UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 40-F

☐ **REGISTRATION STATEMENT PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

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

For the fiscal year ended December 31, 2013

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)

DL Services Inc.
Columbia Center, 701 Fifth Avenue, Suite 1600
Seattle, Washington 98104
(206) 903-5448

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

Copies to:
Jason K. Brenkert
Dorsey & Whitney LLP
1400 Wewatta Street, Suite 400
Denver, Colorado 80202-5549
(303) 629-3400

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

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

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

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

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

☒ Annual Information Form ☒ Audited Annual Financial Statements

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report: As at December 31, 2013, **99,784,409** common shares of the Registrant were issued and outstanding.

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ☐ Yes ☐ No

EXPLANATORY NOTE

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

FORWARD-LOOKING STATEMENTS

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

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

- risks related to precious and base metal price fluctuations;
- risks related to fluctuations in the price of consumed commodities;
- risks related to fluctuations in the currency markets (particularly the Mexican peso, Canadian dollar and United States dollar);
- risks related to the competitive nature of the mining industry;
- 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;
- risks related to infrastructure at our project areas;
- 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 our acquisition strategy and integration of new acquisitions;
- risks related to our foreign operation including risks related to many of our primary properties being located in Mexico, including political, economic, and regulatory instability;
- risks related to governmental regulations and obtaining necessary licenses and permits;
- risk related to Mexican tax assessments;
- 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 employee recruitment and retention
- risks related to our officers and directors becoming associated with other natural resource companies which may give rise to conflicts of interests.
- risks related to our reliance on third parties;
- risks related to our financial statements;
- risks related to general economic conditions;

- uncertainty in our ability to obtain necessary financing;
- risks related to our status as a foreign issuer under United States federal securities laws;
- risks related to financials instruments;
- risks related to our securities.

This list is not exhaustive of the factors that may affect our forward-looking statements. Some of the important risks and uncertainties that could affect forward-looking statements are described further in the exhibits attached to this annual report on Form 40-F, including in the Annual Information Form of the Company filed as Exhibit 99.1 to this annual report on Form 40-F and are incorporated by reference herein. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in the forward-looking statements. The Company's forward-looking statements are based on beliefs, expectations and opinions of management on the date the statements are made and the Company does not assume any obligation to update forward-looking statements if circumstances or management's beliefs, expectations or opinions change, except as required by law. For the reasons set forth above, investors should not place undue reliance on forward-looking statements.

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

The Company is permitted, under the multi-jurisdictional disclosure system adopted by the United States Securities and Exchange Commission (the "SEC"), to prepare this annual report in accordance with Canadian disclosure requirements, which differ from those of the United States. The Company has prepared its consolidated financial statements, which are filed as Exhibit 99.2 to this annual report on Form 40-F, in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS") and they are not comparable to financial statements of United States companies.

RESOURCE AND RESERVE ESTIMATES

The Company's Annual Information Form ("AIF") filed as Exhibit 99.1 to this annual report on Form 40-F has been prepared in accordance with the requirements of the securities laws in effect in Canada, which differ from the requirements of United States securities laws. The terms "mineral reserve", "proven mineral reserve" and "probable mineral reserve" are Canadian mining terms as defined in accordance with Canadian National Instrument 43-101 – Standards of Disclosure for Mineral Projects ("NI 43-101") and the Canadian Institute of Mining, Metallurgy and Petroleum (the "CIM") - *CIM Definition Standards on Mineral Resources and Mineral Reserves*, adopted by the CIM Council, as amended. These definitions differ from the definitions in SEC Industry Guide 7 under the United States Securities Act of 1933, as amended (the "Securities Act").

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

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

Accordingly, information contained in this annual report on Form 40-F and the documents incorporated by reference herein contain descriptions of our mineral deposits that may not be comparable to similar information made public by U.S. companies subject to the reporting and disclosure requirements under the United States federal securities laws and the rules and regulations thereunder.

CURRENCY

Unless otherwise indicated, all dollar amounts in this annual report on Form 40-F are in United States dollars. The exchange rate of Canadian dollars into United States dollars, on December 31, 2013, based upon the noon exchange rate as quoted by the Bank of Canada, was Cdn.$1.00 = US.$0.9402.

ANNUAL INFORMATION FORM

The Company's AIF for the fiscal year ended December 31, 2013 is filed as Exhibit 99.1 to this annual report on Form 40-F and is incorporated by reference herein.

AUDITED ANNUAL FINANCIAL STATEMENTS

The audited consolidated financial statements of the Company for the years ended December 31, 2013 and 2012, including the report of the independent auditor with respect thereto, are filed as Exhibit 99.2 to this annual report on Form 40-F and are incorporated by reference herein.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Company's management's discussion and analysis for the fiscal year ended December 31, 2013 ("MD&A") is filed as Exhibit 99.4 to this annual report on Form 40-F and is incorporated by reference herein.

TAX MATTERS

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

CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

At the end of the period covered by this annual report on Form 40-F for the fiscal year ended December 31, 2013, an evaluation was carried out under the supervision of, and with the participation of, the Company's management, including its Chief Executive Officer (CEO) and Chief Financial Officer (CFO), of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) of the Exchange Act). Based upon that evaluation, the Company's CEO and CFO have concluded that the Company's disclosure controls and procedures were effective to give reasonable assurance that the information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is (i) recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms, and (ii) accumulated and communicated to management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Management's Report on Internal Control over Financial Reporting

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

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

Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies and procedures may deteriorate.

Management, including the CEO and CFO, assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2013. In making this assessment, management used the criteria set forth in the Internal Control Integrated Framework (1992)issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on its assessment, management has concluded that, as of December 31, 2013, 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, 2013. In this annual report on Form 40-F, the Company's independent registered public accounting firm, KPMG LLP ("KPMG"), has provided its opinion as to the effectiveness of the Company's internal control over financial reporting as of December 31, 2013. KPMG has also audited the Company's financial statements included in this annual report on Form 40-F and issued a report thereon.

Auditor's Attestation Report

KPMG's attestation report on the Company's internal control over financial reporting is included in the audit report filed in Exhibit 99.3 of this annual report on Form 40-F and is incorporated by reference herein.

Changes in Internal Control over Financial Reporting

There have been no changes that occurred during the Company's fiscal year ended December 31, 2013 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

CORPORATE GOVERNANCE

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

Compensation Committee

Compensation of the Company's CEO and all other officers is recommended by management to the Compensation Committee, established in accordance with section 303A.05 of the NYSE Listed Company Manual, for evaluation and recommendation to the Board of Directors. The Compensation Committee develops, reviews and monitors director and executive compensation and policies. The Compensation Committee is also responsible for annually reviewing the adequacy of compensation for directors and others and the composition of compensation packages. The Company's CEO cannot be present during the Committee's deliberations or vote. The Compensation Committee is composed of four independent directors (as determined under section 303A.02 and section 303A.05 of the NYSE Listed Company Manual): Ricardo Campoy (Chair), Geoffrey Handley, Ken Pickering and Mario Szotlender. The Company's Compensation Committee Charter is available on the Company's website at www.edrsilver.com.

Corporate Governance and Nominating Committee

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

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

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

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

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

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

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

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

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

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

AUDIT COMMITTEE

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

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

In the opinion of the Company's Board of Directors, all members of the Audit Committee are independent (as determined under Rule 10A-3 of the Exchange Act and section 303A.02 of the NYSE Listed Company Manual) and are financially literate. The members of the Audit Committee do not have fixed terms and are appointed and replaced from time to time by resolution of the Board of Directors.

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

Audit Committee Financial Expert

The Company's Board of Directors has determined that Rex McLennan qualifies as a financial expert (as defined in Item 407 (d)(5)(ii) of Regulation S-K under the Exchange Act) and is independent (as determined under Exchange Act Rule 10A-3 and section 303A.02 of the NYSE Listed Company Manual).

PRINCIPAL ACCOUNTING FEES AND SERVICES – INDEPENDENT AUDITORS

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

	2013	2012
Audit Fees (1)	$712,700	$587,504
Tax Fees (2)	$40,700	$279,620
All other fees (3)	$0	$0
Total*	$753,400	$867,124

* 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, 2013 were pre-approved by the Audit Committee of the Company. No non-audit services were approved pursuant to the *de minimis* exemption to the pre-approval requirement.

OFF-BALANCE SHEET TRANSACTIONS

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

CODE OF ETHICS

The Company has adopted a Code of Business Conduct and Ethics (the "Code") that applies to all the Company's directors, executive officers and employees, which is available on the Company's website at www.edrsilver.com and in print to any shareholder who requests it. The Code meets the requirements for a "code of ethics" within the meaning of that term in Form 40-F.

All amendments to the Code, and all waivers of the Code with respect to any of the officers covered by it, will be posted on the Company's website, www.edrsilver.com within five business days of the amendment or waiver and provided in print to any shareholder who requests them. During the fiscal year ended December 31, 2013, 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, 2013 information with respect to the Company's known contractual obligations.

	Payments due by period (in thousands of dollars)				
Contractual Obligations	Total	Less than 1 year	1 – 3 years	3 – 5 years	More than 5 years
Accounts Payable	$ 17,221	$ 17,221	$ -	$ -	$ -
Income Tax Payable	3,259	3,259	-	-	-
Operating Lease	962	266	539	157	-
Capital Commitments	940	940	-	-	-
Revolving Credit Facility	33,000	-	33,000	-	-
Other Long-Term Liabilities(1)	6,652	-	6,652	-	-
Contingent Consideration	99	-	99	-	-
Total	$ 62,133	$ 21,686	$ 40,290	$ 157	$ -

(1) The $6.6 million of other long-term liabilities is the discounted cost estimate to settle the Company's reclamation costs of the Guanacevi mine, Bolanitos mine and El Cubo mine in Mexico. These costs include land rehabilitation, decommissioning of buildings and mine facilities, on-going care and maintenance and other costs.

NOTICES PURSUANT TO REGULATION BTR

There were no notices required by Rule 104 of Regulation BTR that the Registrant sent during the year ended December 31, 2013 concerning any equity security subject to a blackout period under Rule 101 of Regulation BTR.

NYSE CORPORATE GOVERNANCE

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

Shareholder Meeting Quorum Requirement: The NYSE is of the opinion that the quorum required for any meeting of shareholders should be sufficiently high to insure a representative vote. The Company's quorum requirement is set forth in its Memorandum and Articles. A quorum for a meeting of members of the Company is two persons who are, or who represent by proxy, shareholders who, in the aggregate, hold at least 5% of the shares entitled to be voted at the meeting.

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

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

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

In addition, the Company may from time-to-time seek relief from the NYSE corporate governance requirements on specific transactions under the NYSE Listed Company Guide, in which case, the Company shall make the disclosure of such transactions available on the Company's website at www.edrsilver.com. Information contained on the Company's website is not part of this annual report on Form 40-F.

MINE SAFETY DISCLOSURE

Pursuant to Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 ("Dodd-Frank Act"), issuers that are operators, or that have a subsidiary that is an operator, of a coal or other mine in the United States are required to disclose in their periodic reports filed with the SEC information regarding specified health and safety violations, orders and citations, related assessments and legal actions, and mining-related fatalities under the regulation of the Federal Mine Safety and Health Administration ("MSHA") under the Federal Mine Safety and Health Act of 1977 (the "Mine Act"). During the fiscal year ended December 31, 2013, the Company had no mines in the United States subject to regulation by MSHA under the Mine Act.

UNDERTAKING

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

CONSENT TO SERVICE OF PROCESS

The Company filed an Appointment of Agent for Service of Process and Undertaking on Form F-X/A with the SEC on March 28, 2013, with respect to the class of securities in relation to which the obligation to file this annual report on Form 40-F arises.

EXHIBIT INDEX

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

Exhibit	**Description**
Annual Information	
99.1.	Annual Information Form of the Company for the year ended December 31, 2013
99.2.	The following audited consolidated financial statements of the Company, are exhibits to and form a part of this annual report:
	Consolidated Statements of Financial Position as of December 31, 2013 and 2012
	Consolidated Statements of Comprehensive Income (Loss) for the year ended December 31, 2013 and December 31, 2012

Consolidated Statement of Changes in Equity for the years ended December 31, 2013 and December 31, 2012

Consolidated Statements of Cash Flow for the years ended December 31, 2013 and December 31, 2012

Notes to Consolidated Financial Statements

99.3. Independent Registered Public Accounting Firm's Report on Consolidated Financial Statements and Attestation on Internal Control Over Financial Reporting

99.4. Management's Discussion and Analysis

Certifications

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

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

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

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

Consents

99.9. Consents of Michael Munroe, SME-RM

99.10 Consent of KPMG LLP

SIGNATURES

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

ENDEAVOUR SILVER CORP.

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

Date: March 28, 2014

ANNUAL INFORMATION FORM

(“AIF”)

of

ENDEAVOUR SILVER CORP.

(the “Company” or “Endeavour”)

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

Dated: March 28, 2014

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ITEM 1: PRELIMINARY NOTES

1.1 Incorporation of Documents by Reference

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

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

Type of Document	Effective Date / Period Ended	Date Filed / Posted	Document name which may be viewed at the SEDAR website at **www.sedar.com**
NI 43-101 Technical Report on the Resource and Reserve Estimates for the Guanacevi Mines Project, Durango State, Mexico	December 31, 2013	March 27, 2014	Technical Report (43-101) – English Qualification Certificate(s) and Consent(s)
NI 43-101 Technical Report on the Resource and Reserve Estimates for the Bolañitos Mines Project (formerly the Guanajuato Mines Project), Guanajuato State, Mexico	December 31, 2013	March 28, 2014	Technical Report (43-101) – English Qualification Certificate(s) and Consent(s)
NI 43-101 Technical Report on the Resource and Reserve Estimates for the El Cubo Mines Project, Guanajuato State, Mexico	December 31, 2013	March 28, 2014	Technical Report (43-101) – English Qualification Certificate(s) and Consent(s)
NI 43-101 Technical Report on the Resource Estimates for the San Sebastian Project, Jalisco State, Mexico	December 31, 2013	March 28, 2014	Technical Report (43-101) – English Qualification Certificate(s) and Consent(s)

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

1.2 Date of Information

All information in this AIF is as of December 31, 2013 unless otherwise indicated.

1.3 Forward-Looking Statements

This Annual Information Form contains "forward-looking statements" within the meaning of applicable Canadian securities legislation. Such forward-looking statements concern the Company's anticipated results and developments in the Company's operations in future periods, planned exploration and development of its properties, plans related to its business and other matters that may occur in the future.

These statements relate to analyses and other information that are based on expectations of future performance, including silver and gold production and planned work programs.

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

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

- risks related to precious and base metal price fluctuations;
- risks related to fluctuations in the currency markets (particularly the Mexican peso, Canadian dollar and United States dollar);
- risks related to the inherently dangerous activity of mining, including conditions or events beyond our control, and operating or technical difficulties in mineral exploration, development and mining activities;
- uncertainty in our ability to fund the development of our mineral properties or the completion of further exploration programs;
- uncertainty as to actual capital costs, operating costs, production and economic returns, and uncertainty that our development activities will result in profitable mining operations;
- risks related to our reserves and mineral resource figures being estimates based on interpretations and assumptions which may result in less mineral production under actual conditions than is currently estimated and to diminishing quantities or grades of mineral reserves as properties are mined;
- risks related to changes in governmental regulations, tax and labour laws 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. On March 28, 2014, the noon exchange rate for the United States dollar in terms of Canadian dollars, as quoted by the Bank of Canada, was U.S.$1.00 = Cdn.$1.1064 (Cdn.$1.00 = U.S.$0.9038). On December 31, 2013, the noon exchange rate for the United States dollar in terms of Canadian dollars, as quoted by the Bank of Canada, was U.S.$1.00 = Cdn.$1.0636 (Cdn.$1.00 = U.S.$0.9038).

1.5 Classification of Mineral Reserves and Resources

In this AIF, the definitions of proven and probable mineral reserves, and measured, indicated and inferred mineral resources are those used by the Canadian provincial securities regulatory authorities and conform to the definitions utilized by the Canadian Institute of Mining, Metallurgy and Petroleum ("CIM") in the "CIM Standards on Mineral Resources and Reserves – Definitions and Guidelines" adopted on August 20, 2000 and amended November 14, 2004 and November 27, 2010.

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

This AIF has been prepared in accordance with the requirements of the securities laws in effect in Canada, which differ from the requirements of United States securities laws. The terms "mineral reserve", "proven mineral reserve" and "probable mineral reserve" are Canadian mining terms as defined in accordance with Canadian National Instrument 43-101 – Standards of Disclosure for Mineral Projects ("NI 43-101") and the Canadian Institute of Mining, Metallurgy and Petroleum (the "CIM") - *CIM Definition Standards on Mineral Resources and Mineral Reserves*, adopted by the CIM Council, as amended. These definitions differ from the definitions in SEC Industry Guide 7 under the United States Securities Act of 1933, as amended (the "Securities Act"). Under SEC Industry Guide 7 standards, a "final" or "bankable" feasibility study is required to report reserves, the three-year historical average price is used in any reserve or cash flow analysis to designate reserves and the primary environmental analysis or report must be filed with the appropriate governmental authority.

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

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

ITEM 2: CORPORATE STRUCTURE

2.1 Name, Address and Incorporation

The Company was incorporated under the laws of the Province of British Columbia on March 11, 1981 under the name, "Levelland Energy & Resources Ltd". Effective August 27, 2002 the Company changed its name to "Endeavour Gold Corp.", consolidated its share capital on the basis of four old common shares for one new common share and increased its share capital to 100,000,000 common shares without par value. On September 13, 2004, the Company changed its name to "Endeavour Silver Corp.", transitioned from the *Company Act* (British Columbia) to the *British Columbia Business Corporations Act* (British Columbia) and increased its authorized share capital to unlimited common shares without par value.

The Company's principal business office is located at:

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

and its registered and records office is located at:

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

2.2 Subsidiaries

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

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

ITEM 3: GENERAL DEVELOPMENT OF THE BUSINESS

3.1 Three Year History

<u>Overview</u>

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

Guanacevi Mines

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

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

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

Bolañitos Mines (formerly referred to as Guanajuato Mines)

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

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

El Cubo Mines

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

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

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

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

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

Endeavour's new mine plan focused initially on maintaining the current tonnage throughput at El Cubo at 1,000-1,200 tonnes per day (tpd) while progressively increasing the production grades closer to the reserve grades by steadily reducing ore dilution. A new operating site management team was hired in Q3, 2012 and several new initiatives, processes and procedures were implemented since acquisition to improve the long term viability of the operation.

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

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

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

See Item 4.4 for further details.

Three Year History

2014 to Present

On February 25, 2013 the Company released updated NI 43-101 Reserve and Resource estimates as at December 31, 2013 for its active silver mining and exploration projects in Mexico, the Guanacevi Mines, the Bolañitos Mines, the El Cubo Mines and the San Sebastian Project.

2013

Endeavour recorded its eighth consecutive year of growing sales revenue in 2013. During 2013, increased production drove sales 33% higher to $276.8 million however mine operating cash-flow fell 21% to $90.5 million from the previous year due to lower margins. Direct operating costs rose as a result of the increased production, while the Company incurred additional costs with employee lay-offs to improve the long term viability of its operations.

Endeavour reported its eighth consecutive year of growing silver and gold production for 2013, increasing silver production by 52% to 6,813,069 oz silver and gold production by 95% to 75,578 oz gold compared to 2012. The Company focused its efforts on the improvement of the El Cubo mine it acquired in 2012. The Company successfully reduced the El Cubo workforce from 980 employees to 576 employees as of December 31, 2013 while improving plant throughput, ore grades and recoveries in 2013. The Company returned the leased Las Torres facility to its owner, completely refurbished the El Cubo plant in seven months and drove 10.6 kilometres of underground development. Furthermore the Company continued to improve safety programs, site governance and community initiatives.

As noted below, Endeavour originally outlined 28 separate target areas in and around the existing mines at El Cubo with near-term potential to delineate new reserves and resources. In 2013, the Company drilled 18,450 metres in 47 holes to discover new high-grade, gold-silver vein mineralization in the historic Villalpando, V-Asuncion and Dolores veins. Drilling at Dolores helped to extend and define the hanging-wall and footwall vein ore-bodies that are currently in production. Drilling in the Villalpando and V-Asuncion veins, discovered in late 2012 and fast-tracked to production last year, successfully extended this newly discovered mineralized zone over 900 m in strike length, still open for expansion. In 2014, exploration will focus on five high priority brownfield targets west and southeast of the mine.

In 2013, the Company continued to emphasize its primary focus on safety. Safety and mine rescue training programs are held regularly at operations and the direct results are safer working environments. The Company reduced lost time accidents, despite increased man-hours.
capacity to facilitate the increased mine production that resulted from the discovery of the Daniela, Karina and Lana veins in 2011.

In early 2013, the Company released an updated 43-101 Reserve and Resource estimate as at December 15, 2012 for its active silver mining and exploration projects in Mexico. Endeavour achieved its eighth consecutive year of combined reserve and resource growth. The Company amended its credit facility with Scotiabank to provide $50 million capacity until July 2015 and $25 million until July 2016.

2012

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

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

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

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

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

In 2012, the Company continued to emphasize its primary focus on safety, as demonstrated by over 255,600 hours of personnel training. Safety and mine rescue training programs are held regularly at both operations and the direct results are safer working environments. The Company reduced lost time accidents, despite increased man-hours.

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

2011

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

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

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

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

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

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

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

Foreign Operations

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

Employees

As at December 31, 2013, the Company had approximately 15 employees based in its Vancouver corporate office and approximately 1,529 full and part-time employees in Mexico. Additional consultants are also retained from time to time for specific corporate activities, development and exploration programs.

Environmental Protection

The Company’s environmental permit requires that it reclaim certain land it disturbs during mining operations. Significant reclamation and closure activities include land rehabilitation, decommissioning of buildings and mine facilities, ongoing care and maintenance and other costs. Although the ultimate amount of the reclamation and rehabilitation costs to be incurred cannot be predicted with certainty, the total undiscounted amount of probability weighted estimated cash flows required to settle the Company’s estimated obligations is $1.7 million for the Guanacevi mine operations, $1.0 million for the Bolañitos mine operations and $3.6 million for the El Cubo mine operations.

Community, Environmental and Corporate Safety Policies

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

4.2 Risk Factors

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

Precious and Base Metal Price Fluctuations

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

Fluctuations in the price of consumed commodities

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

Foreign Exchange Rate Fluctuations

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

Competitive Conditions

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

Operating Hazards and Risks

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

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

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

Mining Operations

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

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

Infrastructure

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

Exploration and Development

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

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

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

Calculation of Reserves and Resources and Precious Metal Recoveries

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

Replacement of Reserves and Resources

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

Acquisition Strategy

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

Integration of New Acquisitions

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

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

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

Foreign Operations

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

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

Government Regulation

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

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

Mexican Foreign Investment and Income Tax Laws

On October 31, 2013, the Mexican Tax Reform package was approved by the Mexican Congress and it came into effect on January 1, 2014. This law applies on a prospective basis and is expected to affect the future earnings of the Company's operations in Mexico. The Company has taken the position that the 7.5% mining royalty is an income tax in accordance with IFRS for financial reporting purpose, as it is based on a measure of revenue less certain specified costs. On substantial enactment, a taxable temporary difference arises, as property, plant and equipment and exploration and evaluation assets have book basis but no tax basis for purposes of the royalty. The Company has recognized a deferred tax liability of $18.7 million as at December 31, 2013 in respect of this royalty. This deferred tax liability will be drawn down to $nil as a reduction to tax expense over the life of mines and related assets.

In December 2012, the Mexican government amended federal labour laws with respect to the use of service companies, subcontracting arrangements and the obligation to compensate employees with appropriate profit-sharing in Mexico. While the Company believes it is probable that these amended labour laws will not result in any material obligation or additional profit-sharing entitlements for its Mexican employees, there can be no assurance that this will continue to be the case.

Any developments or changes in such legal, regulatory or governmental requirements as described above or otherwise are beyond the control of the Company and may adversely affect its business.

Mexican Tax Assessments

As disclosed under "Legal Proceedings" on page 60, a subsidiary of the Company in Mexico has received a tax assessment from Mexican fiscal authorities.

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

Obtaining and Renewing of Government Permits

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

Environmental Factors

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

Title to Assets

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

Employee Recruitment and Retention

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

Potential Conflicts of Interest

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

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

Third Party Reliance

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

Absolute Assurance on Financial Statements

We prepare our financial reports in accordance with accounting policies and methods prescribed by International Financial Reporting Standards. In the preparation of financial reports, management may need to rely upon assumptions, make estimates or use their best judgment in determining the financial condition or results of operations of the Company. Significant accounting details are described in more detail in the notes to our annual consolidated financial statements for the year ended December 31, 2013. In order to have a reasonable level of assurance that financial transactions are properly authorized, assets are safeguarded against unauthorized or improper use and transactions are properly recorded and reported, we have implemented and continue to analyze our internal control systems for financial reporting. Although we believe our financial reporting and financial statements are prepared with reasonable safeguards to ensure reliability, we cannot provide absolute assurance in that regard.

General Economic Conditions

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

Specifically:

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

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

Substantial Volatility of Share Price

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

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

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

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

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

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

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

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

Potential dilution of present and prospective shareholdings

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

Lack of Dividends

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

Future Sales of Common Shares by Existing Shareholders

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

Claims Under U.S. Securities Laws

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

Financial Instruments

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

Financial Reporting Standards
The Company prepares its financial reports in accordance with IFRS applicable to publicly accountable enterprises effective January 1, 2011. In preparation of financial reports, management may need to rely upon assumptions, make estimates or use their best judgment in determining the financial condition of the Company. Significant accounting policies are described in more detail in the Company's audited financial statements. In order to have a reasonable level of assurance that financial transactions are properly authorized, assets are safeguarded against unauthorized or improper use, transactions are properly recorded and reported and the Company has implemented and continues to analyze its internal control systems for financial reporting. Although the Company believes its financial reporting and financial statements are prepared with reasonable safeguards to ensure reliability, the Company cannot provide absolute assurance.

4.3 Asset-Backed Securities Outstanding

The Company has not issued any asset-backed securities.

4.4 Mineral Projects

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

<u>Guanacevi Mines Project, Durango State, Mexico</u>

The following summary of the Guanacevi Mines Project is extracted from a technical report titled "*NI 43-101 Technical Report on the Resource and Reserve Estimates for the Guanacevi Project, Durango State, Mexico*" prepared by Michael Munroe SME-RM, an employee of the Company, with an effective date of December 31, 2013 and dated March 27, 2014. The complete report can be viewed on SEDAR at www.sedar.com. The detailed disclosure contained in this technical report is incorporated by reference into this AIF.

Summary

The purpose of this Technical Report is to support Endeavour Silver Corp's (EDR) public disclosure related to the resource estimate for the Guanaceví Mines property. This Technical Report conforms to National Instrument 43-101 Standards of Disclosure for Mineral Projects (NI 43-101) and as EDR is a producer issuer in accordance with section 5.3.2 of National Instrument (NI 43-101) regulations. The mineral resource estimates for this deposit were completed in-house by EDR personnel.

EDR is a mid-tier silver mining company engaged in the exploration, development, and production of mineral properties in Mexico. EDR is focused on growing its production and reserves and resources in Mexico. Since start-up in 2004, EDR has posted nine consecutive years of growth of its silver mining operations. In addition to the Guanaceví Mines property, EDR owns and operates the El Cubo Mine, and the Bolañitos Mine, both located near the city of Guanajuato in Guanajuato State, Mexico.

This report follows the format and guidelines of Form 43-101F1, Technical Report for National Instrument 43-101, Standards of Disclosure for Mineral Projects, and its Companion Policy NI 43-101 CP, as amended by the CSA and which came into force on June 30,201 1.

This report has an effective date of December 31, 2013. The mineral resource and reserve estimates reported in this report comply with the Canadian Institute of Mining, Metallurgy and Petroleum (CIM) standards and definitions, as required under Canadian National Instrument 43-101 (NI 43-101) regulations.

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

This report includes technical information which requires subsequent calculations or estimates to derive sub-totals, totals and weighted averages. Such calculations or estimations inherently involve a degree of rounding and consequently introduce a margin of error. The QP does not consider such errors to be material to the calculations presented here.

The conclusions and recommendations in this report reflect the QP's best independent judgment in light of the information available to him at the time of writing.

Location and Property Description

The Guanaceví Mines Project is located within the Municipality of Guanaceví in the State of Durango near its northern border with the state of Chihuahua. The town of Guanaceví is located 260km northwest of Durango. The road from Durango to Guanaceví is paved and accessible year round.

Durango has a modern airport with daily flights to and from Mexico City and at the time of this report flights to Houston, Texas. 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 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.

Water for the operations is supplied from dewatering of the mines and the Guanaceví processing plant recycles all water.

Power to the Guanaceví Mines project is available from the regional grid (Comisión Federal de Electricidad).

Telephone and internet communications are integrated into the national land-based telephone system and provides reliable service.

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.

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 51 mineral concessions. The mineral concessions are not all contiguous and vary in size, for a total Property area of 4,096.1056 ha.

In June, 2011, Endeavour Silver acquired an option on the La Brisa and La Brisa 2 Properties (90 ha), located approximately 10 km southeast of Endeavour Silver’s active Porvenir silver/gold mine in the Guanaceví district.

The option agreement requires Endeavour Silver to make US $220,000 in cash payments over a 3 year period.

The La Brisa concession optioned in the southern part of the Guanaceví district is different from the La Brisa concession of the same name, acquired along with Porvenir Cuatro in 2010.

In addition to the mineral rights, Endeavour Silver has agreements with various private ranch owners and local ejidos (El Hacho and San Pedro) that provide access for exploration and exploitation purposes.

History

It is not known if the indigenous peoples or the Spanish colonists first began mining in the Guanaceví district but mining extends back to at least 1535 when the mines were first worked by the Spanish. By the start of the 18th century, Guanaceví had become an important mining centre in the Nueva Vizcaya province of Nueva España (New Spain), as reported by Alexander von Humboldt in his travels through Nueva España. However, the Guanaceví mining district is not as well known today.

The Guanaceví mining district and the Guanaceví Mines Project area are riddled with mine openings and old workings, in a somewhat haphazard fashion near surface, representing the earliest efforts at extraction, and more systematic at depth, which is indicative of later, better organized and engineered mining. Associated with these openings and workings is a number of ruins, which represent the mine buildings, chapels and residences of the inhabitants and indicate the wealth of the mining district during its past. The vast bulk of the material which has been extracted from underground operations through the tunnels, shafts and winzes is scattered over the hillsides in waste dumps and beneath the foundations of the ruins and modern buildings. Historically, individual veins or deposits had separate owners and, in the case of some of the larger veins or deposits, had several owners along the strike length which resulted in a surfeit of adits and shafts and very inefficient operations.

