to a focus on mining higher grade material and reducing dilution in the stopes and the average silver recovery rate increased due to optimization of the plant.

Guanajuato mine production fell behind plan in the first half of 2008 as a result of management's decision to close all of the main production shafts in order to upgrade them to North American safety standards. Labour and equipment were reassigned to rehabilitation activities instead of producing ore but after the shafts were re-opened in June, the Guanajuato operations were able to quickly expand production through the latter half of 2008.

The plant underwent minor improvements such as rehabilitating the crushing circuit and building a new concentrate load-out area. However, the most significant improvement came as a result of the sharply higher smelting fees introduced in the second quarter of 2008. Through metallurgical testing, management discovered that the

Guanajuato silver-gold sulphide concentrates respond very well to cyanide leaching so the Company ceased shipping concentrates to the smelter and started shipping them to the Guanacevi leach plant starting in November of 2008.

The production costs per ounce decreased during the first three quarters of 2008 due to improved efficiencies at the mines. However, in the fourth quarter of 2008, the new concentrate treatment plan combined with the devaluation of the Mexican Peso led to a significant additional reduction of cost per ounce for the quarter.

Cash Costs (Non-GAAP Measure)

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

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

Consolidated (in US $000s except ozs produced/payable and cash cost/oz)					
	For the year ended	**For the three months ended**			
	31-Dec-08	**31-Dec-08**	**30-Sep-08**	**30-Jun-08**	**31-Mar-08**
Cost of Sales	$ 27,802	$ 7,226	$ 7,648	$ 6,361	$ 6,567
Add/(Subtract):	$ -	$ -	$ -	$ -	
Royalties	$ (807)	$ (264)	$ (77)	$ (198)	$ (268)
Change in Inventories	$ 173	$ (153)	$ 100	$ 196	$ 30
By-Product gold sales	$ (6,383)	$ (1,742)	$ (1,821)	$ (1,473)	$ (1,347)
Cash Operating Costs	$ 20,785	$ 5,067	$ 5,850	$ 4,886	$ 4,982
Ozs Produced	2,343,455	696,615	625,094	517,077	504,669
Ozs Payable	2,300,640	682,401	612,465	507,993	497,781
Cash Cost Per Oz US$	**$ 9.03**	**$ 7.43**	**$ 9.55**	**$ 9.62**	**$ 10.01**

Guanacevi Mines (in US $000s except ozs produced/payable and cash cost/oz)					
	For the year ended	**For the three months ended**			
	31-Dec-08	**31-Dec-08**	**30-Sep-08**	**30-Jun-08**	**31-Mar-08**
Cost of Sales	$ 19,950	$ 4,983	$ 5,376	$ 4,467	$ 5,124
Add/(Subtract):					
Royalties	$ (807)	$ (264)	$ (77)	$ (198)	$ (268)
Change in Inventories	$ 13	$ (191)	$ (22)	$ 196	$ 30
By-Product gold sales	$ (3,336)	$ (769)	$ (824)	$ (764)	$ (979)
Cash Operating Costs	$ 15,820	$ 3,759	$ 4,453	$ 3,701	$ 3,907
Ozs Produced	1,858,937	515,407	465,661	419,245	458,624
Ozs Payable	1,840,348	510,253	461,004	415,053	454,038
Cash Cost Per Oz US$	**$ 8.60**	**$ 7.37**	**$ 9.66**	**$ 8.92**	**$ 8.61**

Guanajuato Mines Project (in US $000s except ozs produced/payable and cash cost/oz)					
	For the year ended	**For the three months ended**			
	31-Dec-08	**31-Dec-08**	**30-Sep-08**	**30-Jun-08**	**31-Mar-08**
Cost of Sales	$ 7,852	$ 2,243	$ 2,272	$ 1,894	$ 1,443
Add/(Subtract):					
Royalties	$ -	$ -	$ -	$ -	$ -
Change in Inventories	$ 160	$ 38	$ 122	$ -	$ -
By-Product gold sales	$ (3,047)	$ (973)	$ (997)	$ (709)	$ (368)
Cash Operating Costs	$ 4,965	$ 1,308	$ 1,397	$ 1,185	$ 1,075
Ozs Produced	484,518	181,208	159,433	97,832	46,045
Ozs Payable	460,292	172,148	151,461	92,940	43,743
Cash Cost Per Oz US$	**$ 10.79**	**$ 7.60**	**$ 9.22**	**$ 12.75**	**$ 24.58**

* Based on payable silver production attributable to cost of sales.

Reconciliation of cash operating cost per oz to cost of sales (2007):

Consolidated (in US $000s except ozs produced/payable and cash cost/oz)					
	For the year ended	**For the three months ended**			
	31-Dec-07	**31-Dec-07**	**30-Sep-07**	**30-Jun-07**	**31-Mar-07**
Cost of Sales	$ 24,335	$ 8,759	$ 6,917	$ 5,092	$ 3,567
Add/(Subtract):					
Royalties	$ (787)	$ (211)	$ (191)	$ (194)	$ (191)
Change in Inventories	$ 131	$ (289)	$ 518		$ (98)
By-Product gold sales	$ (3,934)	$ (1,309)	$ (1,199)	$ (799)	$ (627)
Cash Operating Costs	$ 19,745	$ 6,950	$ 6,045	$ 4,099	$ 2,651
Ozs Produced	2,135,484	636,866	577,381	430,251	490,986
Ozs Payable	2,105,021	626,734	568,177	424,034	486,076
Cash Cost Per Oz US$	**$ 9.38**	**$ 11.09**	**$ 10.64**	**$ 9.67**	**$ 5.45**

Guanacevi Mines (in US $000s except ozs produced/payable and cash cost/oz)					
	For the year ended	**For the three months ended**			
	31-Dec-07	**31-Dec-07**	**30-Sep-07**	**30-Jun-07**	**31-Mar-07**
Cost of Sales	$ 18,717	$ 5,383	$ 5,397	$ 4,370	$ 3,567
Add/(Subtract):					
Royalties	$ (742)	$ (211)	$ (191)	$ (149)	$ (191)
Change in Inventories	$ 131	$ (289)	$ 518		$ (98)
By-Product gold sales	$ (2,700)	$ (880)	$ (704)	$ (489)	$ (627)
Cash Operating Costs	$ 15,406	$ 4,003	$ 5,020	$ 3,732	$ 2,651
Ozs Produced	1,907,795	542,789	491,643	382,377	490,986
Ozs Payable	1,888,717	537,361	486,726	378,554	486,076
Cash Cost Per Oz US$	**$ 8.16**	**$ 7.45**	**$ 10.31**	**$ 9.86**	**$ 5.45**

Guanajuato Mines (in US $000s except ozs produced/payable and cash cost/oz)					
	For the year ended	**For the three months ended**			
	31-Dec-07	**31-Dec-07**	**30-Sep-07**	**30-Jun-07**	**31-Mar-07**
Cost of Sales	$ 5,618	$ 3,376	$ 1,520	$ 722	$ -
Add/(Subtract):					
Royalties	$ (45)	$ -	$ -	$ (45)	$ -
Change in Inventories	$ -	$ -	$ -	$ -	$ -
By-Product gold sales	$ (1,234)	$ (429)	$ (495)	$ (310)	$ -
Cash Operating Costs	$ 4,339	$ 2,947	$ 1,025	$ 367	$ -
Ozs Produced	227,689	94,077	85,738	47,874	-
Ozs Payable	216,304	89,373	81,451	45,480	-
Cash Cost Per Oz US$	**$ 20.06**	**$ 32.97**	**$ 12.58**	**$ 8.07**	**$ 0.00**

* Based on payable silver production attributable to cost of sales.

Exploration Activities

In 2008, Endeavour drilled 41,160 meters (135,000 feet) in 172 drill holes testing 14 exploration targets in order to replace mine reserves and expand silver resources. The Company's exploration drilling programs in Mexico met with continued success, highlighted by the discovery of several new, high grade silver-gold mineralized zones near Endeavour's two mining operations, Guanacevi in Durango State, and Guanajuato in Guanajuato State.

Guanacevi

In 2008, exploration drilling at Guancevi focused in two areas: expanding the known ore bodies along the Santa Cruz vein structure close to the Porvenir mine so that they could be added to the mine plan for development and production; and discovering new high-grade silver mineralized zones in the San Pedro area north of the Porvenir mine that have the potential to develop future resources and production. The 2008 drilling program successfully extended each of the North Porvenir, Santa Cruz, and Alex Breccia ore-bodies to the northwest and to depth. The Porvenir Dos ore-body was not drilled in 2008.

In the San Pedro area of Guancevi, to the north of the Porvenir mine, exploration drilling in 2008 intersected economically interesting silver-gold-lead-zinc mineralization in five separate high grade vein systems, three moderate grade manto systems, and one bulk tonnage, lower grade stock-work zone. In contrast to the classic, high grade vein ore-bodies in the Santa Cruz vein near the Porvenir mine, the San Pedro area geology and mineralization is slightly different. The veins here tend to be more lead-zinc rich, and narrower but more numerous. Where they intersect a particular sub-horizontal geological contact, the mineralization spreads out along the contact as "mantos" or pancake-shaped mineralized zones.