During the late sixteenth century silver production accounted for 80% of all exports from Nueva España, although, by the mid-seventeenth century, silver production collapsed when mercury, necessary to the refining process, was diverted to the silver mines of Potosí in present day Bolivia. Collapse of the seventeenth century mining led to widespread bankruptcy among the miners and hacienda owners; however, in the latter half of the seventeenth century silver mining began to recover in Nueva España. By the start of the 18th century, Guanaceví had become an important mining centre in the Nueva Vizcaya province.

The peasant uprisings of 1810 to 1821 were disastrous to the Mexican mining industry with both the insurgents’ soldiers and royalist troops all but destroying the mining production in Mexico, and the Guanaceví mining district was not spared during this period.

The district has experienced several periods of bonanza-grade production, including the operation of a mint in 1844. The Guanaceví mining district, however, reached its greatest period of activity at the start of the 20th century, when five processing plants were in operation and more than 15 mines were in production.

J.R. Southworth, in his 1905 volume entitled "The Mines of Mexico", mentions that Guanaceví is a very rich district and "that many of the largest capitalists of New York have enormous interests in its mines". Southworth mentions that the Barradán, Hacienda Wilson, El Carmen, Nueva Australia and Hacienda Avila were all good mines and properties within the Guanaceví mining district. However, Southworth also mentioned that "considering the large number of once famous properties in Guanaceví, there are comparatively few now in operation. The cessation of development has been due to various causes, though usually not from lack of ore."

The vast majority of production came prior to the 1910 Mexican Revolution with the Guanaceví mining district being known for its high silver grades. Previous reports noted that the official production records indicate that a total value of 500 million pesos, or approximately 500 million ounces of silver and silver equivalents, with a present day value of about US $3.25 billion, had been extracted from this mining district. This makes the Guanaceví district one of the top five silver mining districts in Mexico on the basis of past production.

The extent of historical exploration on the property is relatively unknown. Prior to management by Endeavour Silver, production was coming from three mines without the benefit of any systematic exploration drilling, geological mapping or mine planning.

Geology and Mineralization

Geology

The rock types of the district can be grouped into three principal stratigraphic groups based on Consejo de Recursos Minerales stratigraphic studies. The Guanaceví conglomerate at the base overlain by the Lower Volcanic Unit which in turn is overlain by the Upper Volcanic Unit.

The Guanaceví conglomerate, the oldest unit in the district (Upper Jurassic or Lower Cretaceous), is a 450m thick polymictic basal conglomerate composed of angular to subangular fragments of quartz and metamorphic rocks set in a sandy to clayey matrix within sericitic and siliceous cement.

The Guanaceví conglomerate is overlain by the package of intermediate volcanics, the Lower Volcanics, a loosely-defined package of andesitic flows and volcaniclastic sediments correlated with Eocene volcanism. As observed in rocks that host Porvenir and Santa Cruz mine workings, the andesite occurs as a pale green to nearly black volcanic flow. The sequence of rock types in the Lower Volcanics is a coarsening-upward series of volcaniclastic sediments capped by an andesite flow.

Rhyolite is the Upper Volcanic Unit and caps the lower volcanic andesite. The thickness of the Upper Volcanic unit appears to exceed 300m.

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

Mineralization

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

Exploration

Since taking over in 2004 and to December 31, 2013, Endeavour Silver has completed 608 diamond drill holes totalling 169,242m and 22 reverse circulation drill holes totalling 2,977 m on the entire Guanaceví Mines Project. More than 46,555 samples have also been collected and submitted for assay.

Of this total, approximately 125,843m of diamond drilling in 422 holes have been completed on the Santa Cruz vein structure. Holes were drilled from both surface and underground drill stations.

Underground Drilling

Underground drilling in 2013 was limited to definition drilling within the Santa Cruz Mine.

Surface Drilling

In 2013, Endeavour Silver spent US $1,814,212 (including property holding costs) on exploration activities mainly in the Milache area. Twenty surface core holes were drilled for 10,437m and 1,928 samples were submitted for assay.

Other Activities

During 2013, surface geological mapping and sampling was conducted by Endeavour Silver on the Guanaceví Property, focusing, from North to South, in the San Pedro (El Cambio-PP), Milache, El Rocio and Santa Cruz South.

Regionally, a total of 17 Regional Exploration Targets were defined in a radius of approximately 70 km around the Guanaceví Mines Project, to review the potential of mineralization in the municipalities of Guanaceví, Tepehuanes, San Bernardo and El Oro.

2014 Exploration Program

In 2014, in order to reinforce the operating areas, Endeavour Silver plans to develop the surface diamond drilling program in the Santa Cruz South Zone, and also to explore the zone between Porvenir North and Santa Cruz with an underground drilling program. Also detailed mapping and sampling activities are planned for the footwall of the Santa Cruz vein zone, between the Pelayo and Rocio veins. Regionally, several new prospective targets near the Guanaceví District will continue to be investigated.

Table 0-1 summarizes the planned 2014 exploration budget for the Guanaceví Mines Project.

Table 0-1
Guanaceví Exploration Priority Targets – 2014

Project Area	2014 Program		Budget
	Metres	Samples	US $
Surface Exploration Drilling			
Santa Cruz South	4,500	1,500	709,920
Guanaceví Regional Exploration		900	253,260
Subtotal	**4,500**	**2,400**	**963,180**
Mine Operations Exploration Drilling			
Porvenir North	5,000	1500	1,100,000
Subtotal	**5,000**	**1,500**	**1,100,000**
Total (mine +exploration division)	**9,500**	**3,900**	**2,063,180**

2013 Mineral Resource Estimate

Mineral Resource Statement

The mineral resources for the Guanaceví Mines Project as of December 31, 2013 are summarized in Table 0-2. Resources are exclusive of the mineral reserves.

Table 0-2
Mineral Resource Estimate, Effective Date December 31, 2013
Michael Munroe, SME Registered Member

Description	Tonnes	Silver (g/t)	Gold (g/t)	Silver (oz)	Gold (oz)	Silver Eq. (oz)
Measured	132,000	183	0.29	777,200	1,300	855,200
Indicated	1,701,200	242	0.57	13,221,400	31,500	15,111,400
Total Measured and Indicated	**1,833,200**	**238**	**0.55**	**13,998,600**	**32,800**	**15,966,600**
Total Inferred	**1,155,100**	**253**	**0.46**	**9,384,700**	**17,100**	**10,410,700**

Assumptions and Key Parameters

Resources are diluted to a minimum mining width of 1.80m. Assumed metal prices are $1420 per ounce for gold and $24.20 per ounce for silver. Resource blocks above a cut-off of 100 g/t silver equivalent are considered for inclusion in resources. Silver equivalent is calculated with a factor of 60:1 gold:silver.

Methodology

Resources for the mining areas (Santa Cruz, Porvenir North and Porvenir Cuatro) of the Guanaceví Mines Project were estimated using both 2D polygonal and 3D modeling techniques, specifically inverse distance cubed (ID3). Blocks within the developed mine were estimated using 2D polygonal methods rather than 3D models Areas defined by drilling were estimated using 3D models.

Resources for the exploration areas (San Joaquin, La Blanc-Mi Niña and Epsilon-Soto) have been carried forward from the December 15, 2013, estimates, as there has been no change since that time. Resources for the Milache Project were estimated by Endeavour Silver using the 3D IDW modeling technique.

Classification

Mineral resources were classified on the basis of the location of blocks relative to the data used to estimate the grade according to the following criteria.

For resources based on chip sample data, Measured Resources are projected a maximum of 10m from sample data or halfway to adjacent data points, whichever is less.

For polygonal based drillhole defined resources, (exploration holes), Measured Resources are based on drill intercepts spaced at between 10 and 25m. There are currently no Measured Resource blocks defined only by drilling at Guanaceví dude to sample spacing

Indicated Resources are projected a maximum of 35m from sample data or halfway to adjacent data points, including development, chip samples or drill hole intercepts, whichever is less.

For polygonal based drillhole defined resources, (exploration holes), Indicated Resources are defined as the area based on a 25m radius around a drill hole.

Inferred mineral resources are those blocks/areas where confidence in the estimate is insufficient to enable an evaluation of the economic viability worthy of public disclosure.

Inferred Resources within operational areas are outlined and estimated based on the mine's interpretation and confidence in the historical sampling results. Inferred resources are based on drill intercepts spaced at between 35 and 70m depending on the structural complexity and geological continuity.

For polygonal based drillhole defined resources, (exploration holes), Inferred are defined as the area based on a 50m radius around a drill hole.

2013 Mineral Reserve Estimate

Mineral Reserve Statement

The mineral reserves for the Guanaceví Mines project as of December 31, 2013 are summarized in Table 0-3.

Table 0-3
Mineral Reserve Estimate, Effective Date December 31, 2013,
Michael Munroe, SME Registered Member

Description	Tonnes	Silver (g/t)	Gold (g/t)	Silver (oz)	Gold (oz)	Silver Eq. (oz)
Proven	327,800	281	0.51	2,961,900	5,300	3,279,900
Probable	34,600	342	0.46	380,800	500	410,800
Total Proven and probable	362,400	287	0.51	3,342,700	5,800	3,690,700

Mineral Reserve Parameters

Resource blocks are diluted to a minimum mining width of 1.8m. Assumed metal prices are $1320 per ounce for gold and $22 per ounce for silver. Resource blocks above a cut-off of 217 g/t silver equivalent are considered for inclusion in resources. Dilution is applied at a constant 15% after being diluted to the minimum mining width. Silver equivalent is calculated with a factor of 60:1 gold:silver. Silver and gold recoveries are 74.7% and 82.1% respectively.

Definitions and Classifications

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

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

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

Development and Operations

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

On December 31, 2013, the Guanaceví Mines Project had a roster of 446 employees. The mine operates on two 10-hour shifts, 7 days a week, whereas the mill operates on a 24/7 schedule.

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

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

For the year ending December 31, 2013, silver production was 2,772,227 oz and gold production was 6,784 oz. Plant throughput for 2013 was 435,922 tonnes at an average grade of 253 g/t silver and 0.60 g/t gold. In 2013, mill recoveries averaged 78.2% for silver and 80.7 % for gold.

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

In 2013 the mill processed ore from the mines of Porvenir Cuatro, Porvenir Dos, Porvenir North, and Santa Cruz, as well as purchased (third party) ore. In 2011, the grinding circuit had an average capacity of 1,000 t/d. The metallurgical complex continued to process the Guanajuato flotation concentrate in 2011, 2012, and during the first quarter of 2013. In 2013, the grinding circuit had an average capacity of 1,200 t/d.

Endeavour Silver has no contracts or agreements for mining, smelting, refining, transportation, handling or sales, that are outside of normal or generally accepted practices within the mining industry. Endeavour Silver has a policy on not hedging or forward selling any of its products. Endeavour Silver produces doré silver-gold bars which it then ships for further refining at Penoles facility in Torreon. Then the refined metal is sold through Aurамet on the London metal exchange.

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

The cash operating cost of silver produced at the Guanaceví Mines project in fiscal year 2013 was $ 14.32 per oz, compared to $12.25 in 2012. Cash operating cost per ounce of silver is calculated net of gold credits and royalties. On a per tonne of ore processed basis, the cash operating costs in 2013 averaged US $ 110.93 per tonne, compared to US $103.82 in 2012 and US $100.35 in 2011.

For 2014, Endeavour Silver is forecasting production of 2,617,747 ounces of silver and 7,702 ounces of gold from the Guanaceví Mines project. Plant throughput for 2014 is forecast at 443,300 t at an estimated average grade of 246 g/t silver and 0.66 g/t gold. Recoveries are forecast to average 74.7 % and 82.1% for silver and gold, respectively. Plant throughput is based on production from the Porvenir North, Porvenir Cuatro and Santa Cruz mines.

The property has substantial resource potential. Beyond 2014, Endeavour Silver believes that continued exploration and development will lead to the discovery of new resources.

Endeavour Silver actively continues acquiring rights to new properties in the Guanaceví district.

Conclusions and Recommendations

Conclusions

The QP considers the Guanaceví resource and reserve estimates presented in this report follow the current CIM standards and definitions for estimating resources and reserves, as required under NI 43-101 “Standards of Disclosure for Mineral Projects.” These resources and reserves form the basis for Endeavour Silver’s ongoing mining operations at the Guanaceví Mines Project.

The QP is unaware of any significant technical, legal, environmental or political considerations which would have a negative effect on the extraction and processing of the resources and reserves located at the Guanaceví Mines Project. Mineral resources which have not been converted to mineral reserves, and do not demonstrate economic viability, shall remain mineral resources.

The QP considers that the mineral concessions in the Guanaceví mining district controlled by Endeavour Silver are highly prospective both along strike and down dip of the existing known mineralization, and that further resources could be converted into reserves with additional exploration and development especially in and around the Santa Cruz Mine.

Endeavour’s Regional Exploration unit has at their disposal modern exploration techniques that were not available to previous exploration and mining companies that worked the district. With many new discoveries in the area, some of which are currently in production, Endeavour has shown that applying modern concepts and techniques greatly enhances the likelihood of success.

Therefore, the QP is of the belief that with Endeavour’s continued commitment to regional exploration within the district, the potential for the discovery of deposits of similar character and grade, as those that are currently in operation, along with those past producers remains optimistic.

Recommendations

Exploration in the Guanaceví District is ongoing. Endeavour’s exploration programs have been successful over the past several years outlining several new resources of which the Milache resource is the most recent. The QP recommends that exploration continue and that budgeted exploration plans discussed in Section 26.1 be executed.

The QP recommends that modeling parameters and procedures be regularly reviewed to develop better estimation plans.

Additionally, the QP recommends the following:

1) That future budgets include and take advantage of modern-day technology improve the quality of the underground samples used for resource evaluation.

2) The continued development of an effective reconciliation plan for the Guanaceví Mines Project. Stope-by-stope reconciliations are difficult in mines where material from different stopes or even mines is regularly mixed. However, reconciliation of ore mined and milled on a long-term basis to the resource model and the LOM can be useful tools. Reconciliation to production data can be used in the calibration of future resource models.

3) That mine geology reactivate the collection of representative samples of the various types of wall rock dilution and ore types for bulk density determinations.

Bolañitos Mines Project (formerly the Guanajuato Mines Project), Guanajuato State, Mexico

The following summary of the Bolañitos Mines Project is extracted from the technical report titled "NI 43-101 Technical Report on the Resource and Reserve Estimates for the Bolañitos Mine Project (formerly the Guanajuato Mines Project) Guanajuato State Mexico" prepared by Michael Munroe SME-RM, an employee of the Company, with an effective date of December 31, 2013 and dated March 27, 2014. The complete report can be viewed on SEDAR at www.sedar.com. The detailed disclosure contained in this technical report is incorporated by reference into this AIF.

Summary

The purpose of this Technical Report is to support Endeavour Silver Corp's (EDR) public disclosure related to the resource estimate for the Bolañitos Mines Project. This Technical Report conforms to National Instrument 43-101 Standards of Disclosure for Mineral Projects (NI 43-101) and as EDR is a producer issuer in accordance with section 5.3.2 of National Instrument (NI 43-101) regulations. The mineral resource estimates for this deposit were completed in-house by EDR personnel.

EDR is a mid-tier silver mining company engaged in the exploration, development, and production of mineral properties in Mexico. EDR is focused on growing its production and reserves and resources in Mexico. Since start-up in 2004, EDR has posted nine consecutive years of growth of its silver mining operations. In addition to the Bolañitos Mines property, EDR owns and operates the El Cubo Mine, also located in Guanajuato, and the Guanaceví Mine located in the northwestern Durango state, Mexico.

This report follows the format and guidelines of Form 43-101F1, Technical Report for National Instrument 43-101, Standards of Disclosure for Mineral Projects, and its Companion Policy NI 43-101 CP, as amended by the CSA and which came into force on June 30,201 1.

This report has an effective date of December 31, 2013. The mineral resource and reserve estimates reported in this report comply with the Canadian Institute of Mining, Metallurgy and Petroleum (CIM) standards and definitions, as required under Canadian National Instrument 43-101 (NI 43-101) regulations.

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

This report includes technical information which requires subsequent calculations or estimates to derive sub-totals, totals and weighted averages. Such calculations or estimations inherently involve a degree of rounding and consequently introduce a margin of error. The QP does not consider such errors to be material to the calculations presented here.

Location and Property Description

The Bolañitos Mine property is located in the state of Guanajuato about 280 km northwest of Mexico City. It consists of four operating mines in two areas. Cebada mine is located about 5 km north of the city of Guanajuato. The Bolañitos mine and the processing plant are situated approximately 5 km west of Cebada, the Lucero mine which is about one km to the southeast of Bolañitos and the Asuncion mine, located 0.5 km west of Bolañitos. Year-round access to all of the mines is readily available over a network of paved and gravel roads. Endeavour Silver also owns the inactive Golondrinas mine which is 3.5 km to the southwest of Cebada. The Golondrinas mine has not operated since 2008.

The region is mountainous with a mild climate and sporadic, often violent thunderstorms in the summer months. These storms are the source of most of the precipitation for the area. The summer months are temperate, with comfortable daytime high temperatures of between 22 and 30°C. Winter temperatures are generally between 15 and 25°C and can drop below freezing overnight.

Grass, small trees and shrubs along with several varieties of cacti make up most of the vegetation on the steep hillsides. The area is mainly devoid of trees, although, trees are found near springs and streams.

Water for the operations is supplied from dewatering of the mines and the Bolañitos process plant is set up to recycle all water back into the process.

Power to the Bolañitos Mines project is available from the regional grid (Comisión Federal de Electricidad).

Telephone and internet communications are integrated into the national land-based telephone system and provides reliable service.

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.

Ownership

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

The Guanajuato Mines project consists of 22 properties which are not all contiguous and vary in size for a total of 2,500 hectares (ha). The project includes four operating silver (gold) mines (Bolañitos, Lucero, Asunción and Cebada), several past-producing silver (gold) mines, and the 1,600 t/d Bolañitos processing plant.

The annual 2014 concessions tax for the Bolañitos Project is estimated to be approximately $708,872 Mexican pesos (pesos), which is equal to about US $54,530 at an Exchange rate of $13.00 pesos to US $1.00.

All concessions are subject to a bi-annual fee (i.e., twice per year) and the filing of reports in May of each year covering the work accomplished on the property between January and December of the preceding year. It should be noted that as of December 21, 2005 (by means of an amendment made on April 28, 2005 to the Mexican mining law), there is only one type of mineral concession in Mexico.

In addition to the mineral rights, Endeavour Silver has agreements with various private ranch owners and a local ejido (Mesa Cuata) that provide surface access for exploration and exploitation purposes.

History

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

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

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

During the war, many of the mines were abandoned and either filled with water or caved in, and so they remained until 1824. In 1824, a number of English capitalists took the rehabilitation of the principal mines in hand and worked them for approximately 10 years.

However, during this period they sustained great losses that were principally due to the lack of railroads which necessitated the transportation of all heavy machinery to the mines on the backs of mules. In some cases, it took a couple of years to transport the equipment from England to the mines in Mexico.

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

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

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

Geology and Mineralization

Geology

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

The stratigraphy of the Guanajuato mining district can be divided into a Mesozoic basement and overlying Cenozoic units. The lower Mesozoic lithological units are the Esperanza and La Luz Formations which are composed of rocks of marine origin, weakly to moderately metamorphosed and intensely deformed by shortening. These rocks are unconformably overlain by the Tertiary Conglomerado Rojo de Guanajuato, and the Loseros, Bufa, Calderones, Cedros and Chichíndaro Formations. The Tertiary rocks consist of continental sediments and sedimentary rocks, which generally occupy lower topographical zones, and subaerial volcanic rocks, which are principally exposed in the ranges and higher plateaus.

The rocks of the Cenozoic cover have experienced only extensional deformation and in some places are gently tilted. Tertiary-aged rocks correspond to a period of tectonism accompanied by volcanism and intrusive magmatic activity.

Randall et a1 (1994) proposed a caldera structure for the Guanajuato mining district, citing the presence of a megabreccia in the Calderones Formation and the distribution of the Oligocene volcanic formations described above. The hypothesis states that the caldera collapse occurred in at least two stages and the collapse was a trap-door type. The presence of a peripheral three-quarter ring of rhyolite domes intruding along bounding faults, the location of the Oligocene volcanic formations ponded within this ring, megabreccia and topographic rim, all contribute evidence to support this hypothesis.

Mineralization

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

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

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

Exploration

Underground Drilling

During 2013, Endeavour Silver completed 6,728 m of drilling in 47 underground diamond drill holes at the Bolañitos Project. A total of 2,638 samples were collected and submitted for assays.

Surface Drilling

During 2013, Endeavour Silver completed 15,337 m of drilling in 51 surface diamond drill holes at the Bolañitos Project. A total of 4,379 samples were collected and submitted for assays.

Other Activities

Endeavour Silver also conducted geological mapping, trenching, soil geochemical and sampling programs in La Luz (San Antonio de los Tiros, La Paz and Plateros), Belen (Ericka and Ana) and Bolañitos South (San Cayetano and Emma) areas. A total of 1,233 samples were collected and submitted for assays.

2014 Exploration Program

In 2014, Endeavour Silver plans to continue with the follow-up surface exploration programs in the La Luz sub-district, including La Luz, Deep Daniela and Bolañitos South areas. The primary long-term goal of these programs is to expand reserves and resources in the Bolañitos Project for future growth.

2013 Mineral Resource Estimate

Mineral Resource Statement

The mineral resources for the Bolañitos Project as of December 31, 2013 are summarized in Table 0-1. Resources are exclusive of mineral reserves.

Table 0-1
Mineral Resource Estimate, Effective Date December 31, 2013,
Michael Munroe, SME Registered Member

Description	Tonnes	Silver (g/t)	Gold (g/t)	Silver (oz)	Gold (oz)	Silver Eq. (oz)
Measured	75,900	132	1.39	322,800	3,400	526,800
Indicated	1,191,800	111	1.95	4,263,300	74,700	8,745,300
Total Measured and Indicated	**1,267,700**	**112**	**1.92**	**4,586,100**	**78,100**	**9,272,100**
Total Inferred	**2,145,150**	**140**	**1.62**	**9,642,200**	**111,720**	**16,345,400**

Assumptions and Parameters

Resources are diluted to a minimum mining width of 2.0m. Assumed metal prices are $1420 per ounce for gold and $24.20 per ounce for silver. Resource blocks above a cut-off of 100 g/t silver equivalent are considered for inclusion in resources. Silver equivalent is calculated with a factor of 60:1 gold:silver.

Methodology

Resources for the Daniela, Fernanda, Karina, La Luz and Lana veins were estimated using 3D modelling and ordinary kriging as the interpolator. The database comprised underground chip channel samples and diamond drill holes.

Resources for the La Luz-Refugio, La Joya, Plateros and La Luz-San Bernabe veins were estimated using a 2D polygonal method and is based on the use of a longitudinal section to estimate the mineral resources and reserves.

Resources for the exploration areas (Fw Lana, Belen, Golondrinas, San Francisco) have been carried forward from the December 15, 2012, estimates, as there has been no change since that time.

2013 Mineral Reserve Estimate

Mineral Reserve Statement

The mineral reserves for the Bolañitos Project as of December 31, 2013 are summarized in Table 0-2.

Table 0-2
Mineral Reserve Estimate, Effective Date December 31, 2013,

Michael Munroe, SME Registered Member

Description	Tonnes	Silver (g/t)	Gold (g/t)	Silver (oz)	Gold (oz)	Silver Eq. (oz)
Proven	380,530	156	2.50	1,910,300	30,520	3,740,300
Probable	98,300	134	2.17	424,200	6,800	832,200
Total Proven and Probable	**478,830**	**151**	**2.43**	**2,334,500**	**37,320**	**4,572,500**

Mineral Reserve Parameters

The parameters used to convert mineral resources to mineral reserves at the Bolañitos project are as follow:

- Cut-off grade - 155 g/t AgEq.
- Dilution – 15% on Cut and fill, 25% on long hole.
- Minimum width – 2.0m.
- Silver equivalent - 60:1 for silver to gold
- Gold price - US $1,320 per oz
- Silver price - US $22 per oz.
- Mining Recovery – 95%
- Gold recovery (overall) – 86.2%.
- Silver recovery (overall) – 84.9%.

Definitions and Classifications

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

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

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

Development and Operations

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

As of December 31, 2013, the Bolañitos Project had a roster totalling 407 employees. The mine's operating schedule consists of three 8-hour shifts 7 days a week. The miners are skilled and experienced in vein mining and, according to Endeavour Silver, are currently not unionized. There is an incentive system in place, rewarding personnel for safety and production. Technical services and overall supervision are provided by Endeavour Silver staff.

Traditionally a conventional bottom-up cut and fill mining method was employed with waste rock brought in using diesel or electric loaders. The rock used to backfill the stopes is either dropped down a bore hole from surface or is generated from the waste development underground. Over the past several years a transition to a modified longhole method has taken place. Conventional cut and fill jackleg drilling has been replaced with longhole drilling machines. The holes are typically 10-12m in length but vary from 6 to 16m depending on the stope.

Table 0-3 summarizes the production from the different mining areas for 2013.

Table 0-3
Summary of 2013 Production by Area for the Bolañitos Project

Mine	Description Month	Average
Cebada	Silver (g/t)	**128**
	Gold (g/t)	**0.6**
	Silver (oz)	**16,201**
	Gold (oz)	**76**
	Tonnes	**3,704**
Bolañitos	Silver (g/t)	**120**
	Gold (g/t)	**1.41**
	Silver (oz)	**14,079**
	Gold (oz)	**162**
	Tonnes	**2,884**
Lucero Ramp	Silver (g/t)	**150**
	Gold (g/t)	**2.09**
	Silver (oz)	**266,660**
	Gold (oz)	**3,735**
	Tonnes	**54,253**
Asuncion	Silver (g/t)	**99**
	Gold (g/t)	**2.51**
	Silver (oz)	**12,767**
	Gold (oz)	**310**
	Tonnes	**3,679**

In 2013, the Bolañitos mine produced 710,708t of ore grading 149 g/t silver and 2.63 g/t gold from which 2,881,816 oz silver and 51,652 oz gold were recovered. Silver and gold recoveries averaged 84.6% and 86.0%, respectively.

The plant processing rate is 1,600 t/d after it was expanded from 1,200 t/d in 2012 adding a 6'x16' vibration screen, four additional flotation cells 500 ft^3 each, six 1st cleaner cells 100 ft^3 each, six 2nd cleaner cells 50 ft^3 each, conveyor belts and a flocculent mixing system.

Run-of-mine ore is hauled by 20 t dumper trucks and discharge on a grizzly with opening 11". Oversize rock (>11') is broken by a backhoe hydraulic hammer. The undersize material falls in a feed bin and further crushed in a primary jaw crusher of size 24"x36". After the primary crusher the ore is held in two coarse ore bins each with a 450 t capacity.

From the coarse ore bins the ore is conveyed to a 6'x16' vibratory screen with openings 3/8", the undersize product is conveyed to the fine ore bins. The oversize material is fed to a 4.25' standard head Symons secondary cone crusher where the ore size is crushed down to 2". The secondary crusher product is screened by a 5'x10' vibratory screen with openings 3/8". The screen undersize product is conveyed to fine ore bins and the oversize material is crushed by a tertiary cone crusher.

The fine crushed ore (approx. 80-85% of -3/8") is stored in two ore bins. The storage capacity of the first fine ore bin is 250 tonnes and of the second ore bin is 500 tonnes of ore.

The grinding circuit consists of two ball mills: No. 1 is of size 9'6" x 14' with a 600 HP motor, the No. 2 mill is of size 11'x18'7" with a 1000 HP motor. The mills are fed independently from respective ore bins.

The grinding product is the cyclone overflow with 70-75% passing 74 microns and flows further to the flotation circuit.

Each ball mill has a separate rougher and scavenger cell lines. The ball mill #1 line consists of four (4) flotation cells with capacity 500 ft^3 each. The ball mill #2 line consists of nine (9) flotation cells with capacity 300 ft^3 each. The rougher and scavenger concentrates from both lines are combined and fed to the column flotation cell.

The flotation layout considers two cleaning stages though the 2nd cleaning stage was shut down in December 2013 since the concentrate grade obtained in the column cell was meeting the target silver grade between 7 and 9 kg/t.

The final concentrate flows by gravity to a thickener, where it is thickened to 60% of solids, then it is pumped to a filter press where concentrate is dewatered down to 13-17% of moisture. The filtered concentrate is stored, then loaded on 35 t trucks and shipped to concentrate traders.

For 2014, Endeavour Silver is forecasting to produce 2.20 million ounces of silver and 36,279 ounces of gold from the Bolañitos Project. Plant throughput for 2013 is forecast at 545,600 t at an estimated average grade of 147 g/t silver and 2.35 g/t gold. Recoveries are forecast to average 85.0% and 88.0% for silver and gold, respectively. Plant throughput is based on production from the Bolañitos, Lucero Ramp and Asunción mines.

The property has a substantial undeveloped resource potential. Beyond 2014, Endeavour Silver believes that continued exploration and development will lead to the discovery of new resources, and Endeavour Silver actively continues acquiring rights to new properties in the Guanajuato district.

The mine life, based on proven and probable reserves as of December 31, 2013, is less than three years at a projected production level of 1,600 t/d or 46,000 t/m for the first half of 2014 falling to 1,300 t/d or 38,000 t/m for the latter half of 2014.

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

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

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

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

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

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

Conclusions and Recommendations

Conclusions

The QP considers the Bolañitos resource and reserve estimates presented here to conform to the current CIM standards and definitions for estimating resources and reserves, as required under NI 43-101 "Standards of Disclosure for Mineral Projects." These resources and reserves form the basis for Endeavour Silver's ongoing mining operations at the Bolañitos Mines Project.

The QP is unaware of any significant technical, legal, environmental or political considerations which would have an adverse effect on the extraction and processing of the resources and reserves located at the Bolañitos Mines Project. Mineral resources which have not been converted to mineral reserves, and do not demonstrate economic viability, shall remain mineral resources.

The QP considers that the mineral concessions in the Bolañitos mining district controlled by Endeavour Silver continue to be highly prospective both along strike and down dip of the existing mineralization, and that further resources could be converted into reserves with additional exploration and development especially on the La Luz structure currently being explored.

Therefore, the QP is of the belief that with Endeavour's continued commitment to regional exploration within the district, the potential for the discovery of deposits of similar character and grade, as those that are currently in operation, along with those past producers remains optimistic.

Recommendations

Exploration in the Bolañitos District is ongoing. Endeavour's exploration programs have been successful over the past several years outlining several new resources of which the Milache resource is the most recent.

For 2014, the Regional Exploration will be focused on the evaluation of the Central part of the La Luz system, the roots of the Daniela vein and also the La Joya South and Siglo XX systems.

Detailed mapping and sampling activities will be conducted on the Bolañitos South area (Margarita, San Antonio, Lourdes and La Cuesta).

The QP has reviewed the proposal for further exploration on the Bolañitos Mines Property and recommends that that the programs be carried out as planned.

The QP also recommends the following:

1. Endeavour continues to define and enhance the geologic models used for resource modeling.
2. That modelling parameters and procedures be regularly reviewed to develop better estimation plans.
3. That Endeavour continues to develop an effective reconciliation plan for the Bolañitos Mines Project. Stope-by-stope reconciliations are difficult in mines where material from different stopes or even mines is regularly mixed. However, reconciliation of ore mined and milled on a long-term basis to the resource model and the LOM can be useful tools. Reconciliation to production data can be used in the calibration of future resource models.
4. That mine geology reactivate the collection of representative samples of the various types of wall rock dilution and ore types for bulk density determinations especially as new veins are discovered and subsequently developed.
5. Endeavour looks for appropriate standards for use in the Bolañitos Lab and discontinue the use of standards with reproducibility problems.
6. The continued use of SRMs that are certified for both gold and silver and discontinue the use of gold only SRM's.
7. Geology send check assays to an independent lab for analysis.

El Cubo Mines Project, Guanajuato State, Mexico

The following summary of the El Cubo Mines Project is extracted from the technical report titled "NI 43-101 Technical Report on the Resource and Reserve Estimates for the El Cubo Mines Project, Guanajuato State Mexico" prepared by Michael Munroe SME-RM, an employee of the Company, with an effective date of December 31, 2013 and dated March 27, 2014. The complete report can be viewed on SEDAR at www.sedar.com. The detailed disclosure contained in this technical report is incorporated by reference into this AIF.

Summary

The purpose of this Technical Report is to support Endeavour Silver Corp's (EDR) public disclosure related to the resource estimate for the El Cubo Mines property. This Technical Report conforms to National Instrument 43-101 Standards of Disclosure for Mineral Projects (NI 43-101) and as EDR is a producer issuer in accordance with section 5.3.2 of National Instrument (NI 43-101) regulations. The mineral resource estimates for this deposit were completed in-house by EDR personnel.

EDR is a mid-tier silver mining company engaged in the exploration, development, and production of mineral properties in Mexico. EDR is focused on growing its production and reserves and resources in Mexico. Since start-up in 2004, EDR has posted nine consecutive years of growth of its silver mining operations. In addition to the El Cubo Mines property, EDR owns and operates the Bolañitos Mine, also located in Guanajuato, and the Guanaceví Mine located in the northwestern Durango state, Mexico.

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

This report has an effective date of December 31, 2013. The mineral resource and reserve estimates reported in this report comply with the Canadian Institute of Mining, Metallurgy and Petroleum (CIM) standards and definitions, as required under Canadian National Instrument 43-101 (NI 43-101) regulations.

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

This report includes technical information which requires subsequent calculations or estimates to derive sub-totals, totals and weighted averages. Such calculations or estimations inherently involve a degree of rounding and consequently introduce a margin of error. The QP does not consider such errors to be material to the calculations presented here.

The conclusions and recommendations in this report reflect the QP's best independent judgment in light of the information available to them at the time of writing.

Location and Property Description

The El Cubo mine property is located in central Mexico in the Mexican state of Guanajuato. The property is near the village of El Cubo, approximately 10 km east of the City of Guanajuato, and about 280 km northwest of Mexico City.

The region is mountainous with a mild climate that, except for seasonal rains, rarely impacts mining activities. Year-round access is available over a network of paved and unpaved roads.

Power to El Cubo Mines project is available from the regional grid (Comisión Federal de Electricidad), and water for operations is obtained from the underground mines and from surface damming of intermittent streams.

Telephone and internet communications are integrated into the national land-based telephone system and provide reliable service.

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.

Ownership

The El Cubo property consists of 61 mining concessions covering an area of approximately 8,144 ha, including several mine adits, ramps, shafts, and the new 1600 tpd El Tajo processing plant.

Endeavour Silver's wholly owned Mexican subsidiary, Compañía Minera del Cubo S.A de C.V (CMC), holds a 100% interest in the 61 mining concessions that make up the El Cubo property. Expiration dates associated with the El Cubo mining concessions range from January 25, 2021, to November 26, 2061.

The concessions are free of liens or encumbrances, except that:

(i) one of the concessions (Unificación Villalpando Norte covering 374.46 ha) is subject to a right of way agreement with Minera Las Torres ("Las Torres"), a subsidiary of Industrias Peñoles; and

(ii) 4 of the concessions, R.F. 306, R.F. 307, 1925, and 4334, covering approximately 31 ha, are subject to a lease contract originating in 1941.

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

Endeavour currently holds all necessary environmental permits for exploration and for commercial mining activity on its concessions.

History

Mining on the El Cubo property has occurred since the 17th century. The Sierra structure, which includes the El Cubo Mine and the adjacent Peregrina Mine (part of the Las Torres complex), accounts for much of the gold produced in the Guanajuato district – on the order of 2,000,000 ounces of gold and 80,000,000 ounces of silver. Gold was originally mined from shallow pits near the San Eusebio vein, one of those on the El Cubo concessions which later produced significant amounts of gold and silver. In the 19th and 20th centuries, mining at El Cubo focused on northwest striking veins known as the Villalpando, Dolores, La Loca, and La Fortuna, and production was divided between many operators. In the early 1900's, the Tunel Aventurero de San Felipe (now El Cubo level 4) was started in order to connect the Pastora-Fortuna, Villalpando, and La Loca veins. At the time, bonanza grades and widths were encountered on the Villalpando vein. These shoots were up to 4 m wide and assayed close to 1 kg of silver per tonne. The 'bonanza' ores were mined through the 1940's, when much of the area was consolidated into a single company and claim block resembling the one on which CMC operates today.

The Villalpando vein, located in the central portion of the modern day El Cubo claim block, was the main source of production through the 1970's. The main vein structure extended northwest to the El Cubo concession boundary with the Peregrina Mine. The gold grades decreased as the vein was exploited at the deeper (8 - 12) levels. The Alto de Villalpando vein, which generally produced higher gold grade, was mined out. The La Poniente vein was discovered in the early 1970's, and high grade gold and silver ore was mined until 1976, when the developed section was temporarily exhausted.

The El Cubo Mine changed ownership in the 1970's, when the Palmers sold the mine to a private company owned by Messrs. Villagomez and Chommie. By 1979 there was little developed ore remaining above the 13th level on the Villalpando vein, and production from other related veins was low grade and sporadic. The mill was fed largely from the Chuca Loca open pit and from dumps. The shortage of quality ore came to an end after 1980, when new high grade gold and silver mineralization was discovered and developed along the San Nicolas vein.

In 1995, production was expanded from 350 to 800 tonnes per day, and then to 1,400 tonnes per day in 2001. The mills saw a decrease in head grade after each expansion, likely due to the use of low grade material from old stope fill as supply for the increased tonnage. Given the shortage of tonnage from active stopes, there was likely less emphasis on grade control.

El Cubo was purchased by Mexgold Resources Inc. (Mexgold) from the previous owners in March 2004. The Las Torres mine and mill complex, owned by Industrias Peñoles, S.A. de C.V. (Peñoles) was leased by Mexgold in October of 2004. The property had been a prolific producer for many years, especially the adjacent Peregrina Mine, which continues to complement the El Cubo Mine by facilitating access to the deeper ore at El Cubo. Mexgold became a wholly owned subsidiary of Gammon Lake Resources Inc., in 2006, and. Gammon Gold Inc. changed its name to its current name, AuRico Gold Inc. on August 26, 2011. In April of 2012, Endeavour entered into an agreement with AuRico to acquire a 100% interest in El Cubo. The purchase was completed on July 13, 2012.

Geology and Mineralization

Geology

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

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

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

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

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

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

Mineralization

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

The vein textures are attributed to the brittle fracturing-healing cycle of the fault-hosted veins during and/or after faulting.

Economic concentrations of precious metals are present in "shoots" distributed vertically and laterally between non-mineralized segments of the veins, and at important vein intersections. The silver-rich veins, such as Villalpando, contain quartz, adularia, pyrite, acanthite, naumannite and native gold.

Native silver is widespread in small amounts. Much of the native silver is supergene. Silver sulfosalts (pyrargyrite and polybasite) are commonly found at depth. Gold-rich veins, such as San Nicolas, contain quartz, pyrite, minor chalcopyrite and sphalerite, electrum, and aguilarite.

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

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

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

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

Exploration

Mine Exploration Drilling

In 2013 underground and surface drilling were undertaken to determine the extent of additional mineralization in areas currently being mined. The principal targets were the Villalpando (Area II and IV) and Dolores (II) vein systems, with a number of other structures also explored: The Tuberos vein (area III and IV); San Nicolas vein system (Areas II and IV); La Paz Vein (Area III) and the veta-995, vetas-178-143 and Del Niño veins in Area I.

The drilling is separated into contractor and in-house categories.

The contractor underground and surface drilling was conducted using the drill contracting firm Landdrill International de Mexico S.A. de C.V. (Landdrill). Landdrill completed 69 holes totaling 10,381m of drilling.

In-house drilling was conducted using two drill machines, which were repaired having previously been abandoned in the mine: A pneumatically powered CP-65 and an electrically powered Diamec-250. There were 25 holes in 1,293m of drilling completed by the in-house drills.

Surface Drilling

During 2103, Endeavour Silver completed a total of 18,449m of surface diamond drilling in 47 drill holes by Layne Drilling SA de CV at the El Cubo Mines Project. Endeavour collected and submitted for assay, 3,000 samples.

Other Activities

During 2013, the exploration activities were focused on the completion of the interpretation of local targets such as the Villalpando Gap, detailed mapping and sampling in the Dolores North, Central La Loca, La Loca North and Asunción - Villalpando (south of the Capulin Fault).

Geological mapping and sampling was also conducted on regional targets including Cebolletas-Villalpando, South-Violeta (Villalpando vein) and the Cabrestantes-Nayal veins. During these activities a total of 4,968 rock/soil samples were collected and sent for analysis.

2014 Exploration Program

For 2014, the Regional Exploration activities will be mainly focused to evaluate the potential of the Villalpando and Asunción veins at the southern end of the El Cubo properties. The activities will commence in the Asunción area, in order to close the grid (50 x 50) between sections 1500 through 2500 and to define the vertical limits of mineralization. Also, drilling activities are programmed for the Villalpando South, Monte San Nicolas and Cabrestantes-Nayal areas. For the Exploration Mine area activities will be focused in the zones near to the current operations; mainly in the Villalpando, Dolores and La Loca areas.

Table 1-1 summarizes the planned 2014 exploration budget for the El Cubo Mines Project.

Table 0-1
2014 El Cubo Exploration Priority Targets

Project Area	2014 Program		Budget
	Metres	Samples	US $
Surface Exploration Drilling			
Asunción (1500 a 2500)	10,500	3,500	1,598,800
Villalpando Sur (3000 a 3900) Violeta (3900 a 5400)	3,000	1,000	483,520
Monte San Nicolas	3,000	1,000	483,520
Cabrestantes-Nayal	5,500	1,800	901,040
El Cubo Regional Exploration		1200	210,080
Subtotal	**22,000**	**8,500**	**3,676,960**
Mine Operations Exploration Drilling			
Mine Exploration	14,000	4600	2,394,000
Subtotal	**14,000**	**4,600**	**2,394,000**
Total (mine +exploration division)	**36,000**	**13,10 0**	**6,070,960**

2013 Mineral Resource Estimate

Mineral Resource Statement

The mineral resources for the Bolañitos Project as of December 31, 2013 are summarized in Table 1-2. Resources are exclusive of mineral reserves.

Table 0-2
Mineral Resource Estimate, Effective Date December 31, 2013
Michael Munroe, SME Registered Member

Description	Tonnes	Silver (g/t)	Gold (g/t)	Silver (oz)	Gold (oz)	Silver Eq. (oz)
Measured	660,000	158	2.87	3,358,000	61,000	7,006,000
Indicated	1,571,000	144	2.06	7,263,000	104,000	13,515,000
Total Measured and Indicated	**2,231,000**	**148**	**2.30**	**10,621,000**	**165,000**	**20,521,000**
Total Inferred	**1,477,900**	**163**	**3.40**	**7,729,800**	**130,100**	**15,535,800**

Assumptions and Parameters

Resources are undiluted. Assumed metal prices are $1420 per ounce for gold and $24.20 per ounce for silver. Resource blocks above a cut-off of 100 g/t silver equivalent are considered for inclusion in resources. Silver equivalent is calculated with a factor of 60:1 gold:silver.

Methodology

The mineral resource estimates presented in this report are estimated by polygonal methods using fixed-distance vertical projections from chip sample lines in the development drifts and stopes, and lateral projections from raises. The average grade of a sample line is the weighted average of the capped assays and the assay length.

The average of a length of vein in longitudinal section is the average of all of the samples in the vein along that length weighted by their widths. The area of a block is the length in section multiplied by the vertical (or lateral for raises) projection. The volume is obtained by multiplying the area by the average width of the vein as sampled.

Volume is converted to tonnage by multiplying the block volume by a global bulk tonnage factor of 2.5 tonnes/m3.

2013 Mineral Reserve Estimate

Mineral Reserve Statement

The mineral reserves for the Bolañitos Project as of December 31, 2013 are summarized in Table 1-3.

Table 0-3
Mineral Reserve Estimate, Effective Date December 31, 2013,

Michael Munroe, SME Registered Member

Description	Tonnes	Silver (g/t)	Gold (g/t)	Silver (oz)	Gold (oz)	Silver Eq. (oz)
Proven	752,500	138	2.16	3,330,300	52,200	6,462,300
Probable	615,400	131	2.23	2,595,700	44,100	11,160,200
Total Proven and Probable	**1,367,900**	**135**	**2.19**	**5,926,000**	**96,300**	**17,622,500**

Mineral Reserve Parameters

The parameters used to convert mineral resources to mineral reserves at the El Cubo project are as follow:

- Cut-off grade - 130 g/t AgEq.
- Dilution - 75% including being diluted to a minimum mining width.
- Minimum width – 0.8m.
- Silver equivalent - 60:1 for silver to gold
- Gold price - US $1,320 per oz
- Silver price - US $22 per oz.
- Gold recovery (overall) – 89.4%.
- Silver recovery (overall) – 87.7%.

Definitions and Classifications

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

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

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

Development and Operations

The El Cubo Mine is organized into four discrete physical areas, Areas 1 through 4, which have separate crews and infrastructure for access, stoping, ventilation, and ore haulage. The area separations are geographic, and by level.

Conventional drill and blast methods are used to extract the ore at El Cubo, and access to the mining areas is provided by ramps, adits and shafts. Mine development headings are drilled by jumbo and by jackleg.

The choice of equipment is generally guided by the anticipated vein widths, stoping method, and equipment availability. The stoping methods used at El Cubo in 2013 were 90% mechanized cut-and-fill and 10% longhole open-stoping.

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

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

The upper levels of the mine are dry. Water inflows are a factor in the lowest development levels in Area 4 where it is collected, pumped, and distributed as additional water for the needs of mine production.

The lowest historic development level of the mine, Level 9 of the Villalpando vein, was flooded until the latter part of 2013. The water level at the end of 2013 was about 6m below the Level 9.

After the strike ended in 2011, Blake (2011) provided a preliminary geotechnical study to AuRico to determine if ground deterioration had occurred and if so, what rehabilitation effort might be needed in order for mining to resume. The geotechnical study concluded that in most cases, scaling and spot bolting would sufficiently mitigate deterioration, and rehabilitation work was carried out in three stopes according to recommendations.

The ventilation system at El Cubo is a combination of natural and mechanical, but relies mostly on natural ventilation. Air flow enters through the various access ramps, shafts, raise bore holes, and old mine openings, and moves down to the lower part of the mine, exhausting through a series of partially open old areas of the mine, raise bore holes, and conventional driven raises.

As of December 31, 2013, the company had a total of 576 direct employees distributed in different departments There are 175 contract persons for underground development and ore transport from underground to surface and to the plant.

Conclusions and Recommendations

Conclusions

The QP considers the El Cubo resource and reserve estimates presented in this report to follow the current CIM standards and definitions for estimating resources and reserves, as required under NI 43-101 “Standards of Disclosure for Mineral Projects.” These resources and reserves form the basis for Endeavour Silver’s ongoing mining operations at the El Cubo Mines Project.

The QP is unaware of any significant technical, legal, environmental or political considerations which would have a negative effect on the extraction and processing of the resources and reserves located at the El Cubo Mines Project. Mineral resources which have not been converted to mineral reserves, and do not demonstrate economic viability, shall remain mineral resources.

The QP considers the mineral concessions controlled by Endeavour Silver in the El Cubo mining district to be highly prospective both along strike and down dip of the existing known mineralization, and that further resources could be converted into reserves with additional exploration and development especially south of the Asunción-Villalpando area.

The QP is of the belief that with Endeavour's continued commitment to regional exploration within the district, the potential for the discovery of deposits of similar character and grade, as those that are currently in operation remains optimistic.

Recommendations

Exploration in the El Cubo District is ongoing. Endeavour's exploration programs have been successful in the past outlining several new resources of which the resource in the Asunción-Villalpando area is the most recent. The QP recommends that exploration continue and that budgeted exploration plans discussed in Section 26.1 be given final approval and executed.

The QP recommends that Mine Exploration investigate using an up-to-date electronic logging system for future exploration programs.

The QP recommends that an automatic data backup system be installed for both local and server data. A server failure in 2013 resulted in the loss of much of the data that would be useful for reconciliation purposes.

The QP recommends that as newer data is collected and newer areas the mine opened, the mine should consider using more 3D modeling techniques. The mine should develop procedures and protocols for modeling resources including 3D geologic models. This is a challenging task at present due to the analog nature of the majority of the data at El Cubo.

San Sebastian Project, Jalisco State, Mexico

The following summary of the San Sebastian Project is extracted from the technical report titled "NI 43-101 Technical Report on the Resource Estimates for the San Sebastian Project, Jalisco State, Mexico" prepared by Michael Munroe SME-RM, an employee of the Company, with an effective date of December 31, 2013 and dated March 27, 2014. The complete report can be viewed on SEDAR at www.sedar.com. The detailed disclosure contained in this technical report is incorporated by reference into this AIF.

Summary

Introduction

The purpose of this Technical Report is to support Endeavour Silver Corp's (Endeavour) public disclosure related to the resource estimate for the San Sebastián Project. This Technical Report conforms to National Instrument 43-101 Standards of Disclosure for Mineral Projects (NI 43-101) and as EDR is a producer issuer in accordance with section 5.3.2 of National Instrument (NI 43-101) regulations. The mineral resource estimates for this deposit were completed in-house by EDR personnel.

Endeavour is a mid-tier silver mining company engaged in the exploration, development, and production of mineral properties in Mexico. Endeavour is focused on growing its production and reserves and resources in Mexico. Since start-up in 2004, EDR has posted nine consecutive years of growth of its silver mining operations. In addition to the San Sebastián property, Endeavour owns and operates the Guanaceví Mine located in the northwestern Durango state, and the Del Cubo the Bolañitos Mines, both located near the city of Guanajuato in Guanajuato State, Mexico.

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

This report has an effective date of December 31, 2013. The mineral resource estimates reported in this report comply with the Canadian Institute of Mining, Metallurgy and Petroleum (CIM) standards and definitions, as required under Canadian National Instrument 43-101 (NI 43-101) regulations.

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

This report includes technical information which requires subsequent calculations or estimates to derive sub-totals, totals and weighted averages. Such calculations or estimations inherently involve a degree of rounding and consequently introduce a margin of error. The QP does not consider such errors to be material to the calculations presented here.

The conclusions and recommendations in this report reflect the QP's best independent judgment in light of the information available to him at the time of writing.

Location and Property Description

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

Ownership

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

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

At present, the Project is comprised of 12 mineral concessions. The core group of 10 concessions totalling 3,388 hectares (ha) were owned by IMMSA. These concessions cover the main area of the known mining district. In 2013, Endeavour Silver completed the acquisition of a 100% interest in the San Sebastián Properties from IMMSA. IMMSA will retain a 2% NSR royalty on mineral production from the properties.

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

Additionally, in 2013, Endeavour Silver filed a total of 7 concessions (San Sebastian 12, San Sebastian 13, San Sebastian 14, San Sebastian 15, San Sebastian 16, San Sebastian 17 and San Sebastian 18) totaling 4,163 ha. Titling of these concessions it's still pending.

The annual 2014 concession tax for the San Sebastián Properties is estimated to be approximately 693,658 Mexican pesos (pesos), which is equal to about US $53,360 at an exchange rate of 13.00 pesos to US $1.00 dollar.

History

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

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

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

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

Geology and Mineralization

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

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

Exploration Program

2010 Exploration Program

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

2011 Exploration Program

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

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

2012 Exploration Program

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

A total of US $3,455,816 (including property holding costs) was spent on exploration activities on the San Sebastián Project in 2012,

2013 Exploration Program

In 2013, exploration activities continued on the San Sebastian Project. Follow-up surface diamond drilling continued in the Terronera vein area.

Also, geological mapping, trenching and sampling was conducted in the Terronera South and Quiteria West areas.

A total of US $3,944,570 (including property holding costs) was spent on exploration activities on the San Sebastián Project in 2013.

2014 Exploration Program

The 2014 exploration program is planned to include 6,250 m of core in approximately 20 surface diamond drill holes to delineate resources on the Terronera vein.

The field activities will include detailed mapping and trenching, mainly focused to the south and northern part of Terronera, and also the west part of Quiteria West vein.

Endeavour Silver is budgeting to spend US $1,546,650, mainly on diamond drilling.

2013 Mineral Resource Estimate

The mineral resource discussed in this report was estimated using the Canadian Institute of Mining, Metallurgy and Petroleum (CIM) Standards on Mineral Resources and Reserves, Definitions and Guidelines prepared by the CIM Standing Committee on Reserve Definitions and adopted by CIM Council on November 27, 2010. The effective date of this mineral resources estimate is December 31, 2013.

Animas-Los Negros,El Tajo and Real Veins

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

Terronera Vein

A block model was developed for the Terronera vein which has been tested by more than 55 drill holes. The block size used to match the drilling density on a 50 m grid was 25 m along strike x 25 m down dip x the width of the vein. Grade interpolation was achieved by using the inverse distance cubed (ID^3) technique. Grade capping (based on log-probability plots) was at 2,070 g/t and 7.96 g/t for silver and gold, respectively.

Cut-off Grade

The cut-off grade selected by Endeavour Silver for the resource estimate is 100 g/t silver equivalent (AgEq), using a 60:1 ratio based on prices of US $24.20/oz silver and US $1,420/oz gold, with no base metal credits applied.

A summary of the resources at a cut-off grade of 100 g/t AgEq is given in Table 0-4.

Table 0-4
Summary of the San Sebastian Mineral Resources at a Cut-off Grade of 100 g/t AgEq
Effective Date December 31, 2013

Vein	Tonnes	Silver (g/t)	Gold (g/t)	Silver Eq (g/t)	Silver (oz)	Gold (oz)	Silver Eq (oz)
Total Indicated	**2,476,000**	**229**	**1.08**	**294**	**18,216,200**	**86,300**	**23,394,200**
Total Inferred	**2,376,000**	**175**	**1.66**	**275**	**13,390,600**	**126,800**	**20,998,600**

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

Conclusions and Recommendations

Conclusions

The QP considers the San Sebastián resource estimates presented here to conform to the current CIM standards and definitions for estimating resources and reserves, as required under NI 43-101 "Standards of Disclosure for Mineral Projects." The estimation approach and methodology used is reasonable and appropriate based on the data available.

The QP is unaware of any significant technical, legal, environmental or political considerations which would have an adverse effect on the resource estimate or the continued exploration of the San Sebastián Property.

The QP considers that the mineral concessions in the San Sebastián mining district controlled by Endeavour Silver to be highly prospective both along strike and down dip of the existing mineralization. Given that many epithermal vein systems of this type have vertical mineralized extents ranging from 500 m to 800 m, Endeavour Silver could reasonably expect to increase its mineral resource base as more exploration is conducted.

Therefore, the QP believes that with Endeavour's continued commitment to exploration, there is a good likelihood of discovering additional resources at the San Sebastián Project.

Despite the potential for additional resources, Endeavour has not determined whether its mineral resource contains any mineral reserves that are economically recoverable. There are presently no mineral reserves on the San Sebastian Property.

Recommendations

Based on a review of the San Sebastián Project and the encouraging results thus far, the QP recommends the following.

That Endeavour continues exploration activities on the San Sebastián property. The exploration budget approved for 2014 is discussed in Section 26.1.

Endeavour continues to investigate and develop relationships with third parties holding prospective mining interests in and surrounding the San Sebastián Project area.

Drilling programs should continue to focus on upgrading and expanding the resources.

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

As more data is collected, the modelling parameters and procedures be regularly reviewed to develop better estimation plans.

Endeavour continue to develop and regularly revise high quality geologic models as more drilling is completed to enhance resource modeling.

Current QA/QC program should be maintained and regularly reviewed to develop better protocols.

The QP recommends that the collection of representative samples of the various types of wall rock dilution and ore types for bulk density determinations be continued.

Additional metallurgical testing should be conducted as more information is collected to establish the optimum recovery method(s) and grade-recovery relationship(s).

As the resource base grows the need for basic engineering studies increases. Endeavour should initiate investigations into infrastructural requirements and as the project advances consider commissioning economic studies.

Budget for Further Work

In line with these recommendations, Endeavour Silver has proposed an exploration budget of US $1,546,650 for the period January, 2014 to December, 2014. Table 0-5 summarizes the planned 2014 surface exploration budget for the San Sebastián Project. Details can be found in Section **Error! Reference source not found.**.

Table 0-5
Summary of Total 2014 Budget for the San Sebastián Project Exploration Programs

Project Area	2014 Program		Budget
	Metres	Samples	US $
Surface Exploration Drilling			
Terronera	6,250	2,000	1,149,450
San Sebastian Regional Exploration		1,200	397,200
Total	**6,250**	**3,200**	**1,546,650**

ITEM 5: DIVIDENDS

5.1 Dividends

The Company has not declared any dividends during the past three fiscal years ended December 31, 2013. Although there are no restrictions preventing the Company from paying dividends, the Company has no present intention of paying dividends on its common shares as it anticipates that all available funds will be invested to finance further acquisition, exploration and development of its mineral properties.

ITEM 6: DESCRIPTION OF CAPITAL STRUCTURE

6.1 General Description of Capital Structure

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

The following table provides a summary concerning the Company's share capital as of December 31, 2013:

	December 31, 2013
Authorized share capital	Unlimited number of common shares without par value
Number of shares issued and outstanding	99,784,409 common shares without par value

As at March 28, 2014, the Company has 101,255,314 common shares issued and outstanding.

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

6.2 Constraints

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

6.3 Ratings

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

ITEM 7: MARKET FOR SECURITIES

7.1 Trading Price and Volume

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

The price ranges for the Company's common shares in Canadian dollars and volume traded on the TSX for the most recently completed fiscal year ended December 31, 2013, the months of January and February 2014 and the period from March 1, 2014 to March 27, 2014 are set out below:

Date	Open	High	Low	Close	Volume Traded
Mar-14	5.95	6.29	4.56	4.77	4,022,417
Feb-14	4.90	6.61	4.66	5.69	4,595,848
Jan-14	3.99	5.25	3.86	4.85	4,031,042
Dec-13	3.99	4.01	3.34	3.84	6,748,364
Nov-13	4.29	4.47	3.86	4.03	2,130,309
Oct-13	4.29	5.24	3.90	4.33	3,145,892
Sep-13	5.48	5.66	4.24	4.42	4,412,181
Aug-13	4.14	6.21	3.45	5.22	4,473,820
Jul-13	3.61	4.40	3.08	4.08	3,377,456
Jun-13	4.69	4.75	3.03	3.64	2,823,586
May-13	5.08	5.24	3.95	4.65	2,774,071
Apr-13	6.33	6.45	4.44	5.26	4,835,896
Mar-13	6.00	6.76	5.15	6.33	3,565,424
Feb-13	7.01	7.11	5.75	6.06	3,103,849
Jan-13	8.11	8.23	6.83	6.84	3,730,331

The price ranges for the Company's common shares in US$ and volume traded on the NYSE for the most recently completed fiscal year ended December 31, 2013, the months of January and February 2014 and the period from March 1, 2014 to March 27, 2014 are set out below:

Date	Open	High	Low	Close	Volume Traded
Mar-14	5.36	5.69	4.12	4.49	33,434,132
Feb-14	4.39	5.98	4.20	5.15	35,216,338
Jan-14	3.76	4.74	3.58	4.34	31,931,307
Dec-13	3.75	3.77	3.12	3.63	26,676,823
Nov-13	4.13	4.28	3.65	3.87	26,051,029
Oct-13	4.17	5.04	3.76	4.18	33,338,582
Sep-13	5.22	5.39	4.09	4.30	36,878,858
Aug-13	4.03	5.93	3.31	4.98	45,358,756
Jul-13	3.47	4.28	2.89	3.99	32,263,171
Jun-13	4.54	4.62	2.88	3.43	20,733,623
May-13	5.02	5.19	3.72	4.45	23,693,866
Apr-13	6.24	6.36	4.31	5.21	34,646,985
Mar-13	5.82	6.59	5.00	6.22	29,166,019
Feb-13	7.01	7.12	5.67	5.77	23,743,381
Jan-13	8.15	8.35	6.85	6.87	23,674,673

ITEM 8: ESCROWED SECURITIES

8.1 Escrowed Securities

As at December 31, 2013, there were no escrowed securities or securities subject to contractual restriction on transfer.