The resources increased in two main areas during 2008; the first is Alex Breccia, where the mineralization was extended to depth by underground drilling. The zone is still open and expected to continue, however more drilling from the cross cut is not possible until it is extended further into the hanging wall; the second is San Pedro where several new zones were discovered during the year. The Noche Buena and the Veta Blanca areas are both very interesting new targets. They will be the focus for exploration drilling in 2009. The indicated resources tonnes increased by 44%, 20% in silver ounces and 3% in gold ounces over the indicated resource from last year. The inferred resource increased in tonnes by 85%, in silver ounces by 42% and in gold ounces by 19% from 2007.

Guanajuato

In 2008, exploration drilling at Guanajuato focused in two areas: testing several targets along the Veta Madre vein structure close to the Cebada mine; and testing several targets along the La Luz vein structures (La Luz consists of multiple sub-parallel veins) close to the Bolanitos mine. The 2008 drilling program was successful in discovering new high-grade silver-gold mineralized zones in five target areas; the 3785 mineralized zone near the Cebada mine, the Bolanitos, Santa Maria, San Jose, and Lucero vein prospects near the Bolanitos mine.

Compared to Guanacevi, the Guanajuato veins tend to grade slightly lower in silver but much higher in gold. Within the Guanajuato district, the Veta Madre vein typically forms a central lode, with hanging-wall and foot-wall splays, occupying a major fault structure, whereas the La Luz veins form a swarm of sub-parallel veins occupying lesser fault structures. The Cebada ore-bodies were typically larger and had greater vertical extent (500+ meters) than at La Luz but the Bolanitos ore-bodies were more numerous.

The new resources in Guanajuato come from two areas; one the 3785 area of Cebada on the Veta Madre; and two the Lucero vein in Bolanitos. These two main areas were part of the exploration success in Guanajuato and resulted in a large increase in the resources at Guanajuato. The indicated resource tonnes increased by 586%, by 615% in silver ounces and 414% in gold ounces. The inferred resource tonnes increased this year by 144%, in silver ounces by 156% and in gold ounces by 139% from 2007.

Parral

In August 2006, the Company acquired the option to purchase the El Cometa property in the district of Hidalgo de Parral, Chihuahua, Mexico. In 2007, the Company discovered, drilled and estimated a NI 43-101 poly-metallic inferred resource in the Cometa, Consuelo and Estrella veins.

In 2008, an infill drilling program comprised of 6 holes totaling 1,800 meters was completed at El Cometa. During the year, the Company made the 2008 payments on the properties totalling $130,000 and has paid $250,000 to date. The Company continues to explore the property and has option payments totalling $100,000 in August 2009 to acquire the concession rights.

Arroyo Seco

In October 2006, the Company acquired an option to purchase the Arroyo Seco property in Michoacan, Mexico for $229,000 over 5 years. In 2007, the Company carried out a Phase 1 exploration program on the property consisting of geological mapping, soil and rock sampling, geophysical surveys and diamond drilling totaling 7 holes.

During 2008, exploration activities on the Company's 1,215 hectare Arroyo Seco project included approximately 10-line kilometers of grid surveying followed by a ground magnetic geophysical survey and a geochemical soil sampling program. As this project currently has a lower priority, a Phase 2 diamond drilling program will be considered in 2010. The Company paid $92,000 during the 2008 fiscal year and has paid $184,000 of the total option agreement.

RESERVES AND RESOURCES

The updated NI 43-101 reserve and resource estimates to December 31, 2008 include the Company's three active silver mining and exploration projects in Mexico, the Guanacevi Mines project in Durango State, the Guanajuato Mines project in Guanajuato State and the Parral Exploration project in Chihuahua State.

The Company retained Micon International Ltd ("Micon"), to audit the updated reserves and resources to December 31, 2008 for the Guanacevi and Guanajuato projects. The Qualified Person for reporting the reserves is Robert J. Leader, P.Eng., an, employee of Micon. The Qualified Persons for reporting the Guanacevi and Guanajuato resources, respectively are William Lewis, B.Sc., P.Geo, Charley Murahwi, M.Sc., P.Geo, MAusIMM and Dibya Kanti Mukhopadhyay, Member AusIMM also Micon employees.

The Company's exploration personnel prepared the updated resources to December 31, 2008 based on current metal prices for the Parral project because the resources did not materially change compared to the previous reserve/resource estimate prepared by SRK Consulting (UK) Limited in April 2008. The Qualified Person for reporting the resources at cometa is Barry Devlin, M.Sc., P.Geo., Vice President Exploration for the Company.

The reserve and resource statements for the Guanacevi, Guanajuato and Parral projects were classified using the definitions and guidelines of the Canadian Institute of Mining, Metallurgy and Petroleum CIM standards on Mineral Resources and Reserves (CIM Standards) and the guidelines of NI 43-101. The information should be read in conjunction with corresponding technical reports filed on Sedar March 31, 2009.

Reserves Proven & Probable								
Description		Tonnes	Ag g/t	Au g/t	Ag-Eq g/t	Ag ounces	Au ounces	Ag-Eq
Proven								
	Guanacevi	57,000	361	0.49	398	661,600	900	729,100
Total Proven		57,000	361	0.49	398	661,600	900	729,100
Probable								
	Guanacevi	478,000	352	0.49	389	5,410,200	7,500	5,972,700
	Guanajuato	214,000	251	2.20	416	1,727,100	15,100	2,859,600
Total Probable		692,000	321	1.02	397	7,137,300	22,600	8,832,300
Total Proven & Probable		**749,000**	**324**	**0.98**	**397**	**7,798,900**	**23,500**	**9,561,400**

* Cut-off grade for Proven & Probable Reserves is 270 g/t Ag for Guanacevi & 230 Ag-Equivalent for Guanajuato
** Silver-Equivalencies are calcuated using a 75:1 ratio based on prices of USD$ 12 per ounce of silver and USD$900 per ounce of gold; no base metal credits are used for calculating silver-Equivalencies

Resources Indicated								
Description		Tonnes	Ag g/t	Au g/t	Ag-Eq g/t	Ag ounces	Au ounces	Ag-Eq Ounces
Resources Indicated								
	Guanacevi	1,710,000	290	0.53	330	15,957,900	28,900	18,125,400
	Guanajuato	288,000	202	1.60	322	1,872,700	14,800	2,982,700
Total Indicated		**1,998,000**	**278**	**0.68**	**329**	**17,830,600**	**43,700**	**21,108,100**

Resources Inferred								
Description		Tonnes	Ag g/t	Au g/t	Ag-Eq g/t	Ag ounces	Au ounces	Ag-Eq Ounces
	Guanacevi	1,563,000	240	0.37	268	12,069,800	18,800	13,479,800
	Guanajuato	782,000	229	2.00	379	5,751,000	50,300	9,523,500
Total Inferred		**2,345,000**	**236**	**0.92**	**305**	**17,820,800**	**69,100**	**23,003,300**

* Cut-off grade for Indicated & Inferred Resources for Guanacevi is 200 g/t Ag for Porvenir and 100 g/t Ag for Alex Breccia, Santa Cruz, Porvenir Dos and Noche Buena
** Cut-off grade for Indicated & Inferred Resources for Guanajuato is 200 g/t Ag-equivalents
*** Silver-Equivalencies are calculated using a 75:1 ratio based on prices of USD$ 12 per ounce of silver and USD$900 per ounce of gold; no base metal credits are used for calculating silver-Equivalencies

Silver -Gold-Lead-Zinc Resources - Guanacevi

Resources Indicated										
Description		Tonnes	Ag g/t	Au g/t	Ag-Eq g/t	Ag ounces	Au ounces	Ag-Eq Ounces	Zn (%)	Pb (%)
	Guanacevi	85,000	66	0.18	80	179,500	500	217,000	2.2	3.6
Total Indicated		**85,000**	**66**	**0.18**	**79**	**179,500**	**500**	**217,000**	**3.1**	**3.2**

Resources Inferred										
Description		Tonnes	Ag g/t	Au g/t	Ag-Eq g/t	Ag ounces	Au ounces	Ag-Eq Ounces	Zn (%)	Pb (%)
	Guanacevi	260,000	72	0.15	83	604,300	1,300	701,800	2.1	3.4
Total Inferred		**260,000**	**72**	**0.16**	**84**	**604,300**	**1,300**	**701,800**	**2.7**	**3.0**

* Cut-off grade for Indicated & Inferred Resources for Guanacevi is 50 g/t Ag plus 3.5% combined Pb-Zn

** Silver-Equivalencies are calculated using a 75:1 ratio based on prices of USD$ 12 per ounce of silver and USD$900 per ounce of gold; no base metal credits are used for calculating silver-Equivalencies

Silver -Gold-Lead-Zinc Resources - Cometa

Resources Indicated										
Description		Tonnes	Ag g/t	Au g/t	Ag-Eq g/t	Ag ounces	Au ounces	Ag-Eq Ounces	Zn (%)	Pb (%)
	Cometa	934,000	49	1.46	159	1,471,400	43,800	4,756,400	3.2	3.2
Total Indicated		**934,000**	**49**	**1.46**	**158**	**1,471,400**	**43,800**	**4,756,400**	**3.1**	**3.2**