ITEM 9: DIRECTORS AND OFFICERS

9.1 Name, Occupation and Security Holding

The following is a list of the current directors and executive officers of the Company, their province/state and country of residence, their current positions with the Company and their principal occupations during the past five years:

Name and Province/State and Country of Residence	Principal Occupation for the Last Five Years	Current Position with the Company and Period of Service	Approximate number and percentage of voting securities owned, directly or indirectly or over which direction or control is exercised (2) (3)
Bradford J. Cooke British Columbia, Canada	CEO and Director of Endeavour	Director and Chief Executive Officer (since July 25, 2002)	952,831 0.94%

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]
Godfrey J. Walton British Columbia, Canada	Director, President and COO of Endeavour and President, G.J. Walton & Associates Ltd.	Director, President and Chief Operating Officer (since July 25, 2002)	170,777 0.17%
Ken Pickering[1] British Columbia, Canada	Vice President, Major Projects BHP Billiton to Oct 2010: Independent Director of Pan Aust (ASX); TheMac Resources (TSXV); and Enaex (Chile).	Director (since August 20, 2012)	Nil
Mario D. Szotlender [(1),(2),(3)] Caracas, Venezuela	Independent Consultant and Director of several public mineral exploration and mining companies	Director (since July 25, 2002)	195,100 0.19%
Geoffrey Handley [(1),(2),(3)] Sydney, Australia	Independent Director of several public mineral exploration and mining companies	Chairman (since May 23, 2012) Director (since June 14, 2006)	10,000 0.01%
Rex McLennan [(2),(3)] Alberta, Canada	Chief Financial Officer of Viterra Inc. until December 2012	Director (since June 14, 2007)	10,000 0.01%
Ricardo Campoy [(1),(3)] New York, USA	Managing director of Headwaters MB, Director of General Moly, White Tiger Gold Ltd. and Forsys Metals Corp	Director (since July 9, 2010)	4,000 0.004%
Daniel Dickson British Columbia, Canada	CFO of Endeavour	Chief Financial Officer (since April 1, 2008)	Nil

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)
Luis Castro Durango, Mexico	VP of Exploration of Endeavour, prior Manager of Exploration of Endeavour	Vice President, Exploration (since November 12, 2012)	Nil
David Howe Leon, Mexico	VP of Operations of Endeavour since November 2007	Vice President Operations, Mexico (since November 1, 2007)	20,000 0.02%
Terence Chandler British Columbia, Canada	Consulting Geologist Terrenex Consulting, President Redcorp Ventures Limited	Vice President Corporate Development (since January 1, 2013)	Nil
Bernard Poznanski British Columbia, Canada	Lawyer, Koffman Kalef Business Lawyers	Corporate Secretary (since March 9, 2009)	Nil

(1) Member of Compensation Committee and Member

(2) Member of Corporate Governance and Nominating Committee

(3) Member of Audit Committee

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

Directors' Terms of Office

Each director is elected to serve until the next annual general meeting of shareholders or until his successor is elected or appointed, or unless his office is earlier vacated under any of the relevant provisions of the articles of the Company or the *Business Corporations Act* (British Columbia).

Control of Securities

As at March 28, 2014 the directors and officers of the Company as a group beneficially owned, directly or indirectly, or exercised control or direction over an aggregate of 1,362,708 common shares of the Company, representing approximately 1.35% of the issued and outstanding common shares of the Company.

9.2 Cease Trade Orders, Bankruptcies, Penalties or Sanctions

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

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

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

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

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

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

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

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

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

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

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

Geoffrey Handley was a director of Mirabela Nickel Limited ("Mirabela") until January 11, 2014. On February 25, 2014, within a year of Mr. Handley ceasing to be a director, Mirabela announced that it had entered into a legally binding plan support agreement ("PSA") which establishes a framework for a proposed recapitalization of Mirabela, subject to certain terms and conditions, as well as the appointment of certain persons of KordaMentha, a restructuring firm, as joint and several voluntary administrators under the Australian Corporations Act 2001. Mirabela also announced that, under the PSA, the proposed recapitalization will be effected through a recapitalization and restructuring plan to be implemented through a deed of company arrangement in Australia and an extrajudicial reorganization proceeding to be filed by Mirabela Brazil before the competent Brazilian court. Trading in securities of Mirabela on the Australian Securities Exchange has been suspended since October 2013.

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

No director or executive officer of the Company or any shareholder holding a sufficient number of common shares of the Company to affect materially the control of the Company:

(a) is, as at the date of this AIF, or has been, within the ten years preceding the date of this AIF, a director or executive officer of any company (including the Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets,

(b) has, within the ten years preceding the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of that person,

(c) has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or

(d) has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision regarding the Company.

9.3 Conflicts of Interest

The Company's directors and officers may serve as directors or officers of other companies or have significant shareholdings in other resource companies and, to the extent that such other companies may participate in ventures in which the Company may participate, the directors of the Company may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. In the event that such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. From time to time several companies may participate in the acquisition, exploration and development of natural resource properties thereby allowing for their participation in larger programs, permitting involvement in a greater number of programs and reducing financial exposure in respect of any one program. It may also occur that a particular company will assign all or a portion of its interest in a particular program to another of these companies due to the financial position of the company making the assignment. In accordance with the laws of British Columbia, the directors of the Company are required to act honestly, in good faith and in the best interests of the Company. In determining whether or not the company will participate in a particular program and the interest therein to be acquired by it, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at the time.

The directors and officers of the Company are aware of the existence of laws governing the accountability of directors and officers for corporate opportunity and requiring disclosure by the directors of conflicts of interest and the Company will rely upon such laws in respect of any directors' and officers' conflicts of interest in or in respect of any breaches of duty by any of its directors and officers. All such conflicts will be disclosed by such directors or officers in accordance with the *Business Corporations Act* (British Columbia) and they will govern themselves in respect thereof to the best of their ability in accordance with the obligations imposed upon them by law.

To the best of its knowledge, the Company is not aware of any such conflicts of interest.

ITEM 10: PROMOTERS

Since January 1, 2012 no person or company has acted as a promoter of the Company.

ITEM 11: LEGAL PROCEEDINGS

11.1 Legal Proceedings

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

Minera Santa Cruz y Garibaldi SA de CV, a subsidiary of Endeavour, received a MXN$238 million (US$18.3 million) assessment on October 12th, 2010 by Mexican fiscal authorities for failure to provide the appropriate support for certain expense deductions in the 2006 tax return. During the audit process the Company retained a major international accounting firm and external counsel to expedite the audit process and to ensure the delivery of the appropriate documentation. Based on the advice of our tax advisors and legal counsel, it is the Company’s view that the appropriate documentation and support for the expenses was provided and the tax assessment has no legal merit. As a result of a detailed review by the Company of its accounting records and available information to support the deductions taken, the Company has estimated a potential tax exposure of $40,000, plus an estimated additional interest and penalties of $40,000, for which the Company has made a provision in the consolidated financial statements for the year ended December 31st 2010. There has been no change in the accrual as at December 31, 2013, except for interest. On January 3rd, 2011, the Company filed a nullity action with the Federal Court of Tax and Administrative Justice. The timing of the outcome of the legal proceedings has not been determined, but may take up to an additional 2 years.

11.2 Regulatory Actions

During the year ended December 31, 2013, there were no penalties or sanctions imposed against the Company by a court relating to securities legislation or by a securities regulatory authority. During the year ended December 31, 2013, there were no settlement agreements that the Company entered into before a court relating to securities legislation or with a securities regulatory authority. Except as described in item 11.1, there are no other penalties or sanctions imposed by a court or regulatory body against the Company that would likely be considered important to a reasonable investor in making an investment decision.

ITEM 12: INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

12.1 Interest of Management and Others in Material Transactions

None of the following persons or companies has had any material interest, direct or indirect in any transaction since January 1, 2011 that has materially affected or is reasonably expected to materially affect the Company:

(a) a director or executive officer of the Company;

(b) a person or company that beneficially owns, or controls or directs, directly or indirectly more than 10% of any class or series of the outstanding voting securities of the Company; and

(c) an associate or affiliate of any of the persons or companies referred to in the above paragraphs (a) or (b).

The Company’s directors and officers may serve as directors or officers of other public resource companies or have significant shareholdings in other public resource companies and, to the extent that such other companies may participate in ventures in which the Company may participate, the directors of the Company may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. The interests of these companies may differ from time to time. See “Risk Factors – Potential Conflicts of Interest” and “Conflict of Interest”

ITEM 13: TRANSFER AGENT AND REGISTRAR

13.1 Transfer Agent and Registrar

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

ITEM 14: MATERIAL CONTRACTS

14.1 Material Contracts

Other than noted below there are no contracts that are material to the Company that were entered into during the financial year ended December 31, 2013 or prior thereto but which are still in effect, other than contracts entered into in the ordinary course of business of the Company.

- Credit facility agreement made as of July 24, 2012 between Endeavour and The Bank of Nova Scotia (“Scotiabank”) for a $75 million reducing revolving credit facility (“the Facility”). The credit limit available under the Facility will reduce by US$25 million on each of July 24, 2013 and July 24, 2014 and will mature on July 24, 2015. The Facility is for general corporate purposes and is principally secured by a pledge of Endeavour’s equity interests in its material operating subsidiaries, including Refinadora Plata Guanacevi S.A de C.V., Minas Bolañitos S.A. de C.V. and Compania Minera del Cubo S.A. de C.V.

The interest rate margin on the Facility ranges from 2.75% to 4.25% over LIBOR or 1.75% to 3.25% per annum over Scotiabank's Base Rate in Canada based on Endeavour's total indebtedness to EBITDA ratio, where EBITDA is adjusted for gains or losses on derivative liabilities. Endeavour also agreed to pay a standby fee of between 0.6875% and 1.05% per annum on undrawn amounts under the Facility and an issuance fee for letters of credit issued on behalf of Endeavour of between 2.75% and 4.25% per annum calculated on the face amount of each letter of credit, based on Endeavour's total indebtedness to EBITDA ratio. The Facility is subject to various qualitative and quantitative covenants, including EBITDA leverage ratio, interest service coverage ratio and tangible net worth calculation, none of which are in breach. As at December 31, 2013, Endeavour has drawn US$33.0 million under the Facility. During the year ended December 31, 2013, the Company extended the Facility until July 24, 2016, with a requirement to reduce the credit limit from $50 million to $25 million on July 24, 2015.

ITEM 15: INTERESTS OF EXPERTS

15.1 Names of Experts

KPMG LLP is the external auditor of the Company and reported on the fiscal 2013 audited financial statements of the Company filed on SEDAR.

The Qualified Person who completed the reserves and resources estimate for the Guanacevi Project is Mike Munroe SME-RM, an employee of Endeavour. Mr. Munroe is the author of the report*"NI 43-101 Technical Report on the Resource and Reserve Estimates for the Guanacevi Mines Project, Durango State, Mexico*" dated March 27, 2014 (effective date of December 31, 2013) filed on SEDAR.

The Qualified Person who completed the reserves and resources for the Bolañitos Mines Project is Mike Munroe SME-RM, an employee of Endeavour. Mr. Munroe is the author of the report "*NI 43-101 Technical Report on the Resource and Reserve Estimates for the Bolañitos Mines Project, Guanajuato State, Mexico*" dated March 27, 2014 (effective date of December 31, 2013) filed on SEDAR.

The Qualified Person who completed the estimate of the reserves and resources for the El Cubo Mine is Mike Munroe SME-RM. Mr. Munroe is the author of the report *"NI 43-101 Technical Report on the Resource and Reserve Estimate for the El Cubo Mines Project , Guanajuato State, Mexico*" dated March 27, 2014 (effective date of December 31, 2013 filed on SEDAR.

The Qualified Person who completed the mineral resource estimate for the San Sebastian Project is Mike Munroe SME-RM, an employee of Endeavour. Mr. Munroe is the author of the report "*NI 43-101 Technical Report on the Resource Estimates for the San Sebastian Project, Jalisco State, Mexico*" dated March 27, 2014 (effective date of December 31, 2013) filed on SEDAR.

15.2 Interests of Experts

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

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

ITEM 16: ADDITIONAL INFORMATION

16.1 Additional Information

Additional information relating to the Company may be found on SEDAR at www.sedar.com. Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans, if applicable, is contained in the Company's Information Circular pertaining to its most recent Annual General Meeting of security holders held on May 22, 2013. Additional financial information is also provided in the Company's financial statements and management's discussion and analysis for its most recently completed financial year ended December 31, 2013.

16.2 Audit Committee

1. The Audit Committee's Charter

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

2. Composition of the Audit Committee

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

Geoff Handley	Ricardo Campoy	Mario D. Szotlender	Rex McLennan

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

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

3. Relevant Education and Experience

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

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

Mario Szotlender - Mr. Szotlender is a financier and businessman with a Bachelors degree in International Relations from Universidad Central de Venezuela, Caracas, Venezuela and 20 years experience financing and managing resource projects in Central and South America.

Rex McLennan - Mr. McLennan holds a Master of Business Administration degree from McGill University and a Bachelor of Science degree from the University of British Columbia. Mr. McLennan has an ICD.D designation with the Institute of Corporate Directors. Mr. McLennan was most recently Chief Financial Officers of Viterra Inc., a major global agricultural commodity company, since February 2008, until Viterra was acquired by Glencore Plc in December 2012. He has held increasingly responsible positions in the mining and oil and gas sectors. From 1997 to 2005, he was the Executive Vice President and Chief Financial Officer for Placer Dome Inc., and prior to this held the position of Vice President and Treasurer with the same company. For more than ten years, he held positions of increasing responsibility in business planning, finance and treasury and was a Senior Advisor in the Treasurer's Department for Imperial Oil, a publicly traded Canadian subsidiary of Exxon Corporation.

4. *Reliance on Certain Exemptions*

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

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

5. *Audit Committee Oversight*

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

6. *Pre-Approval Policies and Procedures*

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

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

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

Financial Year End	**Audit Fees**(1)	**Tax Fees**(2)	**All Other Fees**
December 31, 2013	$712,700	$40,700	Nil
December 31, 2012	$587,504	$279,620	Nil

*All amounts are Canadian dollars

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

SCHEDULE "A"

ENDEAVOUR SILVER CORP. (the "Company")

Audit Committee Charter

(effective August 1, 2012)

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

1. Purpose Of Audit Committee

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

(a) The audit process;

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

(c) The system of internal financial controls.

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

2. Composition

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

3. Duties

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

3.2 The specific duties of the Committee are as follows:

(a) Management Oversight:

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

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

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

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

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

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

(b) External Auditor Oversight

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

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

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

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

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

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

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

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

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

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

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

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

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

(c) Financial Reporting Oversight

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

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

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

(d) "Whistleblower" Procedures

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

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

ENDEAVOUR SILVER

Consolidated Financial Statements

Prepared by Management

Year Ended December 31, 2013 and 2012

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Endeavour Silver Corp. ("the Company") have been prepared by management in accordance with International Financial Reporting Standards (IFRS), and within the framework of the significant accounting policies disclosed in the notes to these consolidated financial statements.

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

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

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

March 6, 2014

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

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INDEPENDENT AUDITORS' REPORT OF REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Directors of Endeavour Silver Corp.

We have audited the accompanying consolidated financial statements of Endeavour Silver Corp., which comprise the consolidated statements of financial position as at December 31, 2013 and December 31, 2012, the consolidated statements of comprehensive income (loss), changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Endeavour Silver Corp. as at December 31, 2013 and December 31, 2012, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

KPMG LLP (signed)

Chartered Accountants

March 6, 2014
Vancouver, Canada

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

	Notes	**December 31, 2013**	December 31, 2012
ASSETS			
Current assets			
Cash and cash equivalents	5	**$ 35,004**	$ 18,617
Investments	6	**1,463**	8,520
Accounts receivable	7	**23,749**	20,526
Inventories	8	**23,647**	40,797
Prepaid expenses		**3,341**	9,940
Total current assets		**87,204**	98,400
Non-current deposits		**1,186**	1,451
Mineral property, plant and equipment	10, 11	**278,533**	338,431
Goodwill	4, 11	**-**	39,245
Total assets		**$ 366,923**	$ 477,527
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		**$ 17,221**	$ 34,631
Income taxes payable		**3,259**	3,854
Derivative liabilities	15	**1,491**	-
Revolving credit facility	12	**33,000**	9,000
Total current liabilities		**54,971**	47,485
Provision for reclamation and rehabilitation	13	**6,652**	6,496
Derivative liabilities	15	**-**	5,336
Contingent liability	4	**99**	8,497
Deferred income tax liability	21	**49,053**	69,517
Total liabilities		**110,775**	137,331
Shareholders' equity			
Common shares, unlimited shares authorized, no par value, issued and outstanding 99,784,409 shares (Dec 31, 2012 - 99,541,522 shares)	Page 6	**358,408**	357,296
Contributed surplus	Page 6	**14,836**	12,828
Accumulated comprehensive income (loss)	Page 6	**(4,081)**	(5,331)
Retained earnings (deficit)		**(113,015)**	(24,597)
Total shareholders' equity		**256,148**	340,196
Total liabilities and shareholders' equity		**$ 366,923**	$ 477,527

Business acquisition (Note 4)
Commitments (Note 10) and Note 22(b))

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

ENDEAVOUR SILVER CORP.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

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

		Years Ended	
		December 31,	December 31,
	Notes	**2013**	2012
Revenue		**$ 276,783**	$ 208,079
Cost of sales:			
Direct production costs		**158,582**	91,800
Royalties	10 (a)	**1,328**	1,866
Share-based compensation	14 (b)	**515**	545
Depreciation and depletion		**53,569**	29,694
Write down of inventory to net realizable value	8	**5,874**	6,221
		219,868	130,126
Mine operating earnings		**56,915**	77,953
Expenses:			
Exploration	16	**13,168**	11,185
Impairment of non-current assets	11	**95,815**	-
Impairment of goodwill	11	**39,245**	-
General and administrative	17	**11,605**	13,136
		159,833	24,321
Operating earnings (loss)		**(102,918)**	53,632
Mark-to-market loss/(gain) on derivative liabilities	15	**(3,750)**	(1,928)
Mark-to-market loss/(gain) on contingent liability	4	**(8,398)**	589
Finance costs	18	**1,513**	484
Other income (expense):			
Foreign exchange		**(2,597)**	3,447
Investment and other income		**(1,079)**	2,152
		(3,676)	5,599
Earnings (loss) before income taxes		**(95,959)**	60,086
Income tax expense:			
Current income tax expense	21	**13,970**	15,834
Deferred income tax expense (recovery)	21	**(20,464)**	2,135
		(6,494)	17,969
Net earnings (loss) for the year		**(89,465)**	42,117
Other comprehensive income (loss), net of tax			
Net change in fair value of available for sale investments	6	**1,250**	(3,631)
Comprehensive income (loss) for the year		**$ (88,215)**	$ 38,486
Basic earnings (loss) per share based on net earnings		**$ (0.90)**	$ 0.45
Diluted earnings (loss) per share based on net earnings	14(e)	**$ (0.90)**	$ 0.42
Basic weighted average number of shares outstanding		**99,720,704**	93,266,038
Diluted weighted average number of shares outstanding	14(e)	**99,720,704**	95,728,031

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

ENDEAVOUR SILVER CORP.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

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

	Note	Number of shares	Share Capital	Contributed Surplus	Accumulated other comprehensive income (loss)	Deficit	Total Equity
Balance at December 31, 2011		87,378,748	$ 259,396	$ 8,819	$ (1,700)	$ (66,725)	$199,790
Exercise of options	14 (b)	307,800	1,787	(609)			1,178
Exercise of warrants	14 (d), 15	792,517	7,307	(29)			7,278
Share appreciation rights	14 (c)	24,929	66	(66)			-
Issued on acquisition of mineral properties, net	4	11,037,528	88,740				88,740
Share based compensation	14 (b)			4,724			4,724
Unrealized gain (loss) on available for sale assets	6				(3,789)		(3,789)
Realized gain (loss) on available for sale assets					158		158
Expiry and forfeiture of options				(11)		11	-
Earnings for the year						42,117	42,117
Balance at December 31, 2012		99,541,522	357,296	12,828	(5,331)	(24,597)	340,196
Exercise of options	14 (b)	139,000	730	(255)			475
Exercise of warrants	14 (d), 15	37,399	148	-			148
Share appreciation rights	14 (c)	66,488	234	(234)			-
Share based compensation	14 (b)			3,544			3,544
Unrealized gain (loss) on available for sale assets	6				4,341		4,341
Realized gain (loss) on available for sale assets					(3,091)		(3,091)
Expiry and forfeiture of options				(1,047)		1,047	-
Earnings (loss) for the year						(89,465)	(89,465)
Balance at December 31, 2013		99,784,409	$ 358,408	$ 14,836	$ (4,081)	$ (113,015)	$256,148

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

ENDEAVOUR SILVER CORP.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(expressed in thousands of U.S. dollars)

	Notes	Years Ended December 31, 2013	December 31, 2012
Operating activities			
Net earnings (loss) for the year		**$ (89,465)**	$ 42,117
Items not affecting cash:			
Share-based compensation	14 (b)	**3,544**	4,724
Impairment of non-current assets	11	**95,815**	-
Impairment of goodwill	11	**39,245**	-
Depreciation and depletion		**53,898**	29,952
Deferred income tax provision	21	**(20,464)**	2,135
Unrealized foreign exchange loss (gain)		**682**	(1,208)
Mark-to-market loss (gain) on derivative liability	15	**(3,750)**	(1,928)
Mark-to-market loss (gain) on contingent liability	4	**(8,398)**	589
Finance costs	18	**1,513**	484
Write down of inventory to net realizable value	8	**5,874**	6,221
Loss (gain) on marketable securities		**3,091**	(158)
Net changes in non-cash working capital	19	**(5,041)**	(6,907)
Cash from operating activities		**76,544**	76,021
Investing activites			
Property, plant and equipment expenditures	10	**(88,518)**	(66,236)
Acquisition of Mexgold Resources Inc.	4	**-**	(100,000)
Investment in short term investments		**(130)**	(28,267)
Proceeds from sale of short term investments		**5,328**	50,373
Investment in long term deposits		**(65)**	(190)
Cash used in investing activities		**(83,385)**	(144,320)
Financing activities			
Proceeds from revolving credit facility	12	**30,000**	9,000
Repayment of revolving credit facility	12	**(6,000)**	-
Debt issuance costs	12	**(144)**	(732)
Interest paid	12	**(1,101)**	(381)
Common shares issued on exercise of options and warrants	14(b)(d)	**528**	2,591
Share issuance costs		**-**	(204)
Cash from financing activites		**23,283**	10,274
Effect of exchange rate change on cash and cash equivalents		**(55)**	1,208
Increase (decrease) in cash and cash equivalents		**16,442**	(58,025)
Cash and cash equivalents, beginning of year		**18,617**	75,434
Cash and cash equivalents, end of year		**$ 35,004**	$ 18,617
Supplemental cash flow information	19		

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

1. CORPORATE INFORMATION

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

2. BASIS OF PRESENTATION

These consolidated financial statements have been prepared in accordance with and using accounting policies in full compliance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), effective for the Company's reporting for the year ended December 31, 2013.

The Board of Directors approved the consolidated financial statements for issue on March 6, 2014.

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Currency Translation

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

(b) Use of estimates and judgements

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies, the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ materially from those estimates.

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

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

Note 3(i) and Note 11	Impairment
Note 4	Business Acquisitions
Note 13	Provision for Reclamation and Rehabilitation
Note 14	Share Capital
Note 15	Derivative Liabilities
Note 21	Income Taxes

(c) Financial instruments

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

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

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

(d) Fair value of financial instruments

The fair values of the Company's cash and cash equivalents, receivables, accounts payable and accrued liabilities and the revolving credit facility approximate their carrying values due to their short terms to maturity. Investments, consisting of money market investments, marketable securities and notes are recorded at fair value with unrealized gains and losses at the reporting date recognized in comprehensive income unless unrealized losses are indicative of impairments in value, in which case they are recognized in net earnings.

(e) Cash and cash equivalents

Cash and cash equivalents consist of deposits in banks and highly liquid investments with an original maturity at the date of the purchase of no more than ninety days, or that are readily convertible into cash. Cash and cash equivalents are classified as loans and receivables.

(f) Marketable securities

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

(g) Inventories

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

(h) Mineral properties, plant and equipment

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

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

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

Where an item of plant and equipment comprises major components with different useful lives, the components are accounted for as separate items of plant and equipment and amortized separately over their useful lives.

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

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

(i) Impairment of Long-Lived Assets

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

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

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Management periodically reviews the carrying value of its exploration and evaluation assets with internal and external mining related professionals. A decision to abandon, reduce or expand a specific project is based upon many factors including general and specific assessments of reserves, forecast future metal prices, forecast 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 recoverable.

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

(j) Reclamation and rehabilitation obligations

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

In subsequent periods, the liability is adjusted for any changes in the amount or timing of the estimated future cash costs and for the accretion of discounted underlying future cash flows. The unwinding of the effect of discounting the provision is recorded as a finance cost in profit or loss for the period.

(k) Revenue recognition

The Company recognizes revenue from the sale of bullion and concentrates upon delivery when it is probable that the economic benefits associated with the transaction will flow to the Company, the risks and rewards of ownership are transferred to the customer, and the revenue can reliably measured. Revenue from the sale of concentrates is based on prevailing market prices and estimated mineral content which is subject to adjustment upon final settlement based on metal prices, weights and assays. For each reporting period until final settlement, estimates of metal prices are used to record sales. Variations between the sales price recorded at the initial recognition date and the actual final sales price at the settlement date, caused by changes in the metal prices, results in an embedded derivative in the related trade accounts receivable balance. The embedded derivative is recorded at fair value each period until final settlement occurs, with changes in fair value classified as a component of revenue. Revenue is recorded in the consolidated statement of comprehensive income, gross of treatment and refining costs paid to counterparties under the terms of the sales agreements.

(l) Share-based payments

The Company has a share option plan which is described in Note 14(b). The Company records all share-based compensation for options using the fair value method with graded vesting. Under the fair value method, share-based payments are measured at the fair value of the consideration received or the fair value of the equity instruments issued or liabilities incurred, whichever is more reliably measurable, and are charged over the vesting period. The amount recognized as an expense is adjusted to reflect the actual number of share options for which the related service and vesting conditions are met. The offset is credited to contributed surplus. Consideration received on the exercise of stock options is recorded as share capital and the related contributed surplus is transferred to share capital. For those options that expire or are forfeited after vesting, the amount previously recorded in contributed surplus is transferred to deficit.

Share-based payment expense relating to cash-settled awards, including deferred share units, are accrued over the vesting period of the units based on the quoted market value of the Company’s common shares. As these awards will be settled in cash, the expense and liability are adjusted each reporting period for changes in the underlying share price.

(m) Income taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and losses carried forward. Deferred tax assets and liabilities are measured using substantively enacted or enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the substantive enactment date. Deferred tax assets are recognized to the extent that recovery is considered probable.

(n) Earnings per share

Basic earnings per share is computed by dividing the earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the period. For all periods presented, profit available to common shareholders equals the reported profit. The Company uses the treasury stock method for calculating diluted earnings per share. Under the treasury stock method, the weighted average number of common shares outstanding used for the calculation of diluted earnings per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the year.

(o) Business combinations

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

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

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

(p) Goodwill

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

(q) Changes in accounting standards

The Company has adopted the following new standards, along with any consequential amendments, effective January 1, 2013. These changes were made in accordance with the applicable transitional provisions.

The nature and impact of each new standard and amendment applicable to the Company are described below:

IAS 1 Presentation of items of other comprehensive income (Amendment)

The amendments to IAS 1 introduced a grouping of items presented in other comprehensive income ("OCI"). Items that could be reclassified to profit or loss at a future point in time (e.g. net gain or loss on available-for-sale financial assets) shall be presented separately from items that will never be reclassified. This amendment had no impact on the Company's presentation as the components of OCI pertain only to net gains or losses on marketable securities classified as available-for-sale financial assets.

IFRS 10 Consolidated Financial Statements

In May 2011, the IASB issued IFRS 10, *Consolidated Financial Statements*, to replace IAS 27, *Consolidated and Separate Financial Statements* and SIC 12, *Consolidation – Special Purpose Entities*. The new consolidation standard changes the definition of control so that the same criteria apply to all entities, both operating and special purpose entities, to determine control. The revised definition focuses on the need to have both power and variable returns before control is present. The adoption of IFRS 10 did not result in any change in the consolidation status of any of the Company's subsidiaries or investees.

IFRS 11 Joint Arrangements

In May 2011, the IASB issued IFRS 11, *Joint Arrangements*, to replace IAS 31, *Interests in Joint Ventures*. The new standard defines two types of arrangements: Joint Operations and Joint Ventures. The focus of the standard is to reflect the rights and obligations of the parties involved in the joint arrangement, regardless of whether the joint arrangement operates through a separate legal entity. Joint arrangements that are classified as joint ventures are accounted for using the equity method of accounting. Joint arrangements that are classified as joint operations require the venturers to recognize the individual assets, liabilities, revenues and expenses to which they have legal rights or are responsible. The adoption of IFRS 11 did not result in any changes to the Company's consolidated financial statements.

IFRS 12 Disclosure of Interests in Other Entities

In May 2011, the IASB issued IFRS 12, *Disclosure of Interests in Other Entities*, to create a comprehensive disclosure standard to address the requirements for subsidiaries, joint arrangements and associates including the reporting entity's involvement with other entities. It also includes requirements for unconsolidated structured entities (i.e. special purpose entities). The Company adopted IFRS 12 effective January 1, 2013. The adoption of IFRS 12 did not result in any changes to the Company's consolidated financial statements.

IFRS 13 Fair Value Measurement

In May 2011, the IASB issued IFRS 13, *Fair Value Measurement* as a single source of guidance for all fair value measurements required by IFRS to reduce the complexity and improve consistency across its application. The standard provides a definition of fair value and guidance on how to measure fair value as well as a requirement for enhanced disclosures. The Company adopted IFRS 13 on a prospective basis.

IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7, *Financial Instruments: Disclosures*. Some of these disclosures are specifically required by IAS 34 for financial instruments, thereby affecting the consolidated financial statements. The Company has provided these disclosures in note 22.

The Company has not early adopted any other standard, interpretation or amendment in the consolidated financial statements that have been issued, but not yet effective.

A number of new standards, amendments to standards and interpretations, are not yet effective for the year ended December 31, 2013, and have not been applied in preparing these consolidated financial statements. The following pronouncements are those that the Company considers most significant and are not intended to be a complete list of new pronouncements that may affect the financial statements.

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

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

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

4. BUSINESS ACQUISTION

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

As a result of the acquisition, the Company owns the El Cubo silver-gold mine located in Guanajuato, Mexico and the Guadalupe y Calvo silver-gold exploration project located in Chihuahua, Mexico. The results of Mexgold, which include its wholly-owned subsidiaries, were consolidated commencing on July 13, 2012. Total estimated consideration of $203,487 was determined as follows:

Purchase Cost		
Cash paid	$	100,000
Common shares issued(1)		88,944
Contingent consideration(2)		7,908
Estimated working capital adjustment(3)		6,635
	$	203,487

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

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

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

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

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

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

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

As at December 31, 2013, a decrease in the gold price and a movement in the gold forward curve resulted in a $8,398 mark-to-market gain (December 31, 2012 - $589 mark-to-market loss). The fair value of the contingent consideration as at December 31, 2013 was determined to be $99 (December 31, 2012 - $8,497).

(3) The purchase agreement with AuRico stipulated there would be an adjustment of the purchase price based on the working capital of the consolidated Mexgold entity as at the acquisition date. The purchase price was adjusted upward by the amount of the working capital at the acquisition date. During the year, the Company and the counterparty agreed on a final working capital adjustment, resulting in a $138 increase in the estimated purchase price and a corresponding change in the value of inventory acquired.

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

The purchase price is allocated to the underlying assets acquired and liabilities assumed, based upon their estimated fair values at the date of acquisition. Final fair values were determined based on independent appraisals, discounted cash flow models, and quoted market prices, as deemed appropriate. The Company has incurred acquisition-related costs totaling $789 in the form of advisory, legal and professional fees, which were included in general and administrative costs in the statement of comprehensive income for the year ended December 31, 2012.

The following sets forth the final allocation of the purchase price to assets acquired and liabilities assumed, based on estimates of fair values.

Summary of purchase price allocation:

Assets:		
Cash and cash equivalents	$	843
Receivables		7,306
Inventories		5,000
Prepaid expenses		228
Plant and equipment		10,161
Mineral properties		197,536
Goodwill		39,245
Total assets		260,319
Liabilities:		
Accounts payable and accrued liabilities		(6,521)
Provision for reclamation and rehabilitation		(3,735)
Deferred income tax liability		(46,576)
Total liabilities		(56,832)
Net identifable assets acquired	$	203,487

Included in the financial statements are $14,779 in revenues and $10,939 in net loss for Mexgold for the period from July 13, 2012 to December 31, 2012. Had the acquisition occurred on January 1, 2012 management estimates the Company's sales would have been $237,693 and profit would have been $32,580 for the year ended December 31, 2012.

In accordance with our accounting policy, goodwill was tested for impairment at the end of the fourth quarter. When there is an indicator of impairment of non-current assets within a cash generating unit ("CGU") containing goodwill, management tests the non-current assets for impairment first and recognizes any impairment loss on the non-current assets before testing the CGU containing the goodwill for impairment. The recoverable amount of each CGU has been determined based on its fair value less costs to sell, which has been determined to be greater than the value in use model. See note 11 for the impairment assessment of non-current assets and goodwill.

Under the terms of the acquired Las Torres lease, the Company was required to provide financial guarantees to the owner of the Las Torres Facility as security against any environmental damages. As at December 31, 2013, there was a $1,000 letter of credit provided by the Company as security to the owner of the Las Torres facility.

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

5. CASH AND CASH EQUIVALENTS

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

	December 31 2013	December 31 2012
Bank balances	**$ 35,004**	$ 18,617
Short term deposits	**-**	-
	$ 35,004	$ 18,617

6. INVESTMENTS

	December 31 2013	December 31 2012
Notes receivable:		
Carrying value	**$ -**	$ 2,133
Unrealized gain (loss)	**-**	1,837
Unrealized foreign exchange gain (loss)	**-**	357
	-	4,327
Investment in marketable securities, at cost	**5,544**	11,698
Unrealized gain (loss) on marketable securities	**(3,772)**	(7,723)
Unrealized foreign exchange gain (loss)	**(309)**	218
	1,463	4,193
	$ 1,463	$ 8,520

At December 31, 2012, the Company held Canadian dollar denominated restructured Asset Backed Commercial Paper Notes (the "Notes") that were obtained in February 2009 from the restructuring of Canadian Asset Backed Commercial Paper ("ABCP").

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

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

In March 2013, the Company disposed of the Notes for proceeds of $4,392. On disposition of the Notes, the Company recognized a gain in investment and other income of $2,260 in net earnings for the year, which represents the cumulative gain previously recognized in other comprehensive income.

Marketable securities are classified as Level 1 in the fair value hierarchy (see note 22) and as available-for-sale financial assets. The fair value of available-for-sale investments are determined based on a market approach reflecting the closing price of each particular security at the reporting date. The closing price is a quoted market price obtained from the exchange that is the principal active market for the particular security, being the market with the greatest volume and level of activity for the assets.

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

7. ACCOUNTS RECEIVABLE

	Note	**December 31 2013**	December 31 2012
Trade receivables		**$ 10,263**	$ -
IVA receivables		**12,717**	17,711
Income tax receivables		**411**	1,914
Due from related parties	9	**248**	136
Other receivables		**110**	765
		$ 23,749	$ 20,526

The trade receivables consist of receivables from provisional silver and gold sales from the Bolanitos and El Cubo mines. The fair value of receivables arising from concentrate sales contracts that contain provisional pricing mechanisms is determined using the appropriate quoted closing price on the measurement date from the exchange that is the principal active market for the particular metal. As such, these receivables, which meet the definition of an embedded derivative, are classified within Level 1 of the fair value hierarchy (see note 22).

8. INVENTORIES

	December 31 2013	December 31 2012
Warehouse inventory	**$ 10,522**	$ 9,273
Stockpile inventory (1)	**8,530**	8,691
Finished goods inventory (2)(3)	**1,023**	18,691
Work in process inventory (3)	**3,572**	4,142
	$ 23,647	$ 40,797

(1) The Company has stockpiled 128,604 tonnes of mined ore as of December 31, 2013 (December 31, 2012 – 113,134 tonnes).

(2) The Company held 51,000 silver ounces and 198 gold ounces as of December 31, 2013 (December 31, 2012 – 611,661 and 8,934, respectively). These ounces are carried at the lesser of cost and net realizable value; however, as at December 31, 2013, the quoted market value of the silver ounces is $995 (December 31, 2012 - $18,319) and the quoted market value of the gold ounces is $238 (December 31, 2012 - $14,804).

(3) The finished goods and work in process inventory balances at December 31, 2013 include a write down to net realizable value of $664 for work in process inventory held by the El Cubo mine. Of this amount, $234 (December 31, 2012 - $1,918) is comprised of cash costs and $430 (December 31, 2012 - $958) relates to depreciation and depletion. The total write down for the year of $5,874 also includes previous write downs to net realizable value of $4,171 at quarter ends for work in process and finished goods inventory held by the El Cubo mine, which was subsequently sold in the fourth quarter. Of this amount, $2,852 is comprised of cash costs and $1,319 of depreciation and depletion. The carrying amount of this inventory, at net realizable value is $6,685 as at December 31, 2013. The total write down for the year of $5,874 also includes previous write downs to net realizable value of $1,039 at quarter ends for finished goods inventory held by the Guanacevi mine, which was subsequently sold in the fourth quarter. Of this amount, $769 is comprised of cash costs and $270 of depreciation and depletion.

9. RELATED PARTY TRANSACTIONS

The Company shares common administrative services and office space with related party companies, with directors and management in common, and from time to time will incur third party costs on behalf of the related parties on a full cost recovery basis. The Company has a $248 net receivable related to administration costs and other items outstanding as of December 31, 2013 (December 31, 2012 – $136).

One of the related parties that the Company shares administrative services and office space with has been unable to meet its obligations. Therefore, the Company has provided an allowance totaling $181 at December 31, 2013 (December 31, 2012 - $181).

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

The Company was charged $129 for legal services from a legal firm in which the Company's Corporate Secretary is a partner (December 31, 2012 - $527). The Company has $8 payable related to legal costs outstanding as at December 31, 2013 (December 31, 2012 - $10).

Key management personnel

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

	Dec 31, 2013	Dec 31, 2012
Salaries and short-term employee benefits	**$ 4,233**	$ 3,309
Non-executive directors' fees	**180**	280
Share-based payments	**3,337**	4,012
	$ 7,750	$ 7,601

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

The share-based payments includes the change in the non-executive directors cash settled deferred share units fair value over each reporting period and payments of deferred share units. During the year ended December 31, 2013, the Company granted 85,491 cash settled deferred share units with a market value of $337,045 at the date of grant. At December 31, 2013 the market value of the cash settled deferred share units is $306,780, with the change recognized in the profit and loss statement.

10. MINERAL PROPERTY, PLANT AND EQUIPMENT

Mineral property, plant and equipment comprise:

	Mineral property	Plant	Machinery & equipment	Building	Transport & office equipment	Total
Cost						
Balance at December 31, 2011	$ 90,365	$ 37,431	$ 26,634	$ 2,812	$ 3,560	$ 160,802
Additions	41,413	10,862	10,376	1,194	2,104	65,949
Acquisition of Mexgold	197,536	3,592	3,324	2,715	530	207,697
Disposals	-	-	-	-	(167)	(167)
Balance at December 31, 2012	329,314	51,885	40,334	6,721	6,027	434,281
Additions	38,761	35,034	11,675	1,977	1,218	88,665
Disposals	-	(16)	-	-	(114)	(130)
Balance at December 31, 2013	**$ 368,075**	**$ 86,903**	**$ 52,009**	**$ 8,698**	**$ 7,131**	**$ 522,816**
Accumulated amortization and impairment						
Balance at December 31, 2011	$ 50,888	$ 8,632	$ 5,177	$ 751	$ 1,826	$ 67,274
Amortization	21,343	2,827	3,382	263	886	28,701
Disposals	-	-	-	-	(125)	(125)
Balance at December 31, 2012	72,231	11,459	8,559	1,014	2,587	95,850
Amortization	39,091	5,964	5,319	703	1,634	52,711
Impairment	81,743	14,072	-	-	-	95,815
Disposals	-	-	-	-	(93)	(93)
Balance at December 31, 2013	**$ 193,065**	**$ 31,495**	**$ 13,878**	**$ 1,717**	**$ 4,128**	**$ 244,283**
Net book value						
At December 31, 2012	$ 257,083	$ 40,426	$ 31,775	$ 5,707	$ 3,440	$ 338,431
At December 31, 2013	**$ 175,010**	**$ 55,408**	**$ 38,131**	**$ 6,981**	**$ 3,003**	**$ 278,533**

As of December 31, 2013, the Company had $940 committed for capital equipment purchases in 2014.

(a) Guanacevi, Mexico

In June 2005, the Company acquired nine silver mining properties in the Guanacevi district, Durango, Mexico, from Industrias Peñoles S.A. de C.V. ("Peñoles"). The Company is required to send all mineral production from these properties to the Peñoles smelter in Torreon, Mexico, for smelting and refining. Peñoles retains a 3% net proceeds royalty on future production after deduction of all shipping and smelting costs, including taxes and penalties, if any. In 2013, the Company paid $1,328 in royalties (2012 - $1,866).

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

(b) Bolanitos, Mexico

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

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

(c) Cubo, Mexico

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

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

(d) Guadalupe Y Calvo, Mexico

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

(e) San Sebastian, Mexico

In February 2010, the Company acquired the option to purchase a 100% interest in the San Sebastian properties, located in Jalisco, Mexico by paying a total of $2,750 over three years. As of December 31, 2013, the Company has paid $2,750 and acquired a 100% interest in the San Sebastian properties. The Company is required to pay a 2% net smelter royalty ("NSR") royalty on any production from the San Sebastian properties.

(f) El Inca, Chile

In October 2012, the Company acquired the option to purchase a 75% interest in the El Inca properties, located in Chile, by paying a total of $2,000 over four years, of which the Company paid $250 to date, and completing $5,000 on exploration expenditures over four years. The Company also must deliver a report of an estimate of resources and a pre-feasibility study report before the end 2016. The Company is required to pay a 3.5% NSR royalty, which may be reduced to a 2.5% NSR royalty by a payment of $1,000, on any production from the El Inca properties.

(g) Mineral property contingencies

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

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

11. IMPAIRMENT OF NON CURRENT ASSETS AND GOODWILL

The recoverable amounts of the Company's CGUs, which include mining properties, plant and equipment and allocated goodwill, are determined on an annual basis and circumstances result in impairment indicators. As at December 31, 2013, the Company determined there were several indicators of potential impairment of its producing mineral properties which include the sustained decline in precious metal prices, the Mexican tax reform (see note 22) and a reduction of the Guanacevi estimated reserves and resources. The recoverable amounts are based on each CGUs future cash flows expected to be derived from the Company's mining properties and represents each CGUs value in use. The cash flows are determined based on the life-of-mine after tax cash flow forecast which incorporate management's best estimates of future metal prices, production based on current estimates of recoverable reserves and resources, exploration potential, future operating costs and non-expansionary capital expenditures.

At December 31, 2013 the Company tested the recoverability of its operating assets, resulting in a detailed review of the Guanacevi and El Cubo operations. The Company forecast future operating and capital costs, analysts' consensus pricing for the first five years of its economic model and then used a long term silver price of $22 per ounce, a long term gold price of $1,300 per ounce and a risk adjusted project specific discount rate of 8% based on the CGUs weighted average cost of capital. Due to the sensitivity of the recoverable amounts to the various factors mentioned and specifically long term metal prices as well as unforeseen factors, any significant change in the key assumptions and inputs could result in additional impairment charges in future periods.

At December 31, 2013 the carrying value related to the Guanacevi CGU was $74,771 and net of associated deferred income tax liabilities of $15,394, was greater than its estimated recoverable amount of $23,113, calculated on a discounted cash flow basis. The Company considers use of its internal discounted cash flow economic models as a proxy for the calculation of value in use. Based on the above assessment, at December 31, 2013, the Company recorded an impairment charge related to the Guanacevi mine of $36,264, net of tax ($51,378 before tax).

At December 31, 2013 the carrying value related to the El Cubo CGU was $270,871, including goodwill of $39,245 and net of associated deferred income tax liabilities of $67,468 was greater than its estimated recoverable amount of $135,386, calculated on a discounted cash flow basis. The Company considers use of its internal discounted cash flow economic models as a proxy for the calculation of fair value in use. Based on the above assessment at December 31, 2013, the Company recorded an impairment charge related to the El Cubo CGU of $68,017, net of tax, comprised of goodwill $39,245 and non-current assets of $28,772 ($44,437 before tax).

The impairment charge on mineral property plant and equipment for the year ended December 31, 2013 is $65,036 net of tax ($95,815 before tax) and has been recognized in the statement of Comprehensive Income (Loss) (December 31, 2012 – nil). The impairment charge on goodwill for the year ended December 31, 2013 is $39,245 and has been recognized in the statement of comprehensive income (loss) (December 31, 2012 – nil).

The Company reviewed the Bolanitos CGU for impairment, which resulted in the estimated value in use being significantly greater than its carrying value.

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

12. REVOLVING CREDIT FACILITY

On July 24, 2012, the Company entered into a $75 million revolving credit facility ("the Facility") reducing over three years with Scotia Capital. The purpose of the Facility is for general corporate purposes and is principally secured by a pledge of the Company's equity interests in its material operating subsidiaries, including Refinadora Plata Guanacevi SA de CV, Minas Bolanitos SA de CV and Compania Minera del Cubo SA de CV. The interest rate margin on the Facility ranges from 2.75% to 4.25% over LIBOR based on the Company's net debt to EBITDA ratio, where EBITDA is adjusted for gains or losses on derivative liabilities. The Company agreed to pay a commitment fee of between 0.69% and 1.05% on undrawn amounts under the facility based on the Company's net debt to EBITDA ratio. The Facility is subject to various qualitative and quantitative covenants, including debt to EBITDA leverage ratio, interest service coverage ratio and a tangible net worth calculation. The Company is in compliance with all such covenants as at December 31, 2013. At December 31, 2013, the Company had drawn $33,000 on this facility and has recognized $1,474 of interest expense (December 31, 2012 - $452) in financing costs. On July 24, 2013, as part of the facility agreement, the capacity of the Facility was reduced to $50 million. During the year ended December 31, 2013, the Company extended the Facility until July 24, 2016, with a requirement to reduce the credit limit from $50 million to $25 million on July 24, 2015.

The Company has deferred commitment fees and legal costs of $937 which are being recognized over the life of the facility. For the year ended December 31, 2013, $254 of the deferred commitment fees and legal costs were amortized (December 31, 2012 - $71).

13. PROVISON FOR RECLAMATION AND REHABILITATION

The Company's environmental permit requires that it reclaim certain land it disturbs during mining operations. Significant reclamation and closure activities include land rehabilitation, decommissioning of buildings and mine facilities, ongoing care and maintenance and other costs. Although the ultimate amount of the reclamation and rehabilitation costs to be incurred cannot be predicted with certainty, the total undiscounted amount of probability weighted estimated cash flows required to settle the Company's estimated obligations is $1,722 for the Guanacevi mine operations, $1,006 for the Bolanitos mine operations and $3,624 for the El Cubo mine operations.

The timing of cash flows has been estimated based on the mine lives using current reserves and the present value of the probability weighted future cash flows assumes a risk free rate specific to the liability of 0.34% for Guanacevi, 0.14% for Bolanitos and 0.34% for El Cubo and an inflation rate of 1.83% for Guanacevi, 1.50% for Bolanitos and 1.83% for El Cubo.

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

Balance at December 31, 2011	$	2,729
Changes during the period:		
Liability incurred on acquisition of El Cubo		3,735
Unwinding of discount for the year		32
Balance at December 31, 2012		6,496
Unwinding of discount for the year		39
Change in liability due to change in assumptions		117
Balance at December 31, 2013	**$**	**6,652**

14. SHARE CAPITAL

(a) The Company considers the items included in the consolidated statement of changes in equity as capital. The Company's objective when managing capital is to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares through private placements, convertible debentures, asset acquisitions or return capital to shareholders. As at December 31, 2013, the Company is not subject to externally imposed capital requirements.

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

(b) Purchase Options

Options to purchase common shares have been granted to directors, officers, employees and consultants pursuant to the current Company's stock option plan approved by the Company's shareholders in fiscal 2009 and ratified in 2012, at exercise prices determined by reference to the market value on the date of grant. The stock option plan allows for, with approval by the Board, granting of options to its directors, officers, employees and consultants to acquire up to 7.5% of the issued and outstanding shares at any time.

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

Expressed in Canadian dollars	**Year Ended December 31, 2013**		Year Ended December 31, 2012	
	Number of Shares	**Weighted average exercise price**	Number of Shares	Weighted average exercise price
Outstanding, beginning of year	**4,171,450**	**$5.87**	3,697,000	$5.07
Granted	**2,022,500**	**$4.12**	1,070,250	$8.46
Exercised [1]	**(259,000)**	**$3.56**	(346,800)	$3.67
Cancelled	**(239,400)**	**$8.20**	(249,000)	$8.14
Outstanding, end of year	**5,695,550**	**$5.26**	4,171,450	$5.87
Options exercisable at period-end	**4,307,550**	**$5.45**	3,423,850	$5.33

[1] There were 120,000 options with an exercise price of $3.67 that were cancelled in exchange for 66,488 share appreciation rights during the year ended December 31, 2013 (December 31, 2012 – 39,000 options priced with a weighted average price of CAN $3.05 were cancelled in exchange for 24,929 share appreciation rights). Subsequent to year end, 200,000 options have been exercised.

The following tables summarize information about stock options outstanding at December 31, 2013:

	Expressed in Canadian dollars				
	Options Outstanding			Options Exercisable	
CAN $ Price Intervals	Number Outstanding as at Dec 31, 2013	Weighted Average Remaining Contractual Life (Number of Years)	Weighted Average Exercise Prices	Number Exercisable as at Dec 31, 2013	Weighted Average Exercise Prices
$1.00 - $1.99	300,000	0.5	$1.87	300,000	$1.87
$2.00 - $2.99	40,000	3.5	$2.01	40,000	$2.01
$3.00 - $3.99	1,407,400	1.2	$3.53	1,407,400	$3.53
$4.00 - $4.99	2,022,500	4.4	$4.12	809,000	$4.12
$8.00 - $8.99	1,925,650	2.9	$8.31	1,751,150	$8.29
	5,695,550	2.9	$5.26	4,307,550	$5.45

During the year ended December 31, 2013, the Company recognized share based compensation expense of $3,544 (December 31, 2012 - $4,724) based on the fair value of the vested portion of options granted in current and prior years.

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

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

	Year Ended December 31, 2013	Year Ended December 31, 2012
Weighted average fair value of options granted during the year	$1.61	$4.41
Risk-free interest rate	1.20%	1.28%
Expected dividend yield	0%	0%
Expected stock price volatility	57%	73%
Expected option life in years	3.27	3.81

Option pricing models require the input of highly subjective assumptions. The expected life of the options considered such factors as the average length of time similar option grants in the past have remained outstanding prior to exercise, expiry or cancellation and the vesting period of options granted. Volatility was estimated based on average daily volatility based on historical share price observations over the expected term of the option grant. Changes in the subjective input assumptions can materially affect the estimated fair value of the options. The Company amortizes the fair value of stock options on a graded basis over the respective vesting period of each tranche of stock options awarded. As at December 31, 2013, the unvested share option expense not yet recognized was $1,130 (December 31, 2012 -$1,425) which is expected to be recognized over the next 17 months.

(c) Share Appreciation Rights Plan

The Company's share appreciation rights plan allows a participant the right (the "Right"), when entitled to exercise an option, to terminate such option in whole or in part by notice in writing to the Company and in lieu of receiving common shares pursuant to the exercise of the option, and receive instead, at no cost to the participant, that number of common shares, disregarding fractions, which, when multiplied by the market price on the day immediately prior to the exercise of the Right have a total value equal to the product of that number of common shares subject to the option times the difference between the market price on the day immediately prior to the exercise of the Right and the option exercise price. During fiscal 2013, 120,000 options (2012 – 39,000) were cancelled for the exchange of 66,488 share appreciation rights (2012 – 24,929).

(d) Warrants

The following table summarizes the status of the Company's share purchase warrants and changes during the years presented:

Exercise Price	Expiry Dates	Oustanding at December 31, 2012	Issued	Exercised	Expired	Oustanding at December 31, 2013
CAN $						
$1.90	February 25, 2014	475,000	-	-	-	475,000
$1.51	February 25, 2014	25,292	-	-	-	25,292
$1.90	February 26, 2014	322,207	-	-	-	322,207
$2.05	February 26, 2014	427,098	-	(52,630)	-	374,468
		1,249,597	-	(52,630)	-	1,196,967

The warrants with an expiry date of February 26, 2014, consist of agent warrants issued for placing debentures and warrants issued on conversion of debentures, and are eligible to be exercised "cashless" in which event no payment of the exercise price is required and the holder receives the number of shares based upon the intrinsic value of the warrants over the five day trading average share price of the Company prior to exercise. For the year ended December 31, 2013, 26,315 warrants (December 31, 2012 – 117,039) were elected by the holders to be exercised "cashless" resulting in 11,084 (December 31, 2012 – 95,283) shares being issued. Subsequent to December 31, 2013, all of the warrants were exercised.

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

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

(e) Diluted Earnings per Share

	Note	Year ended **Dec 31 2013**	Dec 31 2012
Basic earnings (loss)		**$ (89,465)**	$ 42,117
Effect of dilutive securities:			
Mark-to-market (gain) on warrant derivative liability	15	**-**	(1,928)
Diluted earnings		**$ (89,465)**	$ 40,189
Basic weighted average number of shares outstanding		**99,720,704**	93,266,038
Effect of dilutive securities:			
Stock options		**-**	1,479,233
Share purchase warrants		**-**	276,053
Share purchase warrants with embedded derivative liabilities		**-**	706,707
Diluted weighted average number of share outstanding		**99,720,704**	95,728,031
Diluted earnings (loss) per share		**$ (0.90)**	$ 0.42

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

15. DERIVATIVE LIABILITIES

Warrants

Equity offerings were completed in previous periods whereby warrants were issued with exercise prices denominated in Canadian dollars. As the warrants have an exercise price denominated in a currency which is different from the functional currency of the Company (US dollar), the warrants are treated as a financial liability. The Company's share purchase warrants are classified and accounted for as a financial liability at fair value with changes in fair value recognized in net earnings. The warrant derivative liability is classified as level 2 in the fair value hierarchy (see note 22). The Company uses the Black-Scholes Option Pricing Model to estimate the fair value of the Canadian dollar denominated warrants. Subsequent to year end, all of the warrants were exercised.

Balance at December 31, 2011	$	13,130
Exercise of derivative liability		(5,866)
Mark to market loss (gain)		(1,928)
Balance at December 31, 2012		5,336
Exercise of derivative liability		(95)
Mark to market loss (gain)		(3,750)
Balance at December 31, 2013	$	1,491

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

	Year Ended Dec. 31, 2013	**Year Ended Dec. 31, 2012**
Outstanding warrants	849,468	902,098
Weighted average fair value of warrants at year end	$1.75	$5.92
Risk-free interest rate	0.88%	1.12%
Expected dividend yield	0%	0%
Expected stock price volatility	45%	46%
Expected warrant life in years	0.2	1.2

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

16. EXPLORATION

	Year ended			
		December 31 2013		December 31 2012
Depreciation and depletion	**$**	**138**	$	121
Share-based compensation		**150**		298
Salaries, wages and benefits		**2,731**		1,920
Direct exploration expenditures		**10,149**		8,846
	$	**13,168**	$	11,185

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

17. GENERAL AND ADMINISTRATIVE

	Year ended	
	December 31 2013	December 31 2012
Depreciation and depletion	**$ 191**	$ 138
Share-based compensation	**2,879**	3,881
Salaries, wages and benefits	**4,579**	3,587
Direct general and administrative expenditures	**3,956**	5,530
	$ 11,605	$ 13,136

18. FINANCE COSTS

	Year ended	
	December 31 2013	December 31 2012
Accretion on provision for reclamation and rehabilitation	**$ 39**	$ 32
Revolving credit facility finance costs	**1,474**	452
	$ 1,513	$ 484

19. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	Year Ended December 31 2013	Year Ended December. 31 2012
Net changes in non-cash working capital		
Accounts receivable	**$ (3,111)**	$ (25,387)
Inventories	**9,487**	(13,525)
Prepaid expenses	**6,599**	6,167
Due from related parties	**(112)**	(81)
Accounts payable and accrued liabilities	**(17,309)**	25,547
Income taxes payable	**(595)**	372
	$ (5,041)	$ (6,907)
Non-cash financing and investing activities:		
Reclamation included in mineral property, plant and equipment	**$ 117**	$ 3,735
Fair value of exercised options allocated to share capital	**255**	609
Fair value of shares issued under the share appreciation rights plan	**234**	66
Fair value of exercised agent warrants allocated to share capital	**-**	29
Fair value of equity issued on business acquisition	**-**	88,944
Other cash disbursements:		
Income taxes paid	**$ 15,516**	$ 18,305

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

20. SEGMENT DISCLOSURES

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

	Dec 31, 2013					
	Corporate	Exploration	Guanacevi	Bolanitos	El Cubo	Total
Cash and cash equivalents	$ 6,991	$ 143	$ 9,696	$ 13,880	$ 4,294	$ 35,004
Investments	1,463	-	-	-	-	1,463
Accounts receivables	374	78	3,204	9,807	10,286	23,749
Inventories	-	-	12,138	6,675	4,834	23,647
Prepaid expenses	1,562	242	517	220	800	3,341
Non-current deposits	331	56	582	143	74	1,186
Mineral property, plant and equipment	231	4,321	23,392	58,399	192,190	278,533
Goodwill	-	-	-	-	-	-
Total assets	$ 10,952	$ 4,840	$ 49,529	$ 89,124	$ 212,478	$ 366,923
Accounts payable and accrued liabilities	$ 4,931	$ 365	$ 4,219	$ 2,713	$ 4,993	$ 17,221
Income taxes payable	411	-	-	2,848		3,259
Derivative liabilities	1,491	-	-	-	-	1,491
Revolving credit facility	33,000	-	-	-	-	33,000
Provision for reclamation and rehabilitation	-	-	1,846	1,039	3,767	6,652
Contingent liability	99	-	-	-	-	99
Deferred income tax liability	172	-	2,090	20,372	26,419	49,053
Total liabilities	$ 40,104	$ 365	$ 8,155	$ 26,972	$ 35,179	$ 110,775

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

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

	Corporate	Exploration	Guanacevi	Bolanitos	El Cubo	Total
			Year ended Dec. 31, 2013			
Silver revenue	$ -	$ -	$ 64,910	$ 72,288	$ 28,028	$ 165,226
Gold revenue	-	-	9,418	77,152	24,987	111,557
Total revenue	$ -	$ -	$ 74,328	$ 149,440	$ 53,015	$ 276,783
Salaries, wages and benefits:						
mining	$ -	$ -	$ 7,733	$ 6,651	$ 9,882	$ 24,266
processing	-	-	2,454	1,941	2,052	6,447
administrative	-	-	3,901	4,961	4,055	12,917
stock based compensation	-	-	172	172	171	515
change in inventory	-	-	317	2,495	1,340	4,152
Total salaries, wages and benefits	-	-	14,577	16,220	17,500	48,297
Direct costs:						
mining	-	-	16,687	19,197	11,125	47,009
processing	-	-	12,800	21,727	7,717	42,244
administrative	-	-	3,235	3,208	4,897	11,340
change in inventory	-	-	876	6,743	2,588	10,207
Total direct production costs	-	-	33,598	50,875	26,327	110,800
Depreciation and depletion:						
depreciation and depletion	-	-	15,684	11,596	22,410	49,690
change in inventory	-	-	245	2,366	1,268	3,879
Total depreciation and depletion	-	-	15,929	13,962	23,678	53,569
Royalties	-	-	1,328	-	-	1,328
Write down of inventory to NRV	-	-	1,039	-	4,835	5,874
Total cost of sales	$ -	$ -	$ 66,471	$ 81,057	$ 72,340	$ 219,868
Impairment on non-current assets and goodwill	-	-	51,379	-	83,681	135,060
Earnings (loss) before taxes	(4,646)	(13,168)	(43,522)	68,383	(103,006)	(95,959)
Current income tax expense	2,802		616	10,552	-	13,970
Deferred income tax expense (recovery)	(57)		(6,711)	3,392	(17,088)	(20,464)
Total income tax expense	2,745	-	(6,095)	13,944	(17,088)	(6,494)
Net earnings (loss)	$ (7,391)	$ (13,168)	$ (37,427)	$ 54,439	$ (85,918)	$ (89,465)

	Corporate	Exploration	Guanacevi	Bolanitos	El Cubo	Total
			Year ended Dec. 31, 2012			
Silver revenue	$ -	$ -	$ 90,977	$ 50,375	$ 7,862	$ 149,214
Gold revenue	-	-	14,063	37,885	6,917	58,865
Total revenue	$ -	$ -	$ 105,040	$ 88,260	$ 14,779	$ 208,079
Salaries, wages and benefits:						
mining	$ -	$ -	$ 6,166	$ 6,290	$ 1,821	$ 14,277
processing	-	-	2,037	1,385	692	4,114
administrative	-	-	3,344	3,068	576	6,988
stock based compensation	-	-	211	223	111	545
change in inventory	-	-	1,173	(1,143)	1,550	1,580
Total salaries, wages and benefits	-	-	12,931	9,823	4,750	27,504
Direct costs:						
mining	-	-	17,579	10,705	2,727	31,011
processing	-	-	9,970	10,910	2,594	23,474
administrative	-	-	2,959	3,037	1,541	7,537
change in inventory	-	-	4,573	(4,663)	2,909	2,819
Total direct production costs	-	-	35,081	19,989	9,771	64,841
Depreciation and depletion:						
depreciation and depletion	-	-	12,725	8,866	7,636	29,227
change in inventory	-	-	1,386	1,306	(2,225)	467
Total depreciation and depletion	-	-	14,111	10,172	5,411	29,694
Royalties	-	-	1,866	-	-	1,866
Write down of inventory to NRV	-	-	-	-	6,221	6,221
Total cost of sales	$ -	$ -	$ 63,989	$ 39,984	$ 26,153	$ 130,126
Earnings (loss) before taxes	(6,682)	(11,185)	41,051	48,276	(11,374)	60,086
Current income tax expense			6,408	9,332	94	15,834
Deferred income tax expense (recovery)			(2,684)	7,902	(3,083)	2,135
Total income tax expense	-	-	3,724	17,234	(2,989)	17,969
Net earnings (loss)	$ (6,682)	$ (11,185)	$ 37,327	$ 31,042	$ (8,385)	$ 42,117

The Exploration segment included $2,184 of costs incurred in Chile for the year ended December 31, 2013 (2012 - $740).