Resources Inferred										
Description		Tonnes	Ag g/t	Au g/t	Ag-Eq g/t	Ag ounces	Au ounces	Ag-Eq Ounces	Zn (%)	Pb (%)
	Cometa	528,000	61	1.45	170	1,035,500	24,600	2,880,500	3.0	2.7
Total Inferred		**528,000**	**61**	**1.45**	**170**	**1,035,500**	**24,600**	**2,880,500**	**2.7**	**3.0**

* Cut-off grade for Indicated & Inferred Resources for Cometa is USD$40 NSR based on metal prices of USD$12 per ounce of silver, USD$900 per ounce of gold, USD$0.50 per pound of lead, USD$0.50 per pound of zinc; metallurgical recoveries used were 71% for silver, 75% for gold, 80% for lead and 74% for zinc.
** Silver-Equivalencies are calculated using a 75:1 ratio based on prices of USD$ 12 per ounce of silver and USD$900 per ounce of gold; no base metal credits are used for calculating silver-Equivalencies

FINANCIAL RESULTS

Selected Annual Information

Selected annual information for the Company for each of the three fiscal years ended December 31, 2008, December 31, 2007 and December 31, 2006 are as follows:

	Year Ended December 31, 2008	Year Ended December 31, 2007	Year Ended December 31, 2006
Sales Revenue	$ 39,302	$ 32,319	$ 15,671
Net loss :			
(i) Total	$ (18,004)	$ (12,202)	$ (3,948)
(ii) Bas ic per share	$ (0.37)	$ (0.27)	$ (0.10)
(iii) Diluted per share	$ (0.37)	$ (0.27)	$ (0.10)
Dividends per share	$ -	$ -	$ -
	December 31, 2008	December 31, 2007	December 31, 2006
Total assets	$ 67,292	$ 82,151	$ 62,729
Total long-term liabilities	$ 5,481	$ 6,646	$ 3,922

Figures in thousands of U.S.$, except per share amounts

Review of Consolidated Financial Results

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

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

The Operating Loss for the years ended December 31, 2008 was $12.9 million (2007 - $12.2 million) after Exploration costs of $8.6 million (2007 - $6.0 million), General and Administrative costs of $5.1 million (2007 - $4.8 million) and Stock Based Compensation costs of $2.3 million (2007 - $4.7 million).

The Loss Before Taxes for the year ended December 31, 2008 was $17 million (2007 - $9.5 million) after Foreign Exchange Loss of $1.5 million (2007 – Gain of $2.4 million), a Loss on Marketable Securities of $0.6 million (2007 – Gain of $0.7 million), an Impairment on Asset Backed Commercial Paper of $1.4 million (2007 - $1.3 million), an allowance for IVA receivable of $0.8 million (2007 – Nil) a write off of uncollectible IVA of $0.1 million (2007 – Nil) and Investment and Other Income and Expenses of $0.3 million (2007 - $0.9 million). The Company incurred a Net Loss for the year ended December 31, 2008 of $18 million (2007 - $12.2 million) after Income Tax Provision of $1 million (2007 - $1.2 million).

Sales were $39.3 million for 2008, an increase of 22% over the sales of $32.3 million for 2007 due to increased production and higher average realized price per ounce. Cost of sales for the year was $27.8 million, an increase of 14% over the cost of sales of $24.3 million for 2007. The increase in the cost of sales is a result of the costs associated with an increase in production and rising costs for labour, fuel, power, parts, equipment and supplies. The Company also experienced additional costs during the year related to the expansion and upgrade programs.

Depreciation, depletion and accretion was $8.4 million, an increase of 79% as compared to 2007, primarily due to increased capital asset balances resulting from the buy-out of the remaining 49% of Minera Santa Cruz SA de CV and additional capital expenditures to date.

Exploration expenses increased by 44% in 2008 to $8.6 million from $6.0 million in 2007, due to a more aggressive exploration program in 2008. General and administrative cost experienced an increase of 5% to $5.1 million in 2008 as compared to $4.8 million in 2007 primarily due to increased corporate development activities.

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

During 2008, the Company took an additional impairment of $1.4 million (2007 - $1.3 million) on asset backed commercial paper "ABCP" held by the Company. (see Liquidity and Capital Resources section for full disclosure) and took an allowance against IVA receivable of $0.9 million (2007 - $Nil) on balances relating to 2006.

Fourth quarter 2008

For the three months ended December 31, 2008, the Company realized a Mine Operating Loss of $1.8 million (2007 Mine Operating Earnings- $0.7 million) from its mining and milling operations on sales of $7.9 million (2007 - $11.0 million) with cost of sales of $7.2 million (2007 - $8.8 million) and depreciation and depletion $2.5 million (2007 - $1.5 million).

The Operating Loss for the three months ended December 31, 2008 was $3.6 million (2007 - $2.8 million) after Exploration costs of $0.7 million (2007 - $1.7 million), General and Administrative costs of $1.0 million (2007 - $1.4 million) and Stock Based Compensation costs of $0.1 million (2007 - $0.4 million).

The Loss Before Taxes for the three months ended December 31, 2008 was $6.3 million (2007 - $3.1 million) after Foreign Exchange Loss of $1.0 million (2007 – $0.1 million), a realized loss on marketable securities of $0.8 million (2007 – gain of $0.2 million), an allowance for IVA receivable of $0.8 million (2007 – Nil), a write down of IVA receivable of $0.1 (2007 - $Nil), an impairment on asset backed commercial paper of $Nil (2007 - $0.7) and Investment and Other Income and Expenses of $0.2 million (2007 - $0.3 million).

The Company incurred a Net Loss for the three months ended December 31, 2008 of $5.2 million (2007 - $4.2 million) after a reduction of the Income Tax Provision of $1.1 million (2007 – increase in provision of $1.1 million).

Sales were $7.9 million for the final quarter of 2008, a decrease of 28% over the sales of $11.0 million for the last three months of 2007. The decrease in sales is due to the significant decrease in the price of silver during the last quarter of 2008 as compared to the last quarter of 2007. Cost of sales for the period was $7.2 million, a decrease of 18% over the cost of sales of $8.8 million for the same period in 2007. The decrease in the cost of sales is primarily attributed to the devaluation of the Mexican Peso. Depreciation, depletion and accretion was $2.5 million during the quarter, an increase of 71% as compared to 2007, due to increased production, increased capital asset balances resulting from the buy-out of the remaining 49% of Minera Santa Cruz SA de CV and additional capital expenditures to date.

Exploration expenses decreased by 60% to $0.7 million during the three months ended December 31, 2008 from $1.7 million in 2007 due to a reduction in exploration activity towards the end of the year. General and administrative decreased by 28% to $1.0 million during 2008 as compared to $1.4 million in 2007 primarily due to the devaluation of the Canadian dollar against the US Dollar, Stock-based compensation decreased by $0.3 million in 2008 from $0.4 million in 2007. The decrease in stock-based compensation is due to the current year's option grants having a two year vesting period whereas the previous year's options granted vested immediately.

The Company experienced a foreign exchange loss during the three months ended December 31, 2008 of $1.0 million as compared to a foreign exchange gain of $0.1 million in the same period in 2007. The loss during the current period is a result of a weakening of both the Canadian Dollar and the Mexican Peso against the U.S. Dollar resulting in a lower valuation of Canadian Dollar and Mexican Peso cash accounts, Canadian denominated asset backed commercial paper and realized foreign exchanges losses on Canadian denominated marketable securities disposed of during the period. During 2007 there was a strengthening of the Canadian dollar to the U.S. dollar and the Company held more Canadian dollars at that time.

The Company realized a loss on marketable securities during the period of $0.8 million as compared to a gain of $0.2 million in the same period of 2007. The loss during Q4 2008 is a result of the selling of marketable securities to meet ongoing cash requirements while the overall market has been very weak. Investment income and other expenses decreased by $0.2 million in the period from $0.3 million in 2007 due to the decreased cash balance in the current year.

During the fourth quarter an assessment was done on IVA receivable from prior years and the Company recognized an allowance of $0.8 million on the outstanding balance. In addition, $0.1 million was written off relating to 2007 balances. The income tax provision was reduced by $1.1 million for the period as compared to an increase in the income tax provision of $1.1 million during Q4 2007, due to improved tax planning and the impact of the new Mexican "flat" tax regime.

Year ended December 31, 2007 with the year ended December 31, 2006

The Company realized Mine Operating Earnings of $3.3 million on sales of $32.3 million for fiscal 2007 as compared to Mine Operating Earnings of $3.9 million on sales of $15.7 million in fiscal 2006. Cost of sales was $24.3 million and depreciation and depletion $4.7 million in 2007 as compared to cost of sales of $9.2 million and depreciation and depletion of $2.6 million in 2006.

The Operating Loss for the year was $12.2 million after Exploration costs of $6.0 million, General and Administrative costs of $4.8 million and Stock Based Compensation costs of $4.7 million. This compares to an Operating Loss for 2006 of $3.0 million after Exploration of $0.4 million, General and Administrative costs of $3.0 million and Stock Based Compensation costs of $3.4 million.