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

21. INCOME TAXES

(a) Tax Assessments

On February 18, 2013, the Mexican tax administration published temporary regulations on the tax amnesty program enacted in December 2012. Under the tax amnesty, available until May 31, 2013, taxpayers were able to settle tax liabilities for years 2006 and prior with forgiveness of up to 80% of the omitted tax and inflation adjustments and up to 100% of interest and penalties. Further, interest and penalties on qualified liabilities arising after 2007 will be eligible for a 100% forgiveness.

Refinadora Plata Guanacevi SA de CV, a subsidiary of the Company, received a MXN$63 million (US$4.8 million) assessment on May 7, 2011 by Mexican fiscal authorities for failure to provide the appropriate support for certain expense deductions taken in the entity's 2006 tax return. During the audit process, the Company retained an international accounting firm and external counsel to expedite the audit process and to ensure the delivery of the appropriate documentation. Based on the advice of our tax advisors and legal counsel, it was the Company's view that it had provided the appropriate documentation and support for the expenses; however the Company estimated a potential tax exposure of $425, plus additional interest and penalties of $460, for which the Company made a provision in the consolidated financial statements for the year ended December 31, 2012. On May 30, 2013, under the tax amnesty program the Company paid $561 to settle the dispute. The settlement was recognized against the accrued liability with the difference recognized as a reduction of current income tax expense.

Metales Interamericanos S.A. de C.V., a subsidiary of the Company, acquired in the El Cubo transaction received a MXN$68 million (US$5.2 million) assessment on August 24, 2010 by Mexican fiscal authorities for failure to provide the appropriate support for certain expense deductions in the entity's 2006 tax return. Based on the advice of legal counsel, it was the Company's view that the tax assessment had no legal merit and an appeals process was initiated in 2010. On May 30, 2013, under the tax amnesty program the Company paid $682 to settle the dispute recognized in current income tax expense.

Minera Santa Cruz y Garibaldi SA de CV, a subsidiary of the Company, received a MXN$238 million (US$18.3 million) assessment on October 12, 2010 by Mexican fiscal authorities for failure to provide the appropriate support for certain expense deductions taken in the entity's 2006 tax return. During the audit process, the Company retained an international accounting firm and external counsel to expedite the audit process and to ensure the delivery of the appropriate documentation. Based on the advice of our tax advisors and legal counsel, it is the Company's view that it provided the appropriate documentation and support for the expenses and the tax assessment has no legal merit, however as a result of a detailed review by the Company of its accounting records and available information to support the deductions taken, the Company has estimated a potential tax exposure of $40, plus additional interest and penalties of $40, for which the Company has made a provision in the consolidated financial statements. The Company did not elect to use the tax amnesty program to settle this assessment and is continuing with the appeal process.

In December 2013, the Mexican President passed tax reform legislation that will be effective January 1, 2014. The tax reform includes, among other items, an increase of the Mexican corporate tax rate from 28% to 30%, removal of the flat tax regime, a Special Mining Duty of 7.5% on taxable revenues, less allowable deductions excluding interest and capital depreciation and an 0.5% Environmental Tax on gold and silver revenues. On enactment of the Special Mining Duty, the Company recognized an $18.7 million deferred income tax expense for the year ended December 31, 2013. The tax reform is expected to have a material impact on the Company's future earnings and cash flows.

(b) Deferred Income Tax Liability

Mexico operations		**December 31, 2013**		December 31, 2012
Deferred income tax assets:				
Tax loss carryforwards	**$**	**19,458**	$	9,556
Provision for reclamation and rehabilitation		**1,515**		1,614
Other		**2,030**		1,064
Deferred income tax liabilities:				
Inventories		**(3,650)**		(7,799)
Mineral properties, plant and equipment		**(63,509)**		(70,961)
Other		**(4,897)**		(2,991)
Deferred income tax liabilities, net	**$**	**(49,053)**	$	(69,517)

As at December 31, 2013, the Company had available for deduction against future taxable income in Mexico non-capital losses of approximately $68,486 (2012 – $71,390). These losses, if unutilized, expire between 2017 to 2022.

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

As at December 31, 2013, no deferred tax assets are recognized on the following temporary differences as it is not probable that sufficient future taxable profit will be available to realize such assets:

Canada operations		**December 31, 2013**		December 31, 2012
Deferred income tax assets:				
Tax loss carryforwards	**$**	**-**	$	1,738
Mineral properties, plant and equipment		**527**		562
Financing Costs		**245**		616
Other		**1,878**		1,286
Unrecognized deferred income tax assets, net	**$**	**2,650**	$	4,202

As at December 31, 2013, the Company had available for deduction against future taxable income in Canada non-capital losses of approximately CAN $Nil (2012 – CAN $6,929).

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

(c) Income Tax Expense

		December 31, 2013		December 31, 2012
Current income tax expense				
Current income tax expense in respect of current year	**$**	**13,599**	$	15,834
Adjustments recognized in the current year in relation to prior years		**371**		-
Deferred income tax expense				
Deferred tax expense recognized in the current year		**(20,464)**		2,135
Total income tax expense	**$**	**(6,494)**	$	17,969

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

		December 31, 2013		December 31, 2012
Canadian statutory tax rates		**25.75%**		25.00%
Income tax expense computed at Canadian statutory rates	**$**	**(24,710)**	$	15,029
Foreign tax rates different from statutory rate		**(8,906)**		2,928
Change in tax rates		**3,432**		-
Withholding taxes, net of tax credits		**123**		396
Mark-to-market accounting		**(907)**		(1,009)
Stock-based compensation		**908**		1,186
Foreign exchange		**709**		(2,106)
Inflationary adjustment		**1,070**		264
Other items		**1,364**		(1,100)
Impairment of goodwill		**10,106**		-
Adjustments recognized in the current year in relation to prior years		**(1,182)**		(97)
Current year losses not recognized		**5,115**		4,284
Special mining duty Mexican tax		**18,682**		-
Recognition of previously unrecognized losses		**(12,298)**		(1,806)
Income tax expense	**$**	**(6,494)**	$	17,969

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

22. FINANCIAL INSTRUMENTS

(a) Financial Assets and Liabilities

As at December 31, 2013, the carrying and fair values of our financial instruments by category are as follows:

	Held for trading $	Loans and receivables $	Available for sale $	Financial liabilities $	Carrying value $	Fair value $
Financial assets:						
Cash and cash equivalents	-	35,004	-	-	35,004	35,004
Investments	-	-	1,463	-	1,463	1,463
Accounts receivable	-	23,749	-	-	23,749	23,749
Total financial assets	-	58,753	1,463	-	60,216	60,216
Financial liabilities:						
Accounts payable and accrued liabilities	-	-	-	17,221	17,221	17,221
Revolving credit facility				33,000	33,000	33,000
Contingent liabilities				99	99	99
Derivative liabilities	-	-	-	1,491	1,491	1,491
Total financial liabilities	-	-	-	51,811	51,811	51,811

Fair value hierarchy

IFRS 7 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. The fair values of financial assets and financial liabilities at December 31, 2013 are:

	Total $	Level 1 $	Level 2 $	Level 3 $
Financial assets:				
Investments	1,463	1,463	-	-
Trade receivables	10,263	10,263		
Total financial assets	11,726	11,726	-	-
Financial liabilities:				
Contingent liabilities	99		99	
Derivative liabilities	1,491	-	1,491	-
Total financial liabilities	1,590	-	1,590	-

The three levels of the fair value hierarchy established by IFRS 13 are as follows:

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

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

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

The Company determines the fair value of the embedded derivative related to its trade receivable based on the quoted closing price obtained from the silver and gold metal exchanges.

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

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

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

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

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

(b) Financial Instrument Risk Exposure and Risk Management

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

Credit Risk

The Company is exposed to credit risk on its bank accounts, investments, and accounts receivable. Credit risk exposure on bank accounts and short term investments is limited through maintaining the Company's balances with high-credit quality financial institutions, maintaining investment policies, assessing institutional exposure and continual discussion with external advisors. Value added tax ("IVA") receivables are generated on the purchase of supplies and services to produce silver, which are refundable from the Mexican government. Trade receivables are generated on the sale of concentrate inventory to reputable metal traders

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

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

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

	Carrying amount	**Gross impairment**	Carrying amount	Gross impairment
	December 31, 2013		December 31, 2012	
Less than 1 month	**$ 13,767**	**$ -**	$ 8,401	$ -
1 to 3 months	**5,549**	**-**	5,257	-
4 to 6 months	**3,344**	**-**	1,493	-
Over 6 months	**1,089**	**776**	6,151	776
Total accounts receivable	**$ 23,749**	**$ 776**	$ 21,302	$ 776

At December 31, 2013, 97% of the receivables that were outstanding over one month are comprised of IVA and tax receivables in Mexico (December 31, 2012 – 98%).

At December 31, 2013, an impairment loss of $595 relates to IVA receivable amounts from prior years and $181 relates to an allowance on related party receivables from prior years (December 31, 2012 - $776).

Liquidity Risk

The Company ensures that there is sufficient capital in order to meet short term business requirements. The Company's policy is to invest cash at floating rates of interest, while cash reserves are maintained in cash equivalents in order to maintain liquidity after taking into account the Company's holdings of cash equivalents, money market investments, marketable securities, receivables and available borrowings under the Company's revolving credit facility. The Company believes that these sources, operating cash flows and its policies will be sufficient to cover the likely short term cash requirements and commitments.

In the normal course of business, the Company enters into contracts that give rise to future minimum payments. The following table summarizes the remaining contractual maturities of the Company's financial liabilities and operating and capital commitments at December 31, 2013:

	Less than 1 year $	1 to 3 years $	4 to 5 years $	Over 5 years $	Total $
Accounts payable and accrued liabilities	17,221	-	-	-	17,221
Income taxes payable	3,259	-	-	-	3,259
Revolving credit facility	-	33,000	-	-	33,000
Provision for reclamation and rehabilitation	-	6,652		-	6,652
Capital expenditure commitments	940	-	-	-	940
Minimum rental and lease payments	266	539	157	-	962
Acquisition contingent consideration	-	99	-	-	99
Total contractual obligations	21,686	40,290	157	-	62,133

Market Risk

Significant market related risks to which the Company is exposed consist of foreign currency risk, interest rate risk, and commodity price risk and equity price risk.

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

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

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

	December 31, 2013		December 31, 2012	
	Canadian Dollar	**Mexican Peso**	Canadian Dollar	Mexican Peso
Financial Assets	**$ 4,076**	**$ 15,599**	$ 11,017	$ 22,598
Financial Liabilities	**(3,290)**	**(2,232)**	(7,480)	(13,763)
Net Financial Assets	**$ 786**	**$ 13,367**	$ 3,537	$ 8,835

Of the financial assets listed above, $897 (2012 – $914) represents cash and cash equivalents held in Canadian dollars and $1,176 (2012 - $1,638) represents cash held in Mexican Pesos. The remaining cash balance is held in U.S. dollars. The money market investments and Notes receivable are denominated in Canadian dollars.

As at December 31, 2013, with other variables unchanged, a 5% strengthening of the US dollar against the Canadian dollar would decrease net earnings by $37 due to these financial assets and liabilities.

As at December 31, 2013, with other variables unchanged, a 5% strengthening of the US dollar against the Mexican peso would decrease net earnings by $637 due to these financial assets and liabilities.

Interest Rate Risk – In respect of financial assets, the Company's policy is to invest cash at floating rates of interest and cash reserves are to be maintained in cash equivalents in order to maintain liquidity. Fluctuations in interest rates impact the value of cash equivalents. The revolving credit facility is subject to interest rate risk as amounts outstanding are subject to charges at a LIBOR-based rate (plus 2.75% to 4.25% depending on financial and operating measures) payable according to the quoted rate term. The interest rate charge for the year was 3.3%. As at December 31, 2013, with other variables unchanged, a 1% increase in the LIBOR rate would result in additional interest expense of $330.

Commodity Price Risk – Gold and silver prices have historically fluctuated significantly and are affected by numerous factors outside of the Company's control, including, but not limited to, industrial and retail demand, central bank lending, forward sales by producers and speculators, levels of worldwide production, short-term changes in supply and demand due to speculative hedging activities and certain other factors. The Company has not engaged in any hedging activities, other than short term metal derivative transactions less than 90 days, to reduce its exposure to commodity price risk. Furthermore the Company carries a contingent liability linked to the price of gold. A significant rise in the gold price above $1900.00 could significantly affect the Company's future earnings (see note 4 for more details).

Equity Price Risk – Fair values in the Company's derivative liabilities related to the outstanding share purchase warrants denominated in Canadian dollars are subject to equity price risk. Changes in the market value of the Company's common shares may have a material effect on the fair value of the Company's warrants and net income. As at December 31, 2013, with other variables unchanged, a 10% strengthening of the market price of the Company's common shares would decrease net earnings by $301.

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

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INDEPENDENT AUDITORS' REPORT OF REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Directors of Endeavour Silver Corp.

We have audited the accompanying consolidated financial statements of Endeavour Silver Corp., which comprise the consolidated statements of financial position as at December 31, 2013 and December 31, 2012, the consolidated statements of comprehensive income (loss), changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Endeavour Silver Corp. as at December 31, 2013 and December 31, 2012, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Other Matter

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Endeavour Silver Corp.'s internal control over financial reporting as of December 31, 2013, based on the criteria established in Internal Control – Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 28, 2014 expressed an unqualified opinion on the effectiveness of Endeavour Silver Corp.'s internal control over financial reporting.

//s// KPMG LLP

Chartered Accountants

March 28, 2014
Vancouver, Canada

KPMG LLP
Chartered Accountants
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Vancouver BC V7Y 1K3
Canada

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Directors of Endeavour Silver Corp.

We have audited Endeavour Silver Corp.'s (the "Company") internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control – Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying "Management's Report on Internal Controls over Financial Reporting" included in the accompanying Management's Discussion and Analysis. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

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

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

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

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control – Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States), the consolidated statements of financial position of the Company as of December 31, 2013 and December 31, 2012, and the related consolidated statements of comprehensive income (loss), changes in equity and cash flows for the years then ended, and our report dated March 28, 2014 expressed an unqualified opinion on those consolidated financial statements.

//s// KPMG LLP

Chartered Accountants

March 28, 2014
Vancouver, Canada

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the consolidated financial statements of Endeavour Silver Corp. ("Endeavour" or "the Company") for the year ended December 31, 2013 and 2012 and the related notes contained therein, which are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Additional information relating to the Company, including the most recent Annual Information Form, is available on SEDAR at www.sedar.com, and the Company's most recent annual report on Form 40-F has been filed with the US Securities and Exchange Commission (the "SEC"). This MD&A contains "forward-looking statements" that are subject to risk factors set out in a cautionary note contained herein. All dollar amounts are expressed in United States ("US") dollars and tabular amounts are expressed in thousands of dollars unless otherwise indicated. This MD&A is dated as of March 5, 2014 and all-information contained is current as of March 5, 2014 unless otherwise stated.

Cautionary Note to US Investors concerning Estimates of Reserves and Measured, Indicated and Inferred Resources:

This MD&A has been prepared in accordance with the requirements of the securities laws in effect in Canada, which differ from the requirements of US 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 US Securities Act of 1933, as amended (the "Securities Act").

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

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

Accordingly, information contained in this MD&A contains descriptions of Endeavour's mineral deposits that may not be comparable to similar information made public by US companies subject to the reporting and disclosure requirements under the US federal securities laws and the rules and regulations thereunder.

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 2014, 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. Forward-looking statements are frequently characterized by words such as "plan", "expect", "forecast", "project", "intend", "believe", "anticipate", "outlook" and other similar words, or statements that certain events or conditions "may" or "will" occur. Forward- looking statements are based on the opinions and estimates of management at the dates the statements are made, and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements.

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

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Three Months Ended Dec. 31			2013 Highlights	Year Ended Dec. 31		
2013	2012	% Change		2013	2012	% Change
			Production			
1,931,717	1,235,026	56%	Silver ounces produced	6,813,069	4,485,476	52%
17,686	12,917	37%	Gold ounces produced	75,578	38,687	95%
1,855,108	1,222,705	52%	Payable silver ounces produced	6,593,805	4,440,619	48%
16,612	12,800	30%	Payable gold ounces produced	72,562	38,311	89%
2,992,877	2,010,046	49%	Silver equivalent ounces produced(1)	11,347,749	6,806,696	67%
7.46	12.25	-39%	Cash costs per silver ounce(2)(3)	7.92	7.33	8%
14.59	18.88	-23%	Total production costs per ounce(2)(4)	15.69	13.80	14%
14.24	28.06	-49%	All-in sustaining costs per ounce(2)(5)	18.31	23.06	-21%
379,480	362,779	5%	Processed tonnes	1,148,894	1,065,689	8%
90.72	90.39	0%	Direct production costs per tonne(2)(6)	97.00	92.74	5%
11.45	18.82	-39%	Silver co-product cash costs(7)	13.19	14.87	-11%
695.47	987.70	-30%	Gold co-product cash costs(7)	785.01	807.67	-3%
			Financial			
67.9	66.7	2%	Revenue ($ millions)	276.8	208.1	33%
2,155,326	1,345,832	60%	Silver ounces sold	7,151,963	4,815,073	49%
18,960	13,037	45%	Gold ounces sold	81,119	35,167	131%
20.52	32.87	-38%	Realized silver price per ounce	23.10	30.99	-25%
1,246	1,725	-28%	Realized gold price per ounce	1,375	1,674	-18%
(115.8)	14.8	-881%	Net earnings (loss) ($ millions)	(89.5)	42.1	-312%
(12.1)	12.9	-194%	Adjusted net earnings (8) ($ millions)	11.1	40.2	-72%
9.9	17.9	-45%	Mine operating earnings ($ millions)	56.9	78.0	-27%
26.4	34.8	-24%	Mine operating cash flow(9) ($ millions)	116.9	114.4	2%
18.0	20.4	-12%	Operating cash flow before working capital changes (10)	81.6	82.9	-2%
23.0	28.2	-18%	Earnings before ITDA (11)	100.0	90.5	10%
32.2	50.9	-37%	Working capital ($ millions)	32.2	50.9	-37%
Shareholders						
(1.16)	0.15	-100%	Earnings (loss) per share – basic	(0.90)	0.45	-300%
(0.12)	0.13	-193%	Adjusted earnings per share – basic(8)	0.11	0.43	-74%
0.18	0.20	-12%	Operating cash flow before working capital changes per share (10)	0.82	0.89	-8%
99,720,704	99,539,282	0%	Weighted average shares outstanding	99,770,293	93,266,038	7%

(1) Silver equivalents are calculated using a 60:1 ratio.

(2) The Company reports non-IFRS measures which include cash costs net of by-products on a payable silver basis, total production costs per ounce, all-in sustaining costs per ounce and direct production costs per tonne, in order to manage and evaluate operating performance at each of the Company's mines. These measures, some established by the Silver Institute (Production Cost Standards, June 2011), are widely used in the silver mining industry as a benchmark for performance, but do not have a standardized meaning. These measures are reported on a production basis. See Reconciliation to IFRS on page 20.

(3) Cash costs net of by-products per payable silver ounce include mining, processing (including smelting, refining, transportation and selling costs), and direct overhead, net of gold credits. See Reconciliation to IFRS on page 22.

(4) Total production costs per ounce include mining, processing (including smelting, refining, transportation and selling costs), direct overhead, amortization, depletion and amortization at the operation sites. See Reconciliation to IFRS on page 22.

(5) All-in sustaining cost per ounce include mining, processing (including smelting, refining, transportation and selling costs), direct overhead, corporate general and administration, on-site exploration, share-based compensation, reclamation and sustaining capital net of gold credits.

(6) Direct production costs per tonne include mining, processing (including smelting, refining, transportation and selling costs) and direct overhead at the operation sites. See Reconciliation to IFRS on page 22.

(7) Silver co-product cash cost and gold co-product cash cost include mining, processing (including smelting, refining, transportation and selling costs), and direct overhead allocated on pro-rated basis of realized metal value. See Reconciliation to IFRS on page 25.

(8) Adjusted earnings are calculated by adding back the mark-to-market impact of derivative equities held as a liability on the Company's balance sheet and impairment charges net of tax. See Reconciliation to IFRS on page 20.
(9) Mine operating cash flow is calculated by adding back amortization, depletion, inventory write downs and share-based compensation to mine operating earnings. Mine operating earnings and mine operating cash flow are before taxes. See Reconciliation to IFRS on page 21.
(10) See Reconciliation to IFRS on page 21 for the reconciliation of operating cash flow before working capital changes, operating cash flow before working capital changes per share.
(11) See Reconciliation of Earnings before interest, taxes, depreciation and amortization on page 22

Management's highlights are key measures used by management, however they should not be the sole measures used in determining the performance of the Company's operations.

HISTORY AND STRATEGY

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

Historically, the business philosophy was to acquire and explore early-stage mineral prospects in Canada and the US. 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 Guanaceví silver mines and process plant located in Durango, Mexico in May 2004. Management recognized that even though the mines had run out of ore, little modern exploration had been carried out to discover new silver ore-bodies. Exploration drilling commenced in June 2004 and quickly met with encouraging results. By September 2004, sufficient high-grade silver mineralization had been outlined to justify the development of an access ramp into the newly discovered North Porvenir ore-body. In December 2004, the Company commenced the mining and processing of ore from the new North Porvenir mine to produce silver doré bars.

In 2007, the Company replicated the success of Guanaceví with the acquisition of the Bolañitos (formerly described as "Guanajuato") mines project in Guanajuato State. Bolañitos was very similar in that there was a fully built and permitted processing plant, and the mines were running out of ore, so the operation was for sale. The acquisition was finalized in May 2007 and as a result of the successful mine rehabilitation and subsequent exploration work, silver production, reserves and resources are growing rapidly and Bolañitos is now an integral part of the Company's asset base.

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

In 2012, the Company acquired the El Cubo silver-gold mine located in Guanajuato, Mexico. El Cubo has similar challenges to Endeavour's past acquisitions, but with two significant exceptions; the property came with substantial reserves and resources, and the mine was already operating at 1,100 tonnes per day. After acquisition, the Company is focused on improving the mining methods, increasing brown-fields exploration, while completely refurbishing the existing infrastructure to maximize the potential of El Cubo.

The Company historically funded its exploration and development activities through equity financings and convertible debentures. Equity financings also facilitated the acquisition and development of the Guanaceví and Bolañitos 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. In 2012 the Company obtained a credit facility to help support its acquisition, exploration and capital investment programs. The Company may choose to engage in equity, debt, convertible debt or other financings, on an as-needed basis, in order to facilitate its growth.

REVIEW OF OPERATING RESULTS

Consolidated Production Results for the Three Months and Years Ended December 31, 2013 and 2012

Three Months Ended Dec. 31			CONSOLIDATED	Year Ended Dec. 31		
2013	2012	% Change		2013	2012	% Change
379,480	362,779	5%	Ore tonnes processed	1,537,984	1,065,689	44%
181	151	20%	Average silver grade (gpt)	168	179	-6%
87.3	70.1	25%	Silver recovery (%)	81.6	73.2	11%
1,931,717	1,235,026	56%	Total silver ounces produced	6,813,069	4,485,476	52%
1,855,108	1,222,705	52%	Payable silver ounces produced	6,593,805	4,440,619	48%
1.78	1.55	15%	Average gold grade (gpt)	1.78	1.48	21%
82.1	71.17	15%	Gold recovery (%)	85.6	76.5	12%
17,686	12,917	37%	Total gold ounces produced	75,578	38,687	95%
16,612	12,800	30%	Payable gold ounces produced	72,562	38,311	89%
2,992,877	2,010,046	49%	Silver equivalent ounces produced(1)	11,347,749	6,806,696	67%
7.46	12.25	-39%	Cash costs per silver ounce(2)(3)	7.92	7.33	8%
14.59	18.88	-23%	Total production costs per ounce(2)(4)	15.69	13.80	14%
14.24	28.06	-49%	All in sustaining cost per ounce (2)(5)	18.31	23.06	-21%
90.72	90.39	0%	Direct production costs per tonne(2)(6)	97.00	92.74	5%
$11.45	$18.82	-39%	Silver co-product cash costs(7)	$13.19	$14.87	-11%
$695.47	$987.70	-30%	Gold co-product cash costs(7)	$785.01	$807.67	-3%

(1) Silver equivalents are calculated using a 60:1 ratio.

(2) The Company reports non-IFRS measures which include cash costs net of by-product on a payable silver basis, total production costs per ounce, all-in sustaining costs per ounce and direct production costs per tonne, in order to manage and evaluate operating performance at each of the Company's mines. These measures, some established by the Silver Institute (Production Cost Standards, June 2011), are widely used in the silver mining industry as a benchmark for performance, but do not have a standardized meaning. These measures are reported on a production basis. See Reconciliation to IFRS on page 20.

(3) Cash costs net of by-products per payable silver ounce include mining, processing (including smelting, refining, transportation and selling costs), and direct overhead, net of gold credits. See Reconciliation to IFRS on page 22.

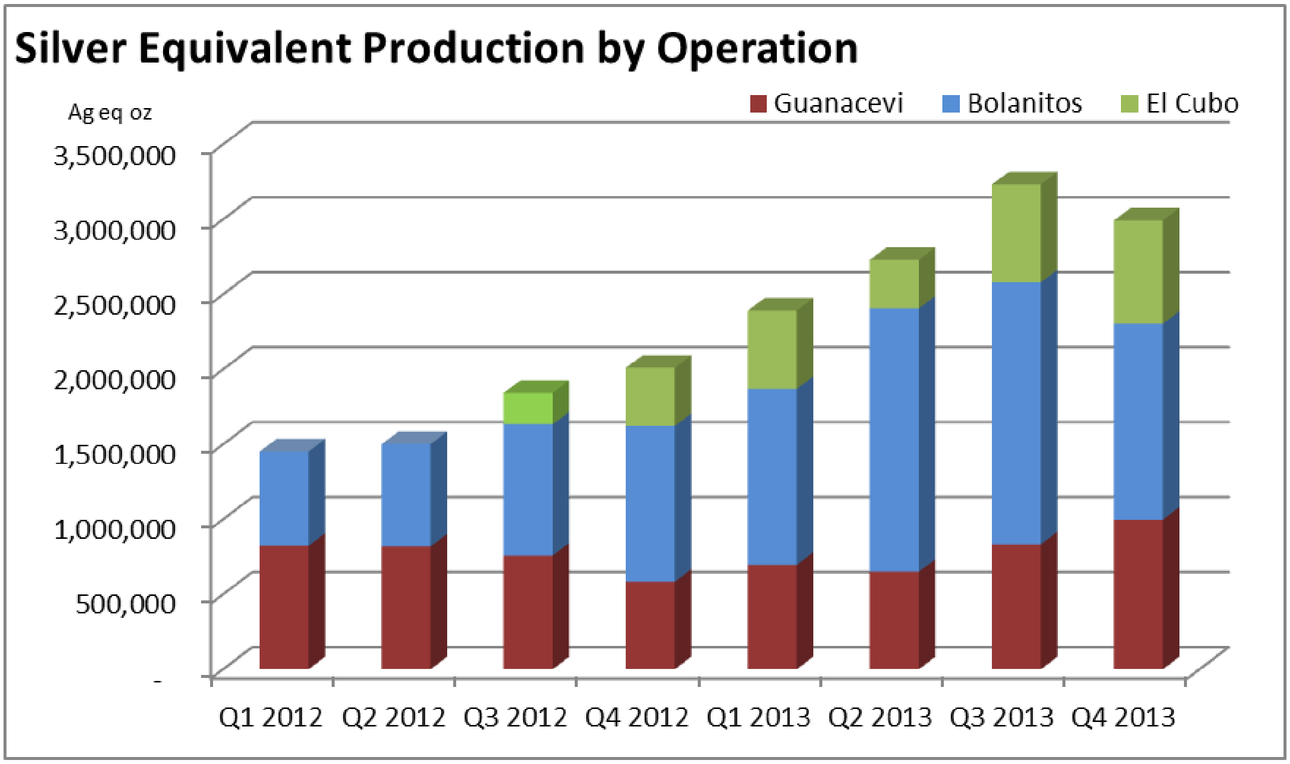
(4) Total production costs per ounce include mining, processing (including smelting, refining, transportation and selling costs), direct overhead, amortization, depletion and amortization at the operation sites. See Reconciliation to IFRS on page 22.

(5) All-in sustaining costs per ounce include mining, processing (including smelting, refining, transportation and selling costs), direct overhead, corporate general and administration, on-site exploration, share-based compensation, reclamation and sustaining capital net of gold credits.

(6) Direct production costs per tonne include mining, processing (including smelting, refining, transportation and selling costs) and direct overhead at the operation sites. See Reconciliation to IFRS on page 22.

(7) Silver co-product cash cost and gold co-product cash cost include mining, processing (including smelting, refining, transportation and selling costs), and direct overhead allocated on pro-rated basis of realized metal value. See Reconciliation to IFRS on page 25.

Consolidated Production



Three months ended December 31, 2013 (compared to the three months ended December 31, 2012)

Consolidated silver production during Q4, 2013 was 1,931,717 oz, an increase of 56% compared to 1,235,026 oz in Q4, 2012, and gold production was 17,686 oz, an increase of 37% compared to 12,917 oz in Q4, 2012. Plant throughput was 379,480 tonnes at average grades of 181 gpt silver and 1.78 gpt gold compared to 362,779 tonnes grading 151 gpt silver and 1.55 gpt gold. Metal production was significantly higher due to higher tonnage throughput at Guanacevi and El Cubo, higher silver grades and recoveries at all three mines, higher gold grades at Bolanitos and El Cubo and higher gold recoveries at Guanacevi and El Cubo. The higher gold grade was due to the increasing significance of the Bolañitos and El Cubo operations, which have higher gold grades compared to Guanaceví. The higher silver grades were a function of geological variation of the ore bodies at Guanacevi and the improvement of the El Cubo operation in Q4, 2013.