The Loss Before Taxes for 2007 was $9.6 million after Foreign Exchange Gain of $2.4 million, a realized gain on marketable securities of $0.7 million, Investment and Other Income of $0.9 million and an Impairment on Commercial Paper of $1.3 million. This compares to a Loss Before Taxes of $1.4 million after Foreign Exchange Gains of $0.5 million and Investment and other income of $1.0 million in 2006.

The Company incurred a Net Loss for year of $12.2 million after Income Tax Provision of $1.2 million compared to a loss of $3.9 million after an Income Tax Provision of $1.4 million in 2006.

Summary of Quarterly Results

(in US$000s	Dec 31, 2008 Three months ended				Dec 31, 2007 Three months ended			
except per share amounts)	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31
Total Revenues	$ 7,900	$ 10,613	$ 10,060	$ 10,729	$ 11,018	$ 7,686	$ 6,385	$ 7,230
Cost of Sales	$ 7,226	$ 7,648	$ 6,361	$ 6,567	$ 8,804	$ 6,872	$ 5,092	$ 3,567
Depreciation, Depletion & Accretion	$ 2,551	$ 2,558	$ 1,769	$ 1,505	$ 1,493	$ 1,621	$ 609	$ 959
Mine Operating Earnings / (Loss)*	$ (1,877)	$ 407	$ 1,930	$ 2,657	$ 721	$ (807)	$ 684	$ 2,704
Net income (loss):								
(i) Total	$ (5,149)	$ (7,427)	$ (3,417)	$ (2,011)	$ (4,237)	$ (3,651)	$ (2,076)	$ (2,238)
(ii) Basic per share	$ (0.11)	$ (0.15)	$ (0.07)	$ (0.04)	$ (0.09)	$ (0.08)	$ (0.05)	$ (0.05)
(iii) Diluted per share	$ (0.11)	$ (0.15)	$ (0.07)	$ (0.04)	$ (0.09)	$ (0.08)	$ (0.05)	$ (0.05)

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

Quarterly Trends and Analysis

In the 1st Quarter of 2007 sale proceeds reflect the commissioning of the 800 tpd ball mill at Guanacevi in late February. Compared to the 4 th quarter of 2006, the loss for the 1st Quarter 2007 reflects higher earnings from Mine Operations offset by a higher Non Controlling Interest share in subsidiary profits, higher General and Administration costs, lower Stock Based Compensation costs and higher Exploration costs, which were written off as incurred.

In the 2nd Quarter of 2007 production and revenue were adversely impacted by the processing of lower head grade ore from Guanacevi partially offset by the initial contribution of Guanajuato. The higher loss for the 2nd Quarter 2007 reflects lower earnings from Mine Operations, Exploration costs and the required costing of non-cash Stock Based Compensation.

In the 3rd Quarter of 2007 sales were higher from higher metal production partially offset by lower realized metal prices. The higher loss in the 3rd Quarter 2007 reflects higher Mine Operating costs and increased Depreciation.

In the 4th Quarter of 2007 the Company realized higher production and revenue due to higher grade ore processed during the quarter and a higher silver price. The higher loss for the 4th Quarter 2007 reflects additional exploration and labour costs.

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

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

In the 3rd Quarter of 2008 production increased primarily due to the ramp up of production at Guanajuato, partially offsetting the slide in silver prices which began in August. Costs increased due to the ramp up of Guanajuato

operations and improved employee production bonuses which were magnified by the slight appreciation of the Peso during the quarter, until late September when the Peso began its significant fall.

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

Transactions with Related Parties

The Company shares common administrative services and office space with Canarc Resource Corp., Caza Gold Corp., and Aztec Metals Corp. ("Aztec"), related party companies, and from time to time will incur third-party costs on behalf of the related parties on a full cost recovery basis. The Company has $21,000 receivable related to administration costs outstanding as of December 31, 2008. (December 31, 2007 – Nil).

During the year ended December 31, 2008 the Company paid $155,000 in consulting fees to Canarc Resource Corp for engineering services.

During the year ended December 31, 2008, the Company has paid $120,000 for legal services to Vector Corporate Finance Lawyers, a firm in which the Company's Corporate Secretary is a partner.

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

Aztec paid the Company $43,000 and delivered a signed silver participation contract on June 30, 2008 to exercise the option on the Matehuala property and cancelled the option to acquire the Rio Chico property during the year. The common shares acquired by the Company have a estimated fair value of $35,000 as of December 31, 2008, compared to cost of $160,000 at the time of the agreement. The Company has $98,000 receivable related to 2008 property tax payments and the initial Rio Chico option payment outstanding as of December 31, 2008.

In 2007, the Company paid $95,000 in performance bonus compensation to terminated employees who are now employees of a company with common directors and management. There were no such transactions during the current fiscal year.

LIQUIDITY AND CAPITAL RESOURCES

The cash and cash equivalents balance decreased from $16.6 million at December 31, 2007 to $3.6 million at December 31, 2008. Cash and cash equivalents decreased for the period by $13 million primarily due to cash used for capital investments made in property, plant and equipment of $12.6 million and exploration activities costing $8.6 million offset by $2.1 million raised through the issuance of special warrants and net proceeds of $2.0 million from marketable securities sold during the period. Working capital decreased to $7.8 million from $25.3 million at December 31, 2007 primarily due to the reduction in cash of $13 million, a decrease in marketable securities of $3.5 million, and a decrease in accounts receivable and prepaid expenses of $1.0 million.

The Company has incurred significant operating losses to date. Management recognizes that the Company will need to generate additional financing resources in order to meet its planned business objectives in the near and long term. The Company has historically financed its activities principally by the sale of equity securities. The Company's ability to continue as a going concern is dependent on the Company's ability to raise equity financing, debt financing or the attainment of profitable operations. Subsequent to year end, management completed a convertible debt financing for approximately CAN $14 million of five year 10% subordinated unsecured convertible redeemable debentures. Management continues to pursue alternatives to improve the financial position of the Company to remain as a going concern through 2009. Management acknowledges the recent volatility in gold and silver prices and the unprecedented disruptions in the current credit and financial markets. The poor conditions in the US housing market and credit quality of mortgage backed securities have continued and worsened, causing a loss of confidence in the broader U.S. and global credit and financial markets and resulting in the collapse of, and governmental intervention in, major banks, financial institutions and insurers. This has created a climate of greater volatility, less liquidity, widening of credit spreads, a lack of price transparency, increased credit losses and tighter credit conditions. These disruptions could, among other things, make it more difficult for the Company to obtain, or increase the cost of obtaining, capital and financing for operations should it be considered necessary. There can be no assurance that the Company will be able to 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.

Operating activities used $4.6 million during the year ended December 31, 2008 compared to using $2.4 million during the same period in 2007. The major non-cash adjustments on the recorded loss of $18 million were non-cash charges for depreciation, depletion and accretion of $8.4 million, stock-based compensation of $2.3 million, a loss on marketable securities of $0.6 million, an impairment of asset backed commercial paper of $1.4 million and a change in non-cash working capital $0.3 million.

Investing activities during the year used $10.6 million as compared to $22.8 million in 2007. The investments in property, plant and equipment was $12.6 million compared to $17.6 million in 2007 and the Company received proceeds from the sale of marketable securities of $6.0 million and invested $3.9 million during the period in marketable securities.

As at December 31, 2008, the Company's issued share capital was $87.6 million representing 49,080,478 common shares and $2.1 million representing 2,311,540 in special warrants compared to $87.5 million representing 48,982,146 common shares at December 31, 2007. During the year ended December 31, 2008, the financing activities generated $2.2 million, net of issue costs, through private placements and the issuance of 98,332 common shares relating to share purchase options exercised.

In December 2008, the Company completed a brokered and non brokered private placements of special warrants for 2,311,540 units at CAN$1.30 per unit for gross proceeds of CAN$3.0 million. Each special warrant is exercisable into a unit comprised of one common share and one-half of a common share purchase warrant. Each whole share purchase warrant is exercisable to purchase one common share at an exercise price of CAN$1.90 until February 25,

2014. The agents received a cash commission of 6% totalling $0.1 million and 131,792 agents' warrants at an exercise price of CAN$1.51 until February 25, 2014. The warrants issued to the agents have a deemed fair value of $0.1 million and have been recorded in share capital on a net basis. The special warrants are classified as a separate equity component at year end as the Company had not yet received final approval from the provincial securities regulator on the final prospectus. This was subsequently received on February 24, 2009 and the special warrants were exercised into units as described above.

As at December 31, 2008, the Company had 4,263,400 options to purchase common shares outstanding with a weighted average exercise price of CAN$3.33 and had 1,597,562 share purchase warrants outstanding with a weighted average exercise price of CAN$2.53.

The company invested $12.6 million in property, plant and equipment during the year ended December 31, 2008 with the majority of the expenditures at Guanacevi. Approximately $10.0 million was spent at Guanacevi with $3.0 million spent on plant projects, $5.2 million on mine development, $0.6 million spent on mine equipment and $1.2 million spent on buildings, transportation and office equipment. Approximately $1.6 million was spent at Guanajuato with $0.6 million spent on plant projects, $0.9 million on mine development and $0.1 million spent on buildings, transportation and office equipment.

Capital Requirements

The Company plans to invest $16.8 million in capital projects in 2009, with the focus once again on Guanacevi. At Guanacevi $8.5 million will be invested in further mine development, $4.9 million on related mining equipment and facilities and a further $1.5 million on increasing the size of the tailings facility. At Guanajuato $1.5 million will be invested to develop some of the newly discovered mineralized zones and $0.4 million will be incurred to expand the plant to 600 tonnes per day.

The mine development at Guanacevi will increase the access to the Porvenir North area of the ore body and provide access to Alex Breccia, Santa Cruz and Porvenir Dos ore bodies. This will allow the operation to have a large selection of stopes to expand the daily tonnage sent to the mill, improve management of cash flows and capitalize on the volatility of precious metal prices.

The Company plans to meet capital requirements with mine operating cash flows and proceeds from the convertible debt issued subsequent to December 31, 2009. Management continues to pursue alternatives to improve the financial position of the Company and ensure there are adequate resources to meet ongoing capital requirements.

Financial Instruments and Other Instruments

Financial Assets and Liabilities

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

The fair values of cash and cash equivalents, accounts receivables, accounts payable and accrued liabilities approximate carrying value because of the short term nature of these instruments. The fair value of the asset backed commercial paper is determined by discounting the stream of future payment at the estimated prevailing market rates. There are no significant differences between the carrying values and the fair values of any financial assets or liabilities.

Financial Instrument Risk Exposure and Risk Management

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

Credit Risk

The Company is exposed to credit risk on its bank accounts, trade receivable and IVA receivable. Credit risk exposure on bank accounts is limited through maintaining its cash and equivalents with high-credit quality financial institutions, maintaining investment policy, assessing institutional exposure and continual discussion with external advisors. Trade receivables are generated on the sale of silver to a large Mexican refiner which the Company has deemed to have a high credit rating. IVA receivables are generated on the purchase of supplies and services to produce silver which are refundable from the Mexican government.

Liquidity Risk

The Company ensures that there is sufficient capital in order to meet short term business requirements. After taking into account the Company's holdings of cash equivalents, marketable securities and receivables the Company believes that these sources will be sufficient to cover the likely short term cash requirements and commitments.

Market Risk

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

Foreign Currency Risk

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

The US dollar equivalent of financial assets and liabilities denominated in currencies other than the US dollar as at December 31, 2008 are as follows:

	Canadian Dollar	Mexican Peso
Financial Assets	5,068	7,246
Financial Liabilities	(870)	(5,414)
Net Financial Assets	4,198	1,832

As at December 31, 2008, with other variables unchanged, a 20% strengthening of the US dollar against the Canadian dollar would decrease net earnings by $0.6m due to these financial assets.

As at December 31, 2008, with other variables unchanged, a 20% strengthening of the US dollar against the Mexican peso would decrease net earnings by $0.4m due to these financial assets.

Interest Rate Risk

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

Commodity Price Risk

The value of the Company's mineral resource properties is related to the price of silver and gold, and the outlook for these minerals. Silver and gold prices have historically fluctuated widely and are affected by numerous factors outside of the Company's control, including, but not limited to, industrial and retail demand, central bank lending, forward sales by producers and speculators, levels of worldwide production, short-term changes in supply and demand because of speculative hedging activities, and certain other factors. The Company has elected not to actively manage our commodity risk at this time.

The Company does not currently use derivative or hedging instruments to reduce its exposure to fluctuations in foreign currency exchange rates or commodity prices.

Asset Backed Commercial Paper

At December 31, 2008 the Company held Canadian Asset Backed Commercial Paper "ABCP" purchased in a Canaccord Capital account in August 2007 with a par value $5.2 million. At the dates at which we acquired the investments, the non-bank sponsored ABCP was rated RI (High) by Dominion Bond Rating Services ("DBRS"), the highest credit rating issued for commercial paper. In August 2007, the ABCP market experienced liquidity problems and was subsequently frozen.

In September 2007, a Pan-Canadian Committee (the "Committee") consisting of a panel of major ABCP investors was formed to restructure the affected ABCP trusts. A press release issued by the Committee on December 23, 2007 outlined a proposal to restructure ABCP for new notes that have maturities based on the maturities of the assets of underlying ABCP.

As of December 31, 2007, based on the information available, the Company estimated the fair values of our ABCP investments to be $3.9 million calculated by taking a 20% impairment from the face value of the asset and discounting the remaining value over a one year period using a discount rate of prime + 1%, resulting in an $1.3 million impairment.

On March 20, 2008 the Committee issued an information statement which provided details of the restructuring plan. The proposed restructuring plan (the "Restructuring Plan") was submitted under the Companies Creditors Arrangement Act and approved by the majority of noteholders on April 25, 2008. The Restructuring Plan was sanctioned by the Ontario Superior Court on June 5, 2008. Subsequent to the approval the court of appeal reviewed a group of investors seeking relief including dismissal of the Restructuring Plan and as of September 19, 2008 the Supreme Court of Canada denied the noteholders seeking relief thereby allowing the implementation of the Restructuring Plan January 19, 2009.

The Company has assessed the estimated fair value of our ABCP investments and based on the available information regarding current market conditions, the underlying assets of our existing trusts and the indicative values contained in the report issued by JP Morgan, we recorded an additional impairment of $1.4 million on completion of the court process for implementation of the Restructuring Plan. There is a significant amount of uncertainty in estimating the amount of timing of cash flows associated with the ABCP. The Company estimated the value of using a basic discounted cashflow model assuming principal is repaid between 2013 and 2016 using a 12% discount rate. This results in an estimated fair value of CAN$2.6 million.

The Company updated the valuation model to reflect the notes that were distributed as a result of the restructuring. Subsequent to year end the restructuring plan was executed as follows:

- The creation of three master asset vehicles (MAV).
- Within each MAV, the issuance of 5 different series of notes:

- Class A-1 Notes will be the senior notes, with the other series of Notes subordinated to them. Class A-1 Notes are expected to receive AA ratings, have maturities from 6 to 8 years and a coupon rate of Bankers Acceptance ("BA") Rate less 0.5%.

- Class A-2 Notes will be senior to the Class B Notes, C Notes and IA Tracking Notes. Class A-2 Notes are expected to receive AA ratings, have maturity of 8 years and a coupon rate of BA Rate less 0.5%

- Class B Notes will be senior to the Class C Notes and IA Tracking Notes. Class B Notes will not be rated and are expected to have a maturity of 8 years and a coupon rate BA Rate of less 0.5%

- Class C Notes will be senior to the IA Tracking Notes. Class C Notes will not be rated and are expected to have a maturity of 8 years and a coupon rate of 20%. It was stated by JP Morgan the Class C Notes that "investors" should expect return closer to BA Rate less 0.5%.

- IA Tracking Notes will not be rated. IA Tracking Notes are expected to have a maturity of 8 years and a coupon rate equivalent to the net rate of return generated by the specific underlying assets.

- The allocation of existing ABCP notes to the new notes were based on a report issued by J.P. Morgan, financial advisor to the Committee. The new notes were issued subsequent to year end based on the relative contribution from the assets underlying the existing trusts based on this report.

- There is no market data on these notes and no formal ratings have yet been issued by DBRS.

Based on the Restructuring Plan:

- CAN $3,254,000 of our investments were replaced with Class A-1 Notes
- CAN $1,101,000 of our investments were replaced with Class A-2 Notes
- CAN $ 200,000 of our investments were replaced with Class B Notes
- CAN $ 141,000 of our investments were replaced with Class C Notes
- CAN $ 468,000 of our investments were replaced with IA Tracking Notes

Contractual Obligations

The Company had the following contractual obligations at December 31, 2008:

	Payments due by period (in thousands of dollars)				
Contractual Obligations	Total	Less than 1 year	1 – 3 years	3 – 5 years	More than 5 years
Operating Lease	$ 651	$ 217	$ 434	-	-
Other Long-Term Liabilities	$ 1,445		-	$ 534	$ 911
Total	$ 2,096	$ 217	$ 434	$ 534	$ 911

Outstanding Share Data

As of March 31, 2009, the Company had the following items issued and outstanding:

- 51,537,018 common shares
- 4,583,400 options to purchase common shares with a weighted average exercise price of CAD$3.35 expiring between May 6, 2009 and June 14, 2017.
- 2,181,976 share purchase warrants with a weighted average exercise price of CAD$2.29 expiring between May 30, 2009 and May 30, 2009.
- CAN$ 13,993,000 of five year 10% subordinated unsecured convertible redeemable debentures with an exercise price of $1.90 per share.

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

OUTLOOK

Production

In 2009, Endeavour expects to deliver its fifth consecutive year of growing silver production, up by +20% to the 2.7 -2.9 million oz range, with approximately 10,000 oz gold as a by-product. Similar to 2008, the first two quarters of silver production is scheduled to be relatively flat, as we focus labour on mine development and capital programs. However, silver production is scheduled to increase in Q3 and Q4 of 2009, as the three new mines under development during the first half of the year at Guanacevi are expected to enter into production this year.