The increased recoveries were partly a function of selling concentrate as opposed to processing the concentrate at the Company's leach facilities at Guanaceví and El Cubo to produce doré bars. Selling concentrate at current metal prices resulted in higher payable metal production albeit at higher refining charges, resulting in a financial benefit compared to doré production.

Year ended December 31, 2013 (compared to the year ended December 31, 2012)

Consolidated silver production during 2013 was 6,813,069 oz, an increase of 52% compared to 4,485,476 oz in 2012, and gold production was 75,578 oz, an increase of 95% compared to 38,687 oz in 2012. Plant throughput was 1,537,984 tonnes at average grades of 168 gpt silver and 1.78 gpt gold compared to 1,065,689 tonnes grading 179 gpt silver and 1.48 gpt gold. Metal production was significantly higher due to the expansion of the Bolañitos mine, the processing of the extra Bolañitos mine production at the El Cubo facilities, and an entire year of improved operations from the El Cubo mine which was acquired in Q3, 2012. Tonnage throughput, silver grades and silver and gold recoveries were higher at all three mines and gold grades improved at Bolanitos and El Cubo but fell at Guanacevi. The higher grades were due to the increasing significance of the Bolañitos and El Cubo operations, which have higher gold grades compared to Guanaceví. The higher silver grades were a function of geological variation of the ore bodies at Guanacevi and the improved El Cubo operations in 2013.

The increased recoveries were partly a function of selling concentrate as opposed to processing the concentrate at the Company's leach facilities at Guanaceví and El Cubo to produce doré bars. Selling concentrate at current metal prices resulted in higher payable metal production albeit at higher refining charges, resulting in a financial benefit compared to doré production.

Consolidated Operating Costs

Three months ended December 31, 2013 (compared to the three months ended December 31, 2012)

Per tonne costs remained relatively consistent year over year as wage pressures, use of contractors and higher refining costs were offset by achieving additional economies of scale with the higher output. Cash costs per ounce net of by-product credits, which is a non-IFRS measure and a standard of the Silver Institute, fell 39% to $7.46 per ounce of payable silver compared to $12.25 per ounce in the same period in 2012. The higher grades and recoveries along with improved performance of the El Cubo operations drove cash costs down which was partially offset by the reduced by-product credit because of the lower gold price. All-in sustaining costs fell as mine development and exploration expenditures were curtailed and spread over higher silver production.

Year ended December 31, 2013 (compared to the year ended December 31, 2012)

Per tonne costs increased 5% due to wage pressures, significant restructuring costs, additional use of contractors and higher refining costs offset by achieving additional economies of scale with the higher output. Cash costs per ounce net of by-product credits, which is a non-IFRS measure and a standard of the Silver Institute, rose 8% to $7.92 per ounce of payable silver compared to $7.33 per ounce in 2012. The lower by-product credit because of the lower gold price was the primary contributor to the higher costs, offset by higher consolidated grades and recoveries. All-in sustaining costs fell 21% as mine development and exploration expenditures were curtailed and spread over higher silver production.

Guanaceví Operations

Production Results for the Three Month and Years Ended December 31, 2013 and 2012

Three Months Ended Dec. 31			GUANACEVÍ	Year Ended December 31		
2013	2012	% Change		2013	2012	% Change
121,008	110,763	9%	Ore tonnes processed	435,922	418,277	4%
272	215	26%	Average silver grade (g/t)	253	249	2%
81.5	67.7	20%	Silver recovery (%)	78.0	74.6	5%
861,495	518,207	66%	Total silver ounces produced	2,772,227	2,512,943	10%
852,880	513,025	66%	Payable silver ounces produced	2,744,505	2,487,813	10%
0.69	0.69	-1%	Average gold grade (g/t)	0.60	0.76	-21%
85.2	44.3	92%	Gold recovery (%)	80.5	76.1	6%
2,275	1,088	109%	Total gold ounces produced	6,784	7,874	-14%
2,244	1,077	108%	Payable gold ounces produced	6,708	7,795	-14%
997,995	583,487	71%	Silver equivalent ounces produced(1)	3,179,267	2,985,383	6%
13.09	18.20	-28%	Cash costs per silver ounce(2)(3)	14.32	12.25	17%
18.51	23.89	-22%	Total production costs per ounce(2)(4)	20.10	17.45	15%
17.43	31.51	-45%	All in sustaining cost per ounce (2)(5)	22.55	23.99	-6%
114.55	99.70	15%	Direct production costs per tonne(2)(6)	110.93	103.83	7%
$13.87	$19.20	-28%	Silver co-product cash costs(7)	$15.22	$14.77	3%
$841.96	$1,007.35	-16%	Gold co-product cash costs(7)	$906.25	$801.62	13%

(1) Silver equivalents are calculated using a 60:1 ratio.

(2) The Company reports non-IFRS measures which include cash costs net of by-product on a payable silver basis, total production costs per ounce, all-in sustaining costs per ounce and direct production costs per tonne, in order to manage and evaluate operating performance at each of the Company's mines. These measures, some established by the Silver Institute (Production Cost Standards, June 2011), are widely used in the silver mining industry as a benchmark for performance, but do not have a standardized meaning. These measures are reported on a production basis. See Reconciliation to IFRS on page 20.

(3) Cash costs net of by-product per payable silver ounce include mining, processing (including smelting, refining, transportation and selling costs), and direct overhead, net of gold credits. See Reconciliation to IFRS on page 22.
(4) Total production costs per ounce include mining, processing (including smelting, refining, transportation and selling costs), direct overhead, amortization, depletion and amortization at the operation sites. See Reconciliation to IFRS on page 22.
(5) All-in sustaining cost per ounce include mining, processing (including smelting, refining, transportation and selling costs), direct overhead, corporate general and administration, on-site exploration, share-based compensation, reclamation and sustaining capital net of gold credits
(6) Direct production costs per tonne include mining, processing (including smelting, refining, transportation and selling costs) and direct overhead at the operation sites. See Reconciliation to IFRS on page 22.
(7) Silver co-product cash cost and gold co-product cash cost include mining, processing (including smelting, refining, transportation and selling costs), and direct overhead allocated on pro-rated basis of realized metal value. See Reconciliation to IFRS on page 25.

The acquisition of Endeavour's first silver mine, at Guanaceví in 2004, continues to reap rewards for all stakeholders. The mine has since produced more than 15 million ounces of silver and 38,000 ounces of gold, revitalized the local community, and helped establish Endeavour's successful business model. Although the historic mine was closed and the plant was struggling to process 100 tonnes per day of old tailings in 2004, Guanaceví is now producing 1,200 tonnes of high-grade ore per day. The Company found five high-grade silver-gold ore bodies along a five kilometre length of the prolific Santa Cruz vein and developed four new mines, one of which is now mined out. The Guanaceví operation currently includes three underground silver-gold mines, a cyanidation leach plant, mining camp, and administration and housing facilities. It provides steady employment for more than 450 people and engages over 200 contractors.

Guanaceví Production Results

Three months ended December 31, 2013 (compared to the three months ended December 31, 2012)
Silver production at the Guanaceví mine during Q4, 2013 was 861,495 oz, an increase of 66% compared to 518,207 oz in Q4, 2012, and gold production was 2,275 oz, an increase of 109% compared to 1,088 oz in Q4, 2012. Plant throughput was 121,008 tonnes at average grades of 272 gpt silver and 0.69 gpt gold compared to 110,763 tonnes grading 215 gpt silver and 0.69 gpt gold. Silver production increased due to higher silver grades and recoveries, while higher gold recoveries contributed to higher gold production. Q4, 2012 included adjustments to appropriately allocate processed ounces on behalf of the Bolañitos mine resulting in lower reported recoveries. The change in grades and recoveries were a function of geological variation of the ore bodies in Q4, 2013, with the higher grade Porvenir Cuatro mine contributing a higher tonnage resulting in improved throughput grades.

Year ended December 31, 2013 (compared to the year ended December 31, 2012)
Silver production at the Guanaceví mine during 2013 was 2,772,227 oz, an increase of 10% compared to 2,512,943 oz in 2012, and gold production was 6,784 oz, a decrease of 14% compared to 7,874 oz in 2012. Plant throughput was 435,922 tonnes at average grades of 253 gpt silver and 0.60 gpt gold in 2013 compared to 418,277 tonnes grading 249 gpt silver and 0.76 gpt gold in 2012. Metal production varied due to ore grades fluctuations, with better recoveries in 2013. The lower gold grades were attributable to the lower grade ores being mined at depth at North Porvenir, and increased tonnage in the lower grade Santa Cruz ore-body.

Guanaceví Operating Costs

Three months ended December 31, 2013 (compared to the three months ended December 31, 2012)
Wage increases and mining to greater depths have driven the rise in costs per tonne 15% compared to Q4, 2012. However, cash costs per ounce net of by-product credits, which is a non-IFRS measure and a standard of the Silver Institute, fell 28% to $13.09 per ounce of payable silver compared to $18.20 in 2012. Improved grades and recoveries offset the higher costs per tonne. Decreased mine development and exploration expenditures reduced the all-in sustaining costs compared to prior year.

Year ended December 31, 2013 (compared to the year ended December 31, 2012)
Wage increases and mining to greater depths have driven the rise in costs per tonne of 7% compared to 2012. Cash costs per ounce net of by-product credits, which is a non-IFRS measure and a standard of the Silver Institute, increased 17% to $14.32 per ounce of payable silver compared due to lower gold grades and gold prices. Reduced mine development and exploration expenditures year over year resulted in a 6% lower all-in sustaining costs per silver ounce.

Bolañitos Operations

Production Results for the Three Months and Years Ended December 31, 2013 and 2012

Three Months Ended Dec. 31			BOLAÑITOS	Year Ended December 31		
2013	2012	% Change		2013	2012	% Change
159,294	161,841	-2%	Ore tonnes processed	710,708	476,687	49%
152	140	9%	Average silver grade (g/t)	149	148	1%
89.5	71.3	26%	Silver recovery (%)	84.6	73.4	15%
698,098	518,674	35%	Total silver ounces produced	2,881,816	1,668,128	73%
660,113	513,487	29%	Payable silver ounces produced	2,742,499	1,651,446	66%
2.61	2.20	19%	Average gold grade (g/t)	2.63	2.19	20%
75.8	75.8	0%	Gold recovery (%)	85.6	77.0	11%
10,142	8,660	17%	Total gold ounces produced	51,652	25,920	99%
9,611	8,586	12%	Payable gold ounces produced	49,572	25,673	93%
1,306,618	1,038,274	26%	Silver equivalent ounces produced(1)	5,980,936	3,223,328	86%
0.60	(3.73)	116%	Cash costs per silver ounce(2)(3)	(2.87)	(5.20)	45%
4.35	1.59	-174%	Total production costs per ounce(2)(4)	1.30	0.31	-319%
7.68	11.67	-34%	All in sustaining cost per ounce (2)(5)	7.39	12.10	-39%
72.78	75.66	-4%	Direct production costs per tonne(2)(6)	79.47	74.25	7%
$8.82	$12.58	-30%	Silver co-product cash costs(7)	$9.48	$11.51	-18%
$535.80	$660.34	-19%	Gold co-product cash costs(7)	$564.43	$624.72	-10%

(1) Silver equivalents are calculated using a 60:1 ratio.

(2) The Company reports non-IFRS measures which include cash costs net of by-products on a payable silver basis, total production costs per ounce, all-in sustaining costs per ounce and direct production costs per tonne, in order to manage and evaluate operating performance at each of the Company's mines. These measures, some established by the Silver Institute (Production Cost Standards, June 2011), are widely used in the silver mining industry as a benchmark for performance, but do not have a standardized meaning. These measures are reported on a production basis. See Reconciliation to IFRS on page 20.

(3) Cash costs net of by-product per payable silver ounce include mining, processing (including smelting, refining, transportation and selling costs), and direct overhead, net of gold credits. See Reconciliation to IFRS on page 22.

(4) Total production costs per ounce include mining, processing (including smelting, refining, transportation and selling costs), direct overhead, amortization, depletion and amortization at the operation sites. See Reconciliation to IFRS on page 22.

(5) All-in sustaining cost per ounce include mining, processing (including smelting, refining, transportation and selling costs), direct overhead, corporate general and administration, on-site exploration, share-based compensation, reclamation and sustaining capital net of gold credits

(6) Direct production costs per tonne include mining, processing (including smelting, refining, transportation and selling costs) and direct overhead at the operation sites. See Reconciliation to IFRS on page 22.

(7) Silver co-product cash cost and gold co-product cash cost include mining, processing (including smelting, refining, transportation and selling costs), and direct overhead allocated on pro-rated basis of realized metal value. See Reconciliation to IFRS on page 25.

Endeavour's second mine acquisition, at Bolañitos in 2007, encompasses three operating silver and gold mines and a floatation plant, located 10 kilometres from the city of Guanajuato in the state of Guanajuato. Following the acquisition, the cash costs of production were as high as $32 per ounce and the operation was struggling to produce 300,000 ounces of silver per year. Following the execution of management's business strategy, the cash costs of production fell to negative due to economies of scale and the rising gold credits as production grew. Bolañitos' processing plant was expanded in phases from 500 tonnes per day in 2007 to 1,600 tonnes per day in 2012. In 2013 additional mine output was processed at the El Cubo facilities allowing production to exceed plant capacity.

Bolañitos Production Results

Three months ended December 31, 2013 (compared to the three months ended December 31, 2012)

Silver production at the Bolañitos mine was 698,098 ounces during Q4, 2013, an increase of 35% compared to 518,674 oz in Q4, 2012, and gold production was 10,142 oz, an increase of 17% compared to 8,660 oz in Q4, 2012. Plant throughput in Q4, 2013 was 159,294 tonnes at average grades of 152 gpt silver and 2.61 gpt gold, compared to 161,841 tonnes grading 140 gpt silver and 2.20 gpt gold in Q4, 2012.

Metal production was up due to higher grades and recoveries. The Bolañitos mine averaged 1,731 tonnes per day (tpd), well above the mine plan due to increased contract mining and more long-hole mining. The Bolañitos plant operated at its 1,600 tpd capacity, and the extra mine tonnage was processed at the leased Las Torres facility near El Cubo until July 22, 2013. Subsequent to July 22, 2013, the mine production in excess of Bolañitos' plant capacity was processed at the newly refurbished El Cubo plant.

Ore grades were significantly higher than both the prior year and the 2013 mine plan, as mining accessed better ore grades than the planned reserve grades, specifically in the Daniela vein. Mine grades are expected to remain above reserve grades for the foreseeable future. The increased recoveries were partly a function of selling concentrate as opposed to processing the concentrate at the Company's leach facilities at Guanaceví and El Cubo to produce doré bars. Selling concentrate at current metal prices resulted in higher payable metal production albeit at higher refining charges, resulting in a financial benefit compared to doré production.

Year ended December 31, 2013 (compared to the year ended December 31, 2012)

Silver production at the Bolañitos mine was 2,881,816 ounces in 2013, an increase of 73% compared to 1,668,128 oz, and gold production was 51,652 oz, an increase of 99% compared to 25,920 oz in 2012. Plant throughput in 2013 was 710,708 tonnes at average grades of 149 gpt silver and 2.63 gpt gold, compared to 476,687 tonnes grading 148 gpt silver and 2.19 gpt gold in 2012. Metal production was up due to higher throughput, recoveries and gold grade. In 2012, the Bolañitos plant capacity was expanded from 1,000 tpd to 1,600 tpd, and the mine was expanded to the plant capacity by Q4, 2012. In 2013, the Bolañitos plant operated at its 1,600 tpd capacity, and the extra tonnes were processed at the leased Las Torres facility near the El Cubo operations. The leased Las Torres facility was scheduled to be returned in May; however the counterparty requested a later return date allowing continued access until July 22, 2013. This additional access allowed Bolañitos production to significantly exceed plan. Subsequent to July 22, 2013, mine production in excess of the Bolañitos' plant capacity was processed at the newly refurbished El Cubo plant.

Ore grades were also significantly higher than both the prior year and the 2013 mine plan, as mining accessed better ore grades than the planned reserve grades, specifically in the Daniela vein. Mine grades are expected to remain above reserve grades in the foreseeable future. The increased recoveries were partly a function of selling concentrate as opposed to processing the concentrate at the Company's leach facilities at Guanaceví and El Cubo to produce doré bars. Selling concentrate at current metal prices resulted in higher payable metal production albeit at higher refining charges, resulting in a financial benefit compared to doré production.

Bolañitos Operating Costs

Three months ended December 31, 2013 (compared to the three months ended December 31, 2012)

Per tonne costs remained relatively consistent year over year as wage pressures, use of contractors and higher refining costs were offset by achieving additional economies of scale with the higher output. Cash costs per ounce net of by-product credits, which is a non-IFRS measure and a standard of the Silver Institute, rose 116% to $0.60 per ounce of payable silver compared to negative $3.73 per ounce in the same period in 2012. The lower by-product credit because of the lower gold price was the primary contributor to the higher cash costs, offset by higher grades and recoveries. All-in sustaining costs fell as mine development and exploration expenditures were curtailed and spread over higher silver production.

Year ended December 31, 2013 (compared to the year ended December 31, 2012)

Per tonne costs remained relatively consistent year over year as wage pressures, use of contractors and higher refining costs were offset by achieving additional economies of scale with the higher output. Cash costs per ounce net of by-product credits, which is a non-IFRS measure and a standard of the Silver Institute, rose 45% to negative $2.87 per ounce of payable silver compared to negative $5.20 in the same period in 2012. The lower by-product credit because of the lower gold price was the primary contributor to the higher cash costs, offset by higher grades and recoveries. All-in sustaining costs fell as mine development and exploration expenditures were curtailed and spread over higher silver production.

El Cubo Operations

Production Results for the Three Months and Years Ended December 31, 2013 and 2012

Three Months Ended Dec. 31			EL CUBO	Year Ended December 31		
2013	2012	% Change		2013	2012	% Change
99,178	90,175	10%	Ore tonnes processed	391,354	170,725	129%
118	96	23%	Average silver grade (g/t)	107	94	14%
99.1	71.2	39%	Silver recovery (%)	85.0	58.9	44%
372,124	198,145	88%	Total silver ounces produced	1,159,026	304,405	281%
342,115	196,193	74%	Payable silver ounces produced	1,106,801	301,360	267%
1.77	1.42	25%	Average gold grade (g/t)	1.57	1.42	11%
93.2	77.0	21%	Gold recovery (%)	93.2	62.8	48%
5,269	3,169	66%	Total gold ounces produced	17,142	4,893	250%
4,757	3,137	52%	Payable gold ounces produced	16,282	4,843	236%
688,264	388,285	77%	Silver equivalent ounces produced(1)	2,187,546	597,985	266%
6.65	38.52	-83%	Cash costs per silver ounce(2)(3)	18.77	35.27	-47%
24.58	51.04	-52%	Total production costs per ounce(2)(4)	40.43	57.50	-30%
18.95	61.93	-69%	All in sustaining cost per ounce (2)(5)	34.84	75.53	-54%
90.44	105.30	-14%	Direct production costs per tonne(2)(6)	113.31	117.17	-3%
$12.96	$34.89	-63%	Silver co-product cash costs(7)	$20.35	$32.76	-38%
$787.02	$1,830.76	-57%	Gold co-product cash costs(7)	$1,211.19	$1,866.99	-35%

(1) Silver equivalents are calculated using a 60:1 ratio.
(2) The Company reports non-IFRS measures which include cash costs net of by-products on a payable silver basis, total production costs per ounce, all-in sustaining costs per ounce and direct production costs per tonne, in order to manage and evaluate operating performance at each of the Company's mines. These measures, some established by the Silver Institute (Production Cost Standards, June 2011), are widely used in the silver mining industry as a benchmark for performance, but do not have a standardized meaning. These measures are reported on a production basis. See Reconciliation to IFRS on page 20.
(3) Cash costs net of by-products per payable silver ounce include mining, processing (including smelting, refining, transportation and selling costs), and direct overhead, net of gold credits. See Reconciliation to IFRS on page 22.
(4) Total production costs per ounce include mining, processing (including smelting, refining, transportation and selling costs), direct overhead, amortization, depletion and amortization at the operation sites. See Reconciliation to IFRS on page 22.
(5) All-in sustaining cost per ounce include mining, processing (including smelting, refining, transportation and selling costs), direct overhead, corporate general and administration, on-site exploration, share-based compensation, reclamation and sustaining capital net of gold credits.
(6) Direct production costs per tonne include mining, processing (including smelting, refining, transportation and selling costs) and direct overhead at the operation sites. See Reconciliation to IFRS on page 22.
(7) Silver co-product cash cost and gold co-product cash cost include mining, processing (including smelting, refining, transportation and selling costs), and direct overhead allocated on pro-rated basis of realized metal value. See Reconciliation to IFRS on page 25.

The acquisition of Endeavour's third mine, the El Cubo mine in July 2012, was a good fit with Endeavour's business strategy of buying and rejuvenating struggling old mines in historic mining districts. However, unlike Guanaceví and Bolañitos, which had low throughputs and no reserves, El Cubo offered the potential to quickly become a core asset for Endeavour, already having a 1,100-tonne-per-day output and a reasonable reserve/resource mine life. Located in the southeastern part of the historic Guanajuato mining district, this producing silver and gold mine is only 15 kilometres from Endeavour's Bolañitos project, and includes many mine adits, ramps, and shafts, as well as a 400-tonne-per-day leach plant. It also held a lease (until July 2013) on the adjacent Las Torres mine and 1,800-tonne-per-day flotation plant owned by Fresnillo PLC. Subsequent to the acquisition in Q3, 2012, Endeavour launched a $67-million, 18-month capital investment program at El Cubo to explore and develop the mine and to rebuild and expand the plant, tailings facility, water supply, electrical supply, surface buildings, and surface infrastructure. This program was substantially completed in Q2 2013 on time and within budget.

El Cubo Production Results

Endeavour's new mine plan is focused on maintaining the current tonnage throughput at El Cubo of approximately 1,100-1,200 tpd while progressively increasing the production grades by reducing ore dilution. The Company has reorganized the mine operations team, improved supervision and operating efficiencies, improved safety policies, programs and training to reduce lost time accidents and created a Mine Rescue Team for a safer environment. The Company acquired new mining equipment**,** accelerated mine development and commenced underground drilling. The plant and surface infrastructure reconstruction program was completed on time and budget in Q2, 2013.

During Q2, 2013 the Company announced that the newly rebuilt plant at El Cubo was successfully re-commissioned on May 31st, reaching phase 1 operating capacity of 1,100-1,200 tpd. Work to bring the plant capacity of up to 1,500 – 1,600 tpd was completed in early Q3, 2013, allowing management to facilitate the processing up to 350 tpd of additional ore from the Bolañitos mine. More than 600,000 hours of work were completed on the plant and infrastructure with no lost time accidents, an accomplishment of which the Company is particularly proud. Due to the successful re-commissioning of the El Cubo plant, Endeavour returned the nearby leased Las Torres plant to its owner, Fresnillo PLC, on July 22, 2013.

Three months ended December 31, 2013 (compared to the three months ended December 31, 2012)

Silver production at the El Cubo mine was 372,124 oz in Q4, 2013, an increase of 88% compared to 198,145 oz in Q4, 2012 and gold production was 5,269 oz in Q4, 2013, an increase of 66% compared to 3,169 oz in Q4, 2012. Plant throughput in Q4, 2013 was 99,178 tonnes at average grades of 118 gpt silver and 1.77 gpt gold, compared to 90,175 tonnes grading 96 gpt silver and 1.42 gpt gold in Q4, 2012. The rise year over year was due to the successful implementation of Endeavour’s turn around initiatives. In Q3, 2013, metal production jumped as management turned its focus from the re-construction of the site infrastructure to the optimization of the operations, which continued in Q4, 2013. The Company continues to focus on ensuring that safe, sustainable mining methods will become part of the culture which will lead to improved operating efficiencies. Silver and gold recoveries were both anomalously higher quarter over quarter with additional material flushed from the leach circuit in Q4, 2013 and solely selling a concentrate in Q4 2013. Selling concentrate as opposed to producing doré at the El Cubo plant will increase recoveries going forward. Selling concentrate results in higher payable metal production and higher refining charges, resulting in a net financial benefit. Management expects recoveries to return to be approximately 90% going forward.

Year ended December 31, 2013 (compared to the year ended December 31, 2012)

Silver production at the El Cubo mine was 1,159,026 oz in 2013, an increase of 281% compared to 304,405 oz in 2012 and gold production was 17,142 oz in 2013, an increase of 250% compared to 4,893 oz in 2012. Plant throughput in 2013 was 391,354 tonnes at average grades of 107 gpt silver and 1.57 gpt gold and was 170,725 tonnes grading 94 gpt silver and 1.42 gpt gold in 2012 (not comparable because 2012 production started in July 2012, post-acquisition). The rise year over year was due to owning the assets for the entire fiscal year along with the successful implementation of Endeavour’s turn around initiatives. The Company continues to focus on ensuring that safe, sustainable mining methods will become part of the culture which over time leads to improved operating efficiencies. Metal grades and recoveries have both trended higher since acquisition. Selling concentrate as opposed to producing doré at the El Cubo plant will increase recoveries going forward. Selling concentrate results in higher payable metal production and higher refining charges, resulting in a net financial benefit. Management expects recoveries to return to be approximately 90% going forward.

El Cubo Operating Costs

Three months ended December 31, 2013 (compared to the three months ended December 31, 2012)

Per tonne costs fell 15% quarter over quarter as reorganization plans have taken effect. The Company significantly cut head count in Q2 and Q3 2013, while increasing mined tonnes. Cash costs per ounce net of by-product credits, which is a non-IFRS measure and a standard of the Silver Institute, dropped sharply to $6.65 per ounce of payable silver compared to $38.52 in the same period in 2012. The lower cost per tonne, improved grades and recoveries significantly improved the cash costs on a by-product basis offset by the lower gold price. All-in sustaining costs fell as mine development and exploration expenditures were allocated to significantly higher production. The Company continues to invest in mine development and exploration at El Cubo in order to improve the long term viability of the operation.

Year ended December 31, 2013 (compared to the year ended December 31, 2012)
Per tonne costs remained relatively consistent year over year. Significant severance costs, training and safety initiatives spending and costs related to the implementation of new processes and procedures were offset by the additional production. Cash costs per ounce net of by-product credits, which is a non-IFRS measure and a standard of the Silver Institute, fell to $18.77 per ounce of payable silver compared to $35.27. Improved grades and recoveries significantly improved the cash costs on a by-product basis. All-in sustaining costs fell as mine development and exploration expenditures were allocated to higher production. The Company continues to invest in mine development and exploration at El Cubo in order to improve the long term viability of the operation.

Exploration Results

In January 2013, Endeavour commenced an aggressive $16.3 million surface exploration drill program to test multiple exploration targets at its three mining districts and five district scale exploration properties. A total of 78,500 metres of surface drilling was planned to test approximately 24 exploration targets. During Q2, 2013, the sharp drop in precious metal prices prompted management to reduce the size of the remaining 2013 exploration program by 25%. Endeavour ended up drilling 178 holes totaling 62,000 metres in 2013 for total expenditures of $12.8 million.

At Bolañitos, the Company drilled 15,337 metres in 51 holes to discover high-grade, gold-silver vein mineralization in the historic La Luz, LL-Asuncion and Plateros veins. Each of the three new mineralized zones is about 200 m long by 100 m deep. The La Luz and Asuncion mineralized zones appear to lie along strike from each other about 900 m apart, suggesting that significant exploration potential remains to be tested in between them. Both mineralized zones are readily accessible for mining from nearby historic workings and underground development is now underway to provide access to these two areas via the operating Asuncion shaft. In 2014, Bolañitos exploration will focus on drilling five high priority brownfields targets northwest and southeast of the mine.

At Guanaceví, the Company drilled 9,910 metres in 19 holes testing the Milache property six kilometres northwest of the plant to more fully delineate the high-grade, silver-gold mineralization over a 300 metre by 300 metre area discovered in the Santa Cruz vein. Management is currently evaluating alternatives for underground development at Milache to commence in 2014 so that production can commence in 2015. In 2014, Guanaceví exploration will focus on drilling a high priority brownfields target southeast of the mine.

At El Cubo, the Company drilled 18,450 metres in 47 holes to discover new high-grade, gold-silver vein mineralization in the historic Villalpando, V-Asuncion and Dolores veins. Drilling at Dolores helped to extend and define the hanging-wall and footwall vein ore-bodies that are currently in production. Drilling in the Villalpando and V-Asuncion veins, discovered in late 2012 and fast-tracked to production last year, successfully extended this newly discovered mineralized zone over 900 m in strike length, still open for expansion. In 2014, exploration will focus on five high-priority brownfield targets northwest and southeast of the mine.

At San Sebastián, the Company released an initial mineral resource estimate for the San Sebastián property that included an indicated resource totaling 1,835,000 tonnes with grades of 193 gpt silver and 1.17 gpt gold containing 11.4 million oz silver and 69,300 oz gold, and an inferred resource totaling 3,095,000 tonnes with grades of 196 gpt silver and 1.39 gpt gold containing 19.5 million oz silver and 138,100 oz gold. During 2013, the Company drilled 8,574 m in 30 holes at San Sebastián to infill and extend the recently discovered, thick, high-grade silver-gold mineralization in the Terronera vein over a 900 m long by 300 m deep portion of the four kilometre long Terronera vein, which is still open for expansion**.** In 2014, exploration will focus on drilling two high priority target areas to extend the high-grade silver-gold mineralization along strike to the northwest and southeast of the current resource area in the Terronera vein.

At the Panuco-Laberinto property in Durango State, Mexico, drilling intersected geologically interesting but sub-economic results. The Panuco property is sandwiched between the La Preciosa property of Orko Silver to the southeast and the San Lucas property of Oremex Silver to the northwest, which was optioned in 2012. The Panuco property has exploration potential both for bulk tonnage, open pit and high-grade, underground silver-gold deposits. The Company is currently assessing the remaining exploration potential of this area.

At the El Inca-San Julian properties in northern Chile, surface mapping and target identification were completed and drilling commenced in 2013. The El Inca-San Julian properties have exploration potential for both bulk tonnage, open pit silver-lead-zinc mines like San Cristobal, high-grade, underground silver-gold mines like El Penon (south of El Inca in Chile) and open pit, porphyry copper mines like Chuquicamata. The drilling confirmed the geological potential for a bulk tonnage target, but did no intersect economic mineralization during the first phase of drilling. The Company is currently assessing the remaining exploration potential of this area.

Reserves and Resources

The updated NI 43-101 reserve and resource estimates to December 31, 2013 include the Guanacevi Mine in Durango state, the Bolañitos Mine in Guanajuato state, the El Cubo Mines in Guanajuato state, the Parral project in Chihuahua state, the Arroyo Seco project in the Michoacan state, the Guadelupe y Calvo project in Chihuahua state and the San Sebastián project in Jalisco State.