Upon completion of the 2009 capital expansion projects, the Guanacevi mines production is scheduled to reach 1000 tonnes per day (tpd), and the Guanajuato mines production is scheduled to reach 600 tonnes per day (tpd). The next phase of organic growth for Guanacevi and Guanajuato should see the mine and plant capacities rise to 1200 tonnes per day (tpd) at Guanacevi and 800 tonnes per day (tpd) at Guanajuato in 2010-2011.

Exploration

In 2009, the Company plans a two-phase exploration program focused on following up several of the new discoveries made near the Company's two mining operations and testing several new prospective targets within these two districts.

The Phase 1 exploration program will include 8,500 meters of core in 35 diamond drill holes to target extensions of several veins, mantos and stock-works in the San Pedro area of Guancevi; as well as drilling at three of the 2008 vein discoveries and two new vein prospect areas in the Cebada and Bolanitos areas of Guanajuato.

In Guanacevi, drilling is proposed for the San Pedro area will test both high grade veins as well as moderate grade mantos and one larger stock-work zone of silver-lead-zinc mineralization, all within an area measuring more than 1.5 kilometers in length and 500 meters across.

The Phase 2 exploration program will then focus on expanding the highest priority discovery areas in order to prepare them for an updated reserve/resource report at year end.

SUBSEQUENT EVENTS

In February 2009, the Company issued CAN$14 million in 10% subordinated unsecured convertible redeembale debentures (the "Debentures") maturing February 2014. The interest is 10% annually, paid quarterly in arrears. At any time after February 20, 2009, each Debenture may be converted by the holder into units of the Company, each unit consisting of one common share of the Company and one half of a common share purchase warrant at a conversion price of CAN$1.90 per unit. Each full share purchase warrant will entitle the holder to purchase one common share at an exercise price of CAN$2.05 for up to 5 years from conversion. A total of 7,364,736 common shares are issuable upon conversion. Subsequent to July 26, 2010, each Debenture can be redeemed by the Company for cash, plus a redemption fee of 7%, provided the closing share price is greater than CAN$2.85 for thirty consecutive days. The Company incurred placement fee totalling CAN$1,081,000 offsetting proceeds, and issued 644,414 share purchase warrants exercisable at CAN$1.90 for five years.

In February 2009, the Company signed an option agreement to acquire Porvenir Cuatro concessions located in the Guanacevi district for payments totalling $700,000 over two years. The Company paid $100,000 cash on ratification of the option and will issue 136,426 shares equivalent to $200,000, subject to regulatory approval. To acquire the property the Company is required issue $240,000 worth of shares within 1 year of the agreement date and $160,000 in cash or shares within 2 years of the agreement date.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Critical Accounting Estimates

The preparation of financial statements requires the Company to make estimates that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of estimates relate to the determination of mineralized reserves, valuation of asset back commercial paper, impairment of long-lived assets, determination of asset retirement obligations, valuation allowances for future income taxes and assumptions used in determining the fair value of non-cash based compensation.

Mineralized reserves and impairment on long lived assets
Management periodically reviews the carrying value of its mineral properties with internal and external mining related professionals. A decision to abandon, reduce or expand a specific project is based upon many factors including general and specific assessments of reserves, anticipated future prices, anticipated future costs of exploring, developing and operating a producing mine, expiration term and ongoing expense of maintaining leased mineral properties and the period for properties with unproven reserves. However, properties which have not demonstrated suitable mineral concentrations at the conclusion of each phase of an exploration program are reevaluated to determine if future exploration is warranted and their carrying values are appropriate.

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

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.

Asset retirement obligations
Reclamation and closure costs have been estimated based on the Company's interpretation of current regulatory requirements, however changes in regulatory requirements and new information may result in revisions to estimates. The Company recognized the present value of liabilities for reclamation and closure costs in the period in which they are incurred. These obligations are measured initially at fair value and the resulting costs capitalized to the carrying value of the related asset. In subsequent periods, the liability is adjusted for any changes in the amount or timing and for the accretion of discounted underlying future cash flows. The capitalized asset retirement cost is amortized to operations over the life of the asset.

Future income taxes
The Company follows the asset and liability method of accounting for income taxes. Under this method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and losses carried forward. Future tax assets and liabilities are measured using substantively enacted or enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the substantive enactment date. Future tax assets are recognized to the extent that they are considered more likely than not to be realized. The valuation of future income tax assets is adjusted, if necessary, by the use of a valuation allowance to reflect the estimated realizable amount. The future income tax provision also incorporates management's estimates regarding the utilization of tax loss carry forwards, which are dependent on future operating performance and transactions. Please refer to Note 16 of the Company's consolidated financial statements for a detailed description of our future income tax provision.

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

Changes in Accounting Policies

On January 1, 2008, the Company adopted five new accounting standards that were issued by the Canadian Institute of Chartered Accountants: Handbook Section 1506, *Accounting Changes*; Handbook Section 1535, *Capital Disclosures*; Handbook Section 3031, *Inventories;* Handbook Section 3862, *Financial Instruments – Disclosure* and Handbook Section 3863, *Financial Instruments – Presentation.*

Effective January 1, 2008, the Company adopted the new CICA guidelines of Section 1506, *Accounting Changes,* which establishes criteria for changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in estimates and correction of errors. As a result of adopting this new standard, changes in accounting policies are only permitted when required by a primary source of GAAP or when the change will result in more reliable and more relevant information. There were no changes in policies or estimates during the period, except for those new standards adopted and noted below.

Effective January 1, 2008, the Company adopted the new CICA guidelines of Section 1535, *Capital Disclosures*, which requires companies to disclose their objectives, policies and processes for managing capital, quantitative data about what the entity regards as capital, and whether companies have complied with externally imposed capital requirements and, if not in compliance, the consequences of such non-compliance. The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders. The Company considers the items included in the consolidated statement of changes in shareholders' equity as capital. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares through private placements, asset acquisitions or return capital to shareholders. The Company is not subject to externally imposed capital requirements.

Effective January 1, 2008, the Company adopted the CICA guidelines of Section 3031, *Inventories*, which replaces Section 3030 of the same name. This standard harmonizes accounting for inventories under Canadian GAAP with International Financial Reporting Standards ("IFRS"). Under this standard, inventories are measured at the lower of cost and net realizable value. Similar inventories within a consolidated group are to be measured using the same method, and the reversal of previous write-downs to net realizable value are required when there is a subsequent increase in the value of inventories. The Company's inventory balance consists of materials and supplies inventory, stockpile inventory, finished goods inventory and work-in-process inventory which are valued at the lower of cost and net realizable value. Cost is measured using the weighted average method as applicable. There are no write-

downs or reversals of past write-downs. The application of this section did not have a significant impact on the Company's financial statements.

Effective January 1, 2008, the Company adopted the CICA guidelines of Section 3862, *Financial Instruments – Disclosures,* and Section 3863, *Financial Instruments – Presentation.* These standards replace CICA 3861, *Financial Instruments – Disclosure and Presentation.* These standards increase the disclosures currently required, which will enable users to evaluate the significance of financial instruments for an entity's financial position and performance, including disclosures about fair value. In addition, disclosure is required of qualitative and quantitative information about exposure to risks arising from financial instruments, included specified minimum disclosures about credit risk, liquidity risk, and market risk. The quantitative disclosures must provide information about the extent to which the company is exposed to such risk, based on information provided internally to the entity's key management personnel.

On February 13, 2008, the Canadian Accounting Standards Board confirmed that publicly accountable enterprises will be required to adopt International Financial Reporting Standards ("IFRS") in place of Canadian GAAP for interim and annual reporting purposes for fiscal years beginning on or after January 1, 2011. At this time, the impact on our future financial position and results of operations is being assessed. The Company has and continues to provide training seminars to its accounting staff and has hired additional accounting staff to assist with the assessment of its current accounting policies, systems and processes in order to identify differences between current Canadian GAAP and IFRS GAAP treatment. The Company intends to update the critical accounting policies and procedures to incorporate the changes required by converting to IFRS and the impact of these changes on its financial disclosure. Regular reporting will occur to senior executive management and to the Audit Committee of our Board of Directors.

RISKS AND UNCERTAINTIES

Precious and Base Metal Price Fluctuations

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

Passive Foreign Investment Company Consequences

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

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

pay interest on the resulting tax liability for each such prior year, calculated as if such tax liability had been due in each such prior year.

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

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

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

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

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

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

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

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

Calculation of Reserves and Resources and Precious Metal Recoveries

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

Government Regulation

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

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

Obtaining and Renewing of Government Permits

In the ordinary course of business, the Company is required to obtain and renew government permits for the operation and expansion of existing operations or for the development, construction and commencement of new operations. Obtaining or renewing the necessary governmental permits is a complex and time-consuming process involving numerous jurisdictions and possibly involving public hearings and costly undertakings on the Company's part. The duration and success of the Company's efforts to obtain and renew permits are contingent upon many variables not within its control including the interpretation of applicable requirements implemented by the permitting authority. The Company may not be able to obtain or renew permits that are necessary to its operations,

or the cost to obtain or renew permits may exceed what the Company believes it can recover from a given property once in production. Any unexpected delays or costs associated with the permitting process could delay the development or impede the operation of a mine, which could adversely impact the Company's operations and profitability.

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

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

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

Agreements with Other Parties
The Company has entered into agreements with other parties relating to the exploration, development and production of its properties.

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

Employee Recruitment, Retention and Human Error
Recruiting and retaining qualified personnel is critical to the Company's success. The Company is dependent on the services of key executives including the Company's President and Chief Executive Officer and other highly skilled and experienced executives and personnel focused on managing the Company's interests. The number of persons skilled in acquisition, exploration, development and operation of mining properties are limited and competition for such persons is intense. As the Company's business activity grows, the Company will require additional key financial, administrative and mining personnel as well as additional operations staff. We could experience increases

in our recruiting and training costs and decreases in our operating efficiency, productivity and profit margins. If we are not able to attract, hire and retain qualified personnel, the efficiency of our operations could be impaired, which could have an adverse impact on the Company's future cash flows, earnings, results of operations and financial condition.

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

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

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

Foreign Operations
The majority of the Company's current operations are conducted by its subsidiaries in, and all of the Company's current production and revenue is derived from its operations in, Mexico. As the Company's business is carried on in a foreign country, it is exposed to a number of risks and uncertainties including; labour unrest, high rates of inflation, changes to tax regimes, extreme fluctuations in currency exchange rates and difficulty obtaining key equipment and components for equipment.

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

Absolute Assurance on Financial Statements
We prepare our financial reports in accordance with accounting policies and methods prescribed by Canadian generally accepted accounting principles. In the preparation of financial reports, management may need to rely upon assumptions, make estimates or use their best judgment in determining the financial condition of the Company. Significant accounting details are described in more detail in the notes to our annual consolidated financial statements for the year ended December 31, 2008. In order to have a reasonable level of assurance that financial

transactions are properly authorized, assets are safeguarded against unauthorized or improper use and transactions are properly recorded and reported, we have implemented and continue to analyze our internal control systems for financial reporting. Although we believe our financial reporting and financial statements are prepared with reasonable safeguards to ensure reliability, we cannot provide absolute assurance in that regard.

General economic conditions

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

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

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

Recent market events and conditions

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

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

Substantial Volatility of Share Price

In recent years, the securities markets in the United States and Canada have experienced a high level of price and volume volatility, and the market price of securities of many mineral exploration companies have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. The price of the Company's common shares is also likely to be significantly affected by short-term changes in mineral prices or in the Company's financial condition or results of operations as reflected in its quarterly financial reports. Other factors unrelated to the Company's performance that may have an

effect on the price of its common shares include the following: the extent of analytical coverage available to investors concerning the Company's business may be limited if investment banks with research capabilities do not follow the Company's securities; lessening in trading volume and general market interest in the Company's securities may affect an investor's ability to trade significant numbers of the Company's common shares; the size of the Company's public float may limit the ability of some institutions to invest in the Company's securities; and a substantial decline in the price of the Company's common shares that persists for a significant period of time could cause the Company's securities to be delisted from the Toronto Stock Exchange and NYSE Amex, further reducing market liquidity.

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

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

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

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

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

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

No evaluation can provide complete assurance that the Company's internal control over financial reporting will detect or uncover all failures of persons within the Company to disclose material information required to be reported. The effectiveness of the Company's control and procedures could also be limited by simple errors or faulty judgments. In addition, as the Company continues to expand, the challenges involved in implementing appropriate internal control over financial reporting will increase and will require that the Company continue to improve its

internal control over financial reporting. Although the Company intends to devote substantial time and incur substantial costs, as necessary, to ensure ongoing compliance, the Company cannot be certain that it will be successful in complying with Section 404 of SOX.

Potential dilution of present and prospective shareholdings

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

Lack of Dividends

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

Future Sales of Common Shares by Existing Shareholders

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

Claims Under U.S. Securities Laws

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

CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The Company's officers and management are responsible for establishing and maintaining disclosure controls and procedures for the Company. Disclosure controls and procedures are designed to provide reasonable assurance that material information required to be disclosed by the Company under securities legislation is recorded, processed, summarized and reported within the applicable time periods and to ensure that required information is gathered and communicated to the Company's management, including the Chief Executive Officer (CEO) and Chief Financial Officer (CFO) as is appropriate to permit timely decisions regarding public disclosure. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives.

Management conducted an evaluation, including the CEO and CFO, of the effectiveness of the Company's disclosure controls and procedures pursuant to Rule 13a -15(b) of the Exchange Act. Based upon that evaluation, , the Company's Chief Executive Officer and Chief Financial Officer have concluded that the disclosure controls and procedures were effective to give reasonable assurance that the information required to be disclosed by the Company in reports that it files for submits is (i) recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms, and (ii) accumulated and communicated to management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Management's Report on Internal Controls over Financial Reporting

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

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

Management, including our Chief Executive Officer and Chief Financial Officer, assessed the effectiveness of our internal control over financial reporting as of December 31, 2008. In making this assessment, management used the criteria set forth in the Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on its assessment, management has concluded that, as of December 31, 2008, the Company's internal control over financial reporting is effective. Also, management determined that there were no material weaknesses in the Company's internal control over financial reporting as at December 31, 2008.

Changes in Internal Control over Financial Reporting

Our management, including our Chief Executive Officer and Chief Financial Officer, has evaluated our internal control over financial reporting to determine whether any changes occurred during the period that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. During the year ended December 31, 2008 management has implemented the following initiatives to remediate the internal control weaknesses identified as at December 31, 2007.

Control Environment

In 2007 the Company's control environment did not sufficiently promote effective internal control over financial reporting throughout the organization. Specifically, the Company did not define nor communicate authority limits for entering into or approving contracts, making capital expenditures, or approving invoices for purchases, or develop policies and procedures to address the risk of management override. This applied to both the Canadian head office and Mexican operations. Further, the Company did not define nor communicate guidelines regarding investments in marketable securities. None of these control deficiencies by themselves directly resulted in a misstatement to the financial statements, however, deficiencies in the control environment are pervasive in nature and this material weakness was a contributing factor in other material weaknesses described below.

Information & Communication

In 2007 the Company did not maintain adequate controls to facilitate the flow of information used in financial reporting throughout the organization. Specifically, the Company did not effectively communicate employees' duties over financial reporting. In addition, the Company does not have effective controls over the translation of all contracts and communication of them to appropriate personnel for consideration of financial reporting implications, in particular commitments and contingencies and mineral property acquisition costs. These control deficiencies did not result in adjustments to the financial statements, however, they are pervasive in nature and create a reasonable possibility that a material misstatement of the financial statements would not be prevented or detected on a timely basis.

Remediation of Control Environment and Information & Communication Weakness

- During January 2008 management developed and implemented an authority limit policy, a capital expenditure policy, an investment policy and strengthened invoice approval controls.
- During March 2008 appropriate segregation of duties to reduce management override risks were addressed by implementing management access restrictions in the Company's accounting systems.
- During April 2008 management implemented more robust weekly and monthly internal reporting, along with more frequent management meetings and Company communications to ensure appropriate flow of communication through out the organization.
- During March 2008 the Company implemented controls so that all Spanish language contracts will have certified English translations, which will be maintained in the corporate office, that are reviewed by either the Chief Executive Officer or Chief Operating Officer and either the Chief Financial Officer or Controller.

Foreign Exchange

In 2007, the Company's controls over foreign currency translation were not designed effectively. Specifically, a cash account was not translated into the reporting currency and the Company's foreign exchange account reconciliation control was insufficiently precise to detect the error. This resulted in a material adjustment to

cash and foreign exchange gain and creates a reasonable possibility that a material misstatement of the financial statements would not be prevented or detected on a timely basis.

Remediation of Foreign Exchange Weakness

- In April 2008, management designed and implemented a more robust foreign exchange translation review process, including multiple levels of review, embedded self checks within the process and improved reasonability assessments.

Income Tax Accounting

In 2007, the Company did not maintain effective controls over accounting for Mexican income taxes. Specifically, the Company did not have personnel with adequate expertise in accounting for Mexican taxes. This deficiency resulted in material adjustments to current and future income tax expense and recovery and current and future income taxes payable. This deficiency results in a reasonable possibility that a material misstatement of the financial statements would not be prevented or detected on a timely basis.

Remediation of Income Tax Accounting Weakness

- In May 2008, management engaged the services of international tax consultants from one of the big four accounting firms to assist with the review of monthly and annual Mexican tax returns, assist with transfer pricing and international tax planning and preparation of the year end future income tax provision information.
- Management hired an employee with adequate knowledge and skills to effectively prepare and manage the Company's Mexican tax position.
- Management reviewed and discussed with advisors with regard to the annual tax return and future income tax provision.

Except for the changes discussed above, there have been no changes that occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

The Company's independent auditor, KPMG LLP, the independent registered public accounting firm that audited the financial statements, has issued a report on the Company's internal control over financial reporting which is included with the financial statements.

Exhibit 4

CERTIFICATION

I, Bradford Cooke, certify that:

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

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4. The issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-5(f) for the issuer and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

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

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

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

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

Date: March 31, 2009

By: /s/ Bradford Cooke

Bradford Cooke
Chief Executive Officer
(Principal Executive Officer)

Exhibit 5

CERTIFICATION

I, Dan Dickson, certify that:

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

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4. The issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-5(f) for the issuer and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

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

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

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the

issuer's ability to record, process, summarize and report financial information; and

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

Date: March 31, 2009

By: /s/ Dan Dickson

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

Exhibit 6

CERTIFICATION PURSUANT TO

18 U.S.C. §1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the annual report of Endeavour Silver Corp. (the "Company") on Form 40-F for the period ended December 31, 2008 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Bradford Cooke, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

March 31, 2009

/s/ Bradford Cooke

Bradford Cooke
Chief Executive Officer
(Principal Executive Officer)

A signed original of this written statement required by Section 906 has been provided to Endeavour Silver Corp. and will be retained by Endeavour Silver Corp. and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 7

CERTIFICATION PURSUANT TO
18 U.S.C. §1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the annual report of Endeavour Silver Corp. (the "Company") on Form 40-F for the period ended December 31, 2008 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, W.R. (Bill) Franklin, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

March 31, 2009

/s/ Dan Dickson

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

A signed original of this written statement required by Section 906 has been provided to Endeavour Silver Corp. and will be retained by Endeavour Silver Corp. and furnished to the Securities and Exchange Commission or its staff upon request.

micon INTERNATIONAL LIMITED | mineral industry consultants

CONSENT of AUTHOR

TO: British Columbia Securities Commission
Alberta Securities Commission
Ontario Securities Commission
Autorité des marchés financiers
U.S. Securities and Exchange Commission
TSX Toronto Stock Exchange

Dears Sirs/Mesdames:

I, William J. Lewis, BSc., P.Geo. consent to the public filing of the technical report titled *"NI 43-101 Technical Report Audit of the Resource and Reserve Estimates for the Guanacevi Project, Durango State, Mexico*", dated March 18, 2008 (the "Technical Report"), and to extracts from or a summary of, the technical report in the Annual Information Form dated March 31, 2009, the Annual Report on Form 40-F dated March 31, 2009 and the Management Discussion &Analysis dated March 23, 2009, of Endeavour Silver Corp.

I confirm that I have read the Annual Information Form dated March 31, 2009, the Annual Report on Form 40-F dated March 31, 2009 and the Management Discussion &Analysis dated March 23, 2009 of Endeavour Silver Corp and that they fairly and accurately represent the information in the technical report.

Dated this 31st day of March, 2009.

"William J. Lewis"

_____
William J. Lewis, BSc., P.Geo.
Senior Geologist,
Micon International Limited

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

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CONSENT of AUTHOR

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

Dears Sirs/Mesdames:

I, William J. Lewis, BSc., P.Geo., consent to the public filing of the technical report titled *"NI 43-101 Technical Report Audit of the Resource and Reserve Estimates for the Guanajuato Mines Project, Guanajuato State, Mexico*", dated March 18, 2008 (the "Technical Report"), and to extracts from or a summary of, the technical report in the Annual Information Form dated March 31, 2009, the Annual Report on Form 40-F dated March 31, 2009 and the Management Discussion &Analysis dated March 23, 2009, of Endeavour Silver Corp.

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Dated this 31st day of March, 2009.

"William J. Lewis"

_____
William J. Lewis, BSc., P.Geo.
Senior Geologist
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Ontario Securities Commission
Autorité des marchés financiers
U.S. Securities and Exchange Commission
TSX Toronto Stock Exchange

Dears Sirs/Mesdames:

I, Robert J. Leader, M.Sc., P.Eng., consent to the public filing of the technical report titled *"NI 43-101 Technical Report Audit of the Resource and Reserve Estimates for the Guanacevi Project, Durango State, Mexico*", dated March 18, 2008 (the "Technical Report"), and to extracts from or a summary of, the technical report in the Annual Information Form dated March 31, 2009, the Annual Report on Form 40-F dated March 31, 2009 and the Management Discussion &Analysis dated March 23, 2009, of Endeavour Silver Corp.

I confirm that I have read the Annual Information Form dated March 31, 2009, the Annual Report on Form 40-F dated March 31, 2009 and the Management Discussion &Analysis dated March 23, 2009 of Endeavour Silver Corp and that they fairly and accurately represent the information in the technical report.

Dated this 31st day of March, 2009.

"Robert J. Leader"

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

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Alberta Securities Commission
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Autorité des marchés financiers
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TSX Toronto Stock Exchange

Dears Sirs/Mesdames:

I, Robert J. Leader, M.Sc., P.Eng., consent to the public filing of the technical report titled *"NI 43-101 Technical Report Audit of the Resource and Reserve Estimates for the Guanajuato Mines Project, Guanajuato State, Mexico*", dated March 18, 2008 (the "Technical Report"), and to extracts from or a summary of, the technical report in the Annual Information Form dated March 31, 2009, the Annual Report on Form 40-F dated March 31, 2009 and the Management Discussion &Analysis dated March 23, 2009, of Endeavour Silver Corp.

I confirm that I have read the Annual Information Form dated March 31, 2009, the Annual Report on Form 40-F dated March 31, 2009 and the Management Discussion &Analysis dated March 23, 2009 of Endeavour Silver Corp and that they fairly and accurately represent the information in the technical report.

Dated this 31st day of March, 2009.

"Robert J. Leader"

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

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Alberta Securities Commission
Ontario Securities Commission
Autorité des marchés financiers
U.S. Securities and Exchange Commission
TSX Toronto Stock Exchange

Dears Sirs/Mesdames:

"I, Dibya Kanti Mukhopadhyay, MAusIMM consent to the public filing of the technical report titled *"NI 43-101 Technical Report Audit of the Resource and Reserve Estimates for the Guanacevi Project, Durango State, Mexico"*, dated March 18, 2008 (the "Technical Report"), and to extracts from or a summary of, the technical report in the Annual Information Form dated March 31, 2009, the Annual Report on Form 40-F dated March 31, 2009 and the Management Discussion &Analysis dated March 23, 2009, of Endeavour Silver Corp.

I confirm that I have read the Annual Information Form dated March 31, 2009, the Annual Report on Form 40-F dated March 31, 2009 and the Management Discussion &Analysis dated March 23, 2009 of Endeavour Silver Corp and that they fairly and accurately represent the information in the technical report.

Dated this 31st day of March, 2009.

"Dibya Kanti Mukhopadhyay"

_____
Dibya Kanti Mukhopadhyay, MAusIMM

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Ontario Securities Commission
Autorité des marchés financiers
U.S. Securities and Exchange Commission
TSX Toronto Stock Exchange

Dears Sirs/Mesdames:

I, Charley Z. Murahwi, P.Geo., MAusIMM consent to the public filing of the technical report titled *"NI 43-101 Technical Report Audit of the Resource and Reserve Estimates for the Guanacevi Project, Durango State, Mexico*", dated March 18, 2008 (the "Technical Report"), and to extracts from or a summary of, the technical report in the Annual Information Form dated March 31, 2009, the Annual Report on Form 40-F dated March 31, 2009 and the Management Discussion &Analysis dated March 23, 2009, of Endeavour Silver Corp.

I confirm that I have read the Annual Information Form dated March 31, 2009, the Annual Report on Form 40-F dated March 31, 2009 and the Management Discussion &Analysis dated March 23, 2009 of Endeavour Silver Corp and that they fairly and accurately represent the information in the technical report.

Dated this 31st day of March, 2009.

"Charley Z. Murahwi"

_____
Charley Z. Murahwi, M.Sc., P.Geo.,MAusIMM

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Alberta Securities Commission
Ontario Securities Commission
Autorité des marchés financiers
U.S. Securities and Exchange Commission
TSX Toronto Stock Exchange

Dears Sirs/Mesdames:

I, Charley Murahwi, M.Sc., P.Geo., MAusIMM consent to the public filing of the technical report titled *"NI 43-101 Technical Report Audit of the Resource and Reserve Estimates for the Guanajuato Mines Project, Guanajuato State, Mexico*", dated March 18, 2008 (the "Technical Report"), and to extracts from or a summary of, the technical report in the Annual Information Form dated March 31, 2009, the Annual Report on Form 40-F dated March 31, 2009 and the Management Discussion &Analysis dated March 23, 2009, of Endeavour Silver Corp.

I confirm that I have read the Annual Information Form dated March 31, 2009, the Annual Report on Form 40-F dated March 31, 2009 and the Management Discussion &Analysis dated March 23, 2009 of Endeavour Silver Corp and that they fairly and accurately represent the information in the technical report.

Dated this 31st day of March, 2009.

"Charley Z. Murahwi"

_____

Charley Z. Murahwi, M.Sc., P.Geo.,MAusIMM
Micon International Limited

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

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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 6, 2009 on the consolidated balance sheets of Endeavour Silver Corp. (the Company) as at December 31, 2008 and 2007, and the consolidated statements of operations and comprehensive income, shareholders' equity and deficit and cash flows for each of the years in the three-year period ended December 31, 2008.

– our Comments by Auditors for US Readers on Canada-US Reporting Differences, dated March 6, 2009.

– our Report of Independent Registered Public Accounting Firm dated March 6, 2009 on the Company's internal control over financial reporting as of December 31, 2008.

KPMG LLP (signed)
Chartered Accountants

Vancouver, Canada
March 30, 2009

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