The Company completed an updated internal estimate of the reserves and resources as of December 31, 2013 for the Guanacevi, Bolañitos, the El Cubo Mines and the San Sebastián project. The Qualified Person for reporting for the four updated estimates is Mike Munroe, MSc, SME Registered Member 4151306RM, an employee of the Company. The Guanacevi, Bolañitos, El Cubo and San Sebastián technical reports will be filed on or before March 31, 2014.

The Company previously retained Micon, to audit the resources to December 15, 2012 for the Guadelupe y Calvo project. The Qualified Persons for reporting for this project are Charley Z. Murahwi, M.Sc., P.Geo, FAusIMM and Alan J. San Martin MAusIMM(CP).

The Company retained Micon, to audit the updated resources to December 31, 2010, based on the then current metal prices for the Parral Project (El Cometa Property). The Qualified Persons for reporting the Parral resources are William J. Lewis, B.Sc., P.Geo, Charley Z. Murahwi, M.Sc., P.Geo, FAusIMM and Dibya Kanti Mukhopadhyay, M.Sc., MAusIMM., who are Micon employees.

The Qualified Persons for reporting the Arroyo Seco resources as of December 31, 2010 are David St Clair Dunn, P.Geo, who is a geological consultant and Barry Devlin, P.Geo who was the Company's Vice President of Exploration at the time of the report's preparation.

The reserve and resource statements for the Guanacevi, Bolañitos, El Cubo, Parral, Guadalupe y Calvo, San Sebastián and Arroyo Seco Projects were classified using the definitions and guidelines of the Canadian Institute of Mining, Metallurgy and Petroleum CIM standards on Mineral Resources and Reserves (CIM Standards) and the guidelines of NI 43-101.

Silver-Gold Reserves & Resources (as of December 31, 2013)					
Reserves	**Tonnes**	**Ag g/t**	**Au g/t**	**Ag oz**	**Au oz**
Guanacevi	327,800	281	0.51	2,961,900	5,300
Bolanitos	380,530	156	2.50	1,910,300	30,500
El Cubo	752,500	138	2.16	3,330,300	52,200
Total Proven	1,460,830	175	1.87	8,202,500	88,000
Guanacevi	34,600	342	0.46	380,800	500
Bolanitos	98,300	134	2.17	424,200	6,800
El Cubo	615,400	131	2.23	2,595,700	44,100
Total Probable	748,300	141	2.14	3,400,700	51,400
Total Proven & Probable	**2,209,130**	**163**	**1.96**	**11,603,200**	**139,400**
Resources	**Tonnes**	**Ag g/t**	**Au g/t**	**Ag oz**	**Au oz**
Guanacevi	132,000	163	0.29	11,603,200	139,400
Bolanitos	75,900	132	1.39	322,800	3,400
El Cubo	660,100	158	2.87	3,357,800	60,800
Total Measured	868,000	183	2.35	777,200	203,600
Guanacevi	1,701,200	242	0.57	13,221,400	31,500
Bolanitos	1,191,800	111	1.95	4,263,300	74,700
El Cubo	1,570,500	144	2.06	7,263,100	104,200
San Sebastian	2,476,000	229	1.08	18,216,200	86,300
Guadalupe y calvo	1,861,000	119	2.38	7,147,300	142,500
Total Indicated	8,800,500	177	1.55	50,111,300	439,200
Total Measured & Indicated	**9,668,500**	**176**	**1.62**	**54,569,100**	**504,700**
Guanacevi	1,155,100	253	0.46	9,384,300	17,100
Bolanitos	2,145,150	140	1.62	9,642,100	111,720
El Cubo	1,477,900	163	3.40	7,729,500	130,100
San Sebastian	2,376,000	175	1.66	13,390,600	126,800
Guadalupe y calvo	154,000	94	2.14	464,600	10,600
Total Inferred	**7,308,150**	**173**	**1.69**	**40,611,100**	**396,320**

Silver-Lead-Zinc Reserves & Resources (as of September 30, 2013)					
Resources	**Tonnes**	**Ag g/t**	**Au g/t**	**Ag oz**	**Au oz**
Guanacevi	655,000	166	0.21	3,495,700	4,400
Parral	1,631,000	49	0.90	2,589,900	47,200
Total Indicated	**2,286,000**	**83**	**0.70**	**6,085,600**	**51,600**
Guanacevi	646,000	129	0.15	2,687,300	3,100
Bolanitos	1,303,000	63	0.88	2,658,900	36,900
El Cubo	738,000	220	0.07	5,220,000	1,700
Total Inferred	**2,687,000**	**122**	**0.48**	**10,566,200**	**41,700**

Key

1. Reserve cut-off at Guanacevi is 217 g/t Silver equivalents
2. Reserve cut-off at Bolañitos is 155 g/t Silver equivalents
3. Reserve cut off at El Cubo is 130 g/t Silver equivalents
4. Mining width is 1.8 metres at Guanacevi
5. Mining width of 2.0 metres at Bolañitos
6. Mining width of 0.8 metres at El Cubo
7. At Guanacevi dilution is 15% after it has been diluted to a minimum mining width if required
8. At Bolañitos dilution is 15% on cut and fill and 25% on long-hole mining methods after it has been diluted to a minimum width if required
9. At El Cubo, inclusive of dilution to minimum mining width is 75%.
10. Resource cut-off for operations are 100 g/t Ag equivalent
11. Reserve and Resource Silver equivalent is 60:1 for Silver to Gold
12. Resource cut off for the San Sebastián property is 100 g/t Ag equivalent
13. Resource cut off for the Guadalupe y Calvo property is 100 g/t Ag equivalent
14. At the Parral project a cut-off using NSR of $40 is used with the prices listed below
15. The cut-off used for Arroyo Seco was 100 g/t Ag

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

Description	Parameter	Description	Parameter
Gold Price	*US $1,000/oz*	Gold Recovery (Overall)	*75%*
Silver Price	*US $16/oz*	Silver Recovery (Overall)	*71%*
Lead Price	*US $0.65/lb*	Lead Recovery (Overall)	*80%*
Zinc Price	*US $0.65/lb*	Zinc Recovery (Overall)	*74%*
Smelter Terms	*Generic Contract*		

Consolidated Financial Results

Three months ended December 31, 2013 (compared to the three months ended December 31, 2012)

For the three-month period ended December 31, 2013, the Company's mine operating earnings were $9.9 million (Q4, 2012: $17.9 million) on sales of $67.9 million (Q4, 2012: $66.7 million) with cost of sales of $58.0 million (Q4, 2012: $48.8 million).

The operating loss in Q4, 2013 was $129.6 million (Q4, 2012:operating earnings of $10.5 million) after exploration costs of $2.1 million (Q4, 2012: $3.8 million), general and administrative costs of $2.2 million (Q4, 2012: $3.6 million) and an impairment of non-current assets and goodwill of $135.1 million (Q4, 2012: nil)

The loss before taxes in Q4, 2013 was $133.8 million (Q4, 2012: earnings before taxes of $17.3 million) after mark-to-market gain on derivative liabilities (see adjusted earnings comment on page 20) of $0.6 million (Q4, 2012: $1.7 million), a foreign exchange loss of $0.4 million (Q4, 2012: gain of $0.5 million), a mark-to-market gain on contingent liabilities of $0.6 million (Q4, 2012: $4.4 million), investment and other loss of $4.7 million (Q4, 2012: income of $0.3 million) and finance costs of $0.4 million (Q4, 2012: $0.3 million). As at December 31, 2013, the Company determined there were several indicators of potential impairment of its producing mineral properties which include the sustained decline in precious metal prices, the Mexican tax reform (see page 30) and a reduction of the Guanacevi estimated reserves and resources. The total impairment charge for the year ended December 31, 2013 is $104.3 million net of tax ($135.1 million before tax) (see page 19). The Company realized a net loss for the period of $115.8 million (Q4, 2012: net income of $19.8 million) after an income tax recovery of $18.1 million (Q4, 2012: recovery of $2.5 million).

Sales of $67.9 million in Q4, 2013 represent a 2% increase over the $66.7 million for the same period in 2012. There was a 60% increase in silver ounces sold offset by a 38% decrease in the realized silver price resulting in flat silver sales, and there was a 45% increase in gold ounces sold with a 28% decrease in realized gold prices resulting in 5% increase in gold sales. During the period, the Company sold 2,155,326 oz silver and 18,960 oz gold, for realized prices of $20.52 and $1,246 per oz respectively, compared to sales of 1,345,832 oz silver and 13,037 oz gold, for realized prices of $32.87 and $1,725 per oz respectively, in the same period of 2012. The realized prices of silver and gold during the period were within 2% of the average silver spot price during the period of $20.82 and the average gold spot price during the period of $1,275, with differences due to the timing of sales and the mark-to-market adjustments for the concentrate sales that are pending finalization.

The Company depleted its finished goods to 51,000 oz silver and 198 oz gold at December 31, 2013 compared to 385,126 oz silver and 2,473 oz gold at September 30, 2013. The cost allocated to these finished goods was $1.0 million, compared to $10.2 million at September 30, 2013.

Cost of sales for Q4, 2013 was $58.0 million, an increase of 19% over the cost of sales of $48.8 million for the same period of 2012. The 19% increase was a result of a number of factors. The 19% increase was a result of the Company selling 38% more silver ounces, a 50% increase in amortization and depletion due to a higher depletion cost base, and various additional cost pressures at its operations, including labour.

Exploration expenses decreased in Q4, 2013 to $2.1 million from $3.8 million in the same period of 2012 based on both the timing of the exploration activities and the reduction of exploration activities in the current year. During Q2, 2013, the sharp drop in precious metal prices prompted management to reduce the size of the 2013 exploration program by 25%. General and administrative expenses decreased to $2.5 million for the period as compared to $3.6 million in the same period of 2012 primarily due to decreased corporate development costs, legal and human resource costs.

A significant number of the Company's share purchase warrants are classified and accounted for as a financial liability at fair value with adjustments recognized through net earnings because these warrants have an exercise price denominated in a currency which is different from the functional currency of the Company. During the period, there was a mark-to-market gain on derivative liabilities (see adjusted earnings comment on page 20) of $0.6 million compared to $1.9 million gain in the same period in 2012. The gain in the current period was a reflection of the Company's share price decreasing from CAN$4.42 at September 30, 2013 to CAN$3.84 at December 31, 2013.

The mark-to-market loss on the contingent liability was a result of a revaluation, based on the Monte Carlo model, of the contingent consideration related to the acquisition of Mexgold (El Cubo). The decrease in the gold price and movement in the forward curve resulted in a $0.6 million mark-to-market gain during Q4, 2013 while the same period in 2012 had a mark-to-market loss on the contingent liability of $4.4 million.

The Company experienced a foreign exchange loss of $0.4 million during the period compared to a gain of $0.5 million for the same period of 2012. The $0.4 million gain was primarily due to the weakening of the Mexican peso against the US dollar during the period, which resulted in lower valuations on the Mexican peso cash and receivable amounts and the Mexican peso denominated inventory amounts.

There was an income tax recovery of $18.1 million during the period compared to $2.5 million recovery for the same period of 2012. In December 2013, the Mexican President passed tax reform legislation that will be effective January 1, 2014. The tax reform includes, among other items, an increase of the Mexican corporate tax rate from 28% to 30%, removal of the flat tax regime, a Special Mining Duty of 7.5% on taxable revenues, less allowable deductions excluding interest and capital depreciation and an 0.5% Environmental Tax on gold and silver revenues. On enactment of the Special Mining Duty, the Company recognized an $18.7 million deferred income tax expense offset by the recognition of loss carry forwards that would be available with the removal of the flat tax regime for the year ended December 31, 2013. Furthermore, a result of the impairment of non-current assets the Company recognized $30.8 million deferred income tax recovery during the period.

Year ended December 31, 2013 (compared to the year ended December 31, 2012)

For the year ended December 31, 2013, the Company's mine operating earnings were $56.9 million (2012: $78.0 million) on sales of $276.8 million (2012: $208.1 million) with cost of sales of $219.9 million (2012: $130.1 million).

Operating loss was $102.9 million (2012: operating income of $53.6 million) after exploration costs of $13.2 million (2012: $11.2 million), general and administrative costs of $11.6 million (2012: $13.1 million) and an impairment of non-current assets and goodwill of $135.1 million (Q4, 2012: nil)

The loss before taxes was $96.0 million (2012: earnings before taxes of $60.1 million) after mark-to-market gain on derivative liabilities (see adjusted earnings comment on page 20) of $3.8 million (2012: $1.9 million), a foreign exchange expense of $2.6 million (2012: gain of $3.5 million), a mark-to-market gain on contingent liabilities of $8.4 million (2012: mark-to-market loss of $0.6 million), investment and other loss of $1.1 million (2012: income of $2.1 million) and finance costs of $1.5 million (2012: $0.5 million). As at December 31, 2013, the Company determined there were several indicators of potential impairment of its producing mineral properties which include the sustained decline in precious metal prices, the Mexican tax reform (see page XX) and a reduction of the Guanacevi estimated reserves and resources. The total impairment charge for the year ended December 31, 2013 is $104.3 million net of tax ($135.1 million before tax) (see page 19). The Company realized a net loss for the period of $89.5 million (2012: net earnings of $42.1 million) after an income tax recovery of $6.5 million (2012: provision of $18.0 million).

Sales of $276.8 million for the year represented a 33% increase over the $208.1 million for 2012. There was a 49% increase in silver ounces sold offset by a 25% decrease in the realized silver price resulting in a 11% increase in silver sales, and there was a 131% increase in gold ounces sold with 18% decrease in realized gold prices resulting in a 89% increase in gold sales. During the year, the Company sold 7,151,963 oz silver and 81,119 oz gold, for realized prices of $23.10 and $1,375 per oz respectively, compared to sales of 4,815,073 oz silver and 35,167 oz gold, for realized prices of $23.10 and $1,674 per oz respectively, in 2012. The realized prices of silver and gold during the year were within 3% of the 2013 average silver spot price of $23.79 and average gold spot price of $1,411, with differences due to the timing of sales and the mark-to-market for the concentrate sales that are pending finalization.

The Company accumulated 51,000 oz silver and 198 oz gold finished goods at December 31, 2013 compared to 611,661 oz silver and 8,934 oz gold at December 31, 2012. The cost allocated to these finished goods is $1.0 million compared to $18.7 million, net of a $1.5 million write-down of the El Cubo finished goods, at December 31, 2012.

Cost of sales for the year was $219.9 million, an increase of 69% over the cost of sales of $130.1 million for 2012. The 69% increase in the cost of sales was due to a number of factors. The Company sold 49% more silver ounces and experienced an 80% increase in amortization and depletion as the Company had higher accumulated cost bases. In addition, the Company experienced additional labour cost pressures at its operations, including severance costs during the year. Furthermore, the Company acquired the El Cubo mine in Q3, 2012, a high cost operation which had been operating at a loss in the early part of the year, resulting in a reduced gross margin on a consolidated basis. During the year the Company took inventory write downs to net realizable value ("NRV") of $4.9 million at the El Cubo mine and $1.0 million at the Guanaceví mine. The write down for El Cubo was comprised of write downs of both finished goods and work in process inventories, while the write down for Guanaceví was comprised of finished goods at the end of reporting quarters.

Exploration expenses in 2013 increased to $13.2 million from $11.2 million in 2012 based on the timing of the exploration activities, the addition of exploration activities at the El Cubo mine and a more aggressive exploration program in early 2013. General and administrative expenses decreased to $11.6 million in 2013 compared to $13.1 million in 2012 primarily due to slightly decreased corporate development costs, legal and insurance fees and human resource costs.

A significant number of the Company's share purchase warrants are classified and accounted for as a financial liability at fair value with adjustments recognized through net earnings because these warrants have an exercise price denominated in a currency which is different from the functional currency of the Company. During the year, there was a mark-to-market gain on derivative liabilities (see adjusted earnings comment on page 16) of $3.8 million, while the same period in 2012 had a mark-to-market gain on derivative liabilities of $1.9 million. The gain was a reflection of the Company's share price decreasing from CAN$7.84 at December 31, 2012 to CAN$3.84 at December 31, 2013.

The mark-to-market gain on the contingent liability was a result of a revaluation, based on the Monte Carlo model, of the contingent consideration related to the acquisition of Mexgold (El Cubo). A decrease in the gold price and movement in the forward curve resulted in an $8.4 million mark-to-market gain during 2013, while 2012 had a mark-to-market loss on the contingent liability of $0.6 million.

The Company experienced a foreign exchange loss of $2.6 million during the year compared to a gain of $3.5 million for 2012. The $2.6 million loss was primarily due to the weakening of the Mexican peso against the US dollar during the period, which resulted in lower valuations on the Mexican peso cash and receivable amounts.

There was an income tax recovery of $6.5 million in 2013 compared to an income tax expense of $18.0 million in 2012. In December 2013, the Mexican President passed tax reform legislation that will be effective January 1, 2014. The tax reform includes, among other items, an increase of the Mexican corporate tax rate from 28% to 30%, removal of the flat tax regime, a Special Mining Duty of 7.5% on taxable revenues, less allowable deductions excluding interest and capital depreciation and an 0.5% Environmental Tax on gold and silver revenues. On enactment of the Special Mining Duty, the Company recognized an $18.7 million deferred income tax expense offset by the recognition of loss carry forwards that would be available with the removal of the flat tax regime for the year ended December 31, 2013. Furthermore, a result of the impairment of non-current assets the Company recognized $30.8 million deferred income tax recovery during the period.

Impairment charge

The recoverable amounts of the Company's cash generating units ("CGU"), which include mining properties, plant and equipment and allocated goodwill, are determined on an annual basis and circumstances result in impairment indicators. As at December 31, 2013, the Company determined there were several indicators of potential impairment of its producing mineral properties which include the sustained decline in precious metal prices, the Mexican tax reform (see page 30) and a reduction of the Guanacevi estimated reserves and resources. The recoverable amounts are based on each CGUs future cash flows expected to be derived from the Company's mining properties and represents each CGUs fair value in use. The cash flows are determined based on the life-of-mine after tax cash flow forecast which incorporate management's best estimates of future metal prices, production based on current estimates of recoverable reserves and resources, exploration potential, future operating costs and non-expansionary capital expenditures.

At December 31, 2013 the Company tested the recoverability of its operating assets, resulting in a detailed review of the Guanacevi and El Cubo operations. The Company forecast future operating and capital costs, analysts' consensus pricing for the first five years of its economic model and then used a long term silver price of $22 per ounce, a long term gold price of $1,300 per ounce and a risk adjusted project specific discount rate of 8% based on the CGUs weighted average cost of capital. Due to the sensitivity of the recoverable amounts to the various factors mentioned and specifically long term metal prices as well as unforeseen factors, any significant change in the key assumptions and inputs could result in additional impairment charges in future periods.

At December 31, 2013 the carrying value related to the Guanacevi CGU was $74.8 million and net of associated deferred income tax liabilities of $15.4 million, was greater than its estimated recoverable amount of $23.1 million, calculated on a discounted cash flow basis. The Company considers use of its internal discounted cash flow economic models as a proxy for the calculation of fair value in use. Based on the above assessment, at December 31, 2013, the Company recorded an impairment charge related to the Guanacevi mine of $36.3 million, net of tax ($51.4 million before tax).

At December 31, 2013 the carrying value related to the El Cubo mine was $270.9 million, including goodwill of $39.2 million and net of associated deferred income tax liabilities of $67.5 million was greater than its estimated recoverable amount of $135.4 million, calculated on a discounted cash flow basis. The Company considers use of its internal discounted cash flow economic models as a proxy for the calculation of fair value in use. Based on the above assessment at December 31, 2013, the Company recorded an impairment charge related to the El Cubo mine of $68.0 million, net of tax, comprised of goodwill $39.2 million and non-current assets of $28.8 million ($44.4 million before tax).

The impairment charge on mineral property plant and equipment for the year ended December 31, 2013 is $65.0 million net of tax ($95.8 million before tax) and has been recognized in the statement of Comprehensive Income (Loss) (December 31, 2012 – nil). The impairment charge on goodwill for the year ended December 31, 2013 is $39.2 million and has been recognized in the statement of Comprehensive Income (Loss) (December 31, 2012 – nil).

The Company reviewed the Bolanitos CGU for impairment, which resulted in the estimated value in use being significantly greater than its carrying value.

Selected Annual Information

Expressed in thousands US dollars	Year ended December 31		
	2013	2012	2011
Revenue	$276,783	$208,079	$127,997
Net earnings (Loss)	(89,465)	42,117	18,755
Basic earnings per share	(0.90)	0.45	0.22
Diluted earnings per share	(0.90)	0.42	0.22
Dividends per share	-	-	-
Total assets	366,923	477,527	249,021
Total long-term liabilities	55,804	89,846	36,665

NON-IFRS MEASURES

Adjusted earnings and adjusted EPS are non-IFRS measures that do not have standardized meanings prescribed by IFRS and therefore may not be comparable to similar measures presented by other issuers. The Company previously issued share purchase warrants that have an exercise price denominated in a currency which is different from the functional currency of the Company. Under IFRS, the warrants are classified and accounted for as a financial liability at fair value with adjustments recognized through net earnings. These adjustments fluctuate significantly quarter to quarter primarily based on the change in the Company's quoted share price and have a significant effect on reported earnings, while the dilutive impact remains unchanged. The Company incurred impairments on non-current assets that have a significant one time effect on reported earnings. Adjusted earnings and adjusted EPS are measures used by management to assess the performance of the operations as whole without one-time charges to appropriately compare to past performance and provided to investors as a measure of the Company's operating performance.

Expressed in thousands US dollars	Three months ended Dec. 31		Year ended Dec. 31	
	2013	2012	2013	2012
Net earnings (loss) for the period	($115,758)	$14,821	($89,465)	$42,117
Impairment of non-current assets, net of tax	104,283	-	104,283	-
Mark-to-market loss/(gain) on derivative liabilities	(591)	(1,881)	(3,750)	(1,928)
Adjusted net earnings (loss)	($12,066)	$12,940	$11,068	$40,189
Basic weighted average share outstanding	99,720,704	99,539,282	99,770,293	93,266,038
Adjusted net earnings (loss) per share	($0.12)	$0.13	$0.11	$0.43

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

Expressed in thousands US dollars	Three months ended Dec. 31		Year ended Dec. 31	
	2013	2012	2013	2012
Mine operating earnings	$9,861	$17,919	$56,915	$77,953
Share-based compensation	107	124	515	545
Amortization and depletion	15,780	10,517	53,569	29,694
Write down (recovery) of inventory to net realizable value	664	6,221	5,874	6,221
Mine operating cash flow before taxes	$26,412	$34,781	$116,873	$114,413

Operating cash flow before working capital adjustment is a non-IFRS measure that does not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other issuers. Operating cash flow before working capital ("WC") adjustments is calculated as operating cash flow minus working capital adjustment. Operating cash flow before working capital adjustments is used by management to assess operating performance irrespective of working capital changes and provided to investors as a measure of the Company's operating performance.

Expressed in thousands US dollars	Three months ended Dec. 31		Year ended Dec. 31	
	2013	2012	2013	2012
Cash from operating activities	$25,298	$19,688	$76,544	$76,021
Net changes in non-cash working capital	7,348	(663)	(5,041)	(6,907)
Operating cash flow before working capital adjustments	$17,950	$20,351	$81,585	$82,928

Operating cash flow per share is a non-IFRS measure that does not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other issuers. Operating cash flow per share is calculated by dividing cash from operating activities by the weighted average shares outstanding. Operating cash flow per share is used by management and provided to investors as a measure of the Company's operating performance.

Expressed in thousands US dollars	Three months ended Dec. 31		Year ended Dec. 31	
	2013	2012	2013	2012
Operating cash flow before working capital adjustments	$17,950	$20,351	$81,585	$82,928
Weighted average shares outstanding	99,720,704	99,539,282	99,770,293	93,266,038
Operating cash flow before WC changes per share	$0.18	$0.20	$0.82	$0.89

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

- Income tax expense;
- Finance costs;
- Amortization and depletion

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

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

Expressed in thousands US dollars	Three months ended Dec. 31		Year ended Dec. 31	
	2013	2012	2013	2012
Net earnings (loss) for the period	($115,758)	$14,821	($89,465)	$42,117
Amortization and depletion – cost of sales	15,780	10,517	53,569	29,694
Amortization and depletion – exploration	37	30	138	121
Amortization and depletion – general & admin	57	52	191	138
Finance costs	422	293	1,513	484
Current income tax expense	5,042	5,931	13,970	15,834
Deferred income tax expense (recovery)	(23,100)	(3,460)	(20,464)	2,135
Impairment of non-current assets and goodwill	140,541	-	140,541	-
Earnings before interest, taxes and amortization	$23,021	$28,184	$99,993	$90,523

Cash costs per ounce, total production costs per ounce and direct production costs per tonne are measures developed by precious metals companies in an effort to provide a comparable standard; however, there can be no assurance that Endeavour's reporting of these non-IFRS measures are similar to those reported by other mining companies. Cash costs per ounce, production costs per ounce and direct production costs per tonne are measures used by the Company to manage and evaluate operating performance at each of the Company's operating mining units, and are widely reported in the silver mining industry as a benchmark for performance, but do not have a standardized meaning and are disclosed in addition to IFRS measures. The following tables provide a detailed reconciliation of these measures to Endeavour's cost of sales, as reported in the Company's consolidated financial statements.

Expressed in thousands US dollars	Three Months Ended December 31, 2013				Three Months Ended December 31, 2012			
	Guanacevi	Bolanitos	El Cubo	Total	Guanacevi	Bolanitos	El Cubo	Total
Direct production costs	$17,627	$12,183	$11,401	$41,211	$12,839	$9,986	$11,989	$34,814
Royalties	235	-	-	235	469	-	-	469
Opening finished goods	(4,651)	(589)	(2,057)	(7,297)	(3,891)	(8,183)	(3,971)	(16,045)
NRV cost adjustment	-	-	(434)	(434)	-	-	-	-
Closing finished goods	650	-	60	710	1,626	10,442	4,696	16,764
Direct production costs	13,861	11,594	8,970	34,425	11,043	12,245	12,714	36,002
By-product gold sales	(3,628)	(11,887)	(8,117)	(23,632)	(2,922)	(14,442)	(5,125)	(22,489)
Opening gold inventory fair market value	1,025	689	1,565	3,279	1,669	13,070	1,527	16,266
Closing gold inventory fair market value	(94)	-	(144)	(238)	(455)	(12,789)	(1,560)	(14,804)
Cash costs net of by-product	11,164	396	2,274	13,834	9,335	(1,916)	7,556	14,975
Amortization and depletion	5,917	2,603	7,230	15,750	4,170	1,796	4,552	10,518
Stock-based compensation	35	35	35	105	7	6	111	124
Opening finished goods depletion	(1,545)	(162)	(1,222)	(2,929)	(1,700)	(1,771)	(3,381)	(6,852)
NRV cost adjustment	-	-	-	-	-	-	-	-
Closing finished goods depletion	220	-	92	312	444	2,699	1,176	4,319
Total production costs	$15,791	$2,872	$8,409	$27,072	$12,256	$814	$10,014	$23,084
Throughput tonnes	121,008	159,294	99,178	379,480	110,763	161,841	90,175	362,779
Payable silver ounces	852,880	660,113	342,115	1,855,108	513,025	513,487	196,193	1,222,705
Cash costs per ounce	$13.09	$0.60	$6.65	$7.46	$18.20	($3.73)	$38.52	$12.25
Total production costs per oz	$18.51	$4.35	$24.58	$14.59	$23.89	$1.59	$51.04	$18.88
Direct production costs per tonne	$114.55	$72.78	$90.44	$90.72	$99.70	$75.66	$105.30	$90.39

Expressed in thousands US dollars	Year Ended December 31, 2013				Year Ended December 31, 2012			
	Guanacevi	Bolanitos	El Cubo	Total	Guanacevi	Bolanitos	El Cubo	Total
Direct production costs	$48,003	$66,923	$43,657	$158,583	$47,802	$29,588	$14,410	$91,800
Royalties	1,328	-	-	1,328	1,866	-	-	1,866
Opening finished goods	(1,626)	(10,442)	(2,305)	(14,373)	(7,865)	(4,636)	-	(12,501)
NRV cost adjustment	-	-	2,934	2,934	-	-	-	-
Closing finished goods	650	-	60	710	1,626	10,442	4,696	16,764
Direct production costs	48,355	56,481	44,346	149,182	43,429	35,394	19,106	97,929
By-product gold sales	(9,419)	(77,152)	(24,987)	(111,558)	(14,064)	(37,884)	(6,917)	(58,865)
Opening gold inventory fair market value	455	12,789	1,560	14,804	1,577	6,701	NA	8,278
Closing gold inventory fair market value	(94)	0	(144)	(238)	(455)	(12,789)	(1,560)	(14,804)
Cash costs net of by-product	39,297	(7,882)	20,775	52,190	30,487	(8,578)	10,629	32,538
Amortization and depletion	15,929	13,962	23,648	53,539	14,112	10,172	5,411	29,695
Stock-based compensation	172	172	171	515	211	223	111	545
NRV cost adjustment	-	-	1,237	1,237	-	-	-	-
Opening finished goods depletion	(444)	(2,698)	(1,176)	(4,318)	(1,830)	(4,005)	-	(5,835)
Closing finished goods depletion	220	-	92	312	444	2,699	1,176	4,319
Total production costs	$55,174	$3,554	$44,747	$103,475	$43,424	$511	$17,327	$61,262
Throughput tonnes	435,922	710,708	391,354	1,537,984	418,277	476,687	170,725	1,065,689
Payable silver ounces	2,744,505	2,742,499	1,106,801	6,593,805	2,487,813	1,651,446	301,360	4,440,619
Cash costs per ounce	$14.32	($2.87)	$18.77	$7.92	$12.25	($5.20)	$35.27	$7.33
Total production costs per oz	$20.10	$1.30	$40.43	$15.69	$17.45	$0.31	$57.50	$13.80
Direct production costs per tonne	$110.93	$79.47	$113.31	$97.00	$103.83	$74.25	$117.17	$92.74

All-in sustaining costs per ounce and all-in costs per ounces are measures developed by the World Gold Council in an effort to provide a comparable standard within the precious metal industry; however, there can be no assurance that Endeavour's reporting of these non-IFRS measures are similar to those reported by other mining companies. These measures are used by the Company to manage and evaluate operating performance at each of the Company's operating mining units and consolidated group, and are widely reported in the silver mining industry as a benchmark for performance, but do not have a standardized meaning and are disclosed in addition to IFRS measures. The following tables provide a detailed reconciliation of these measures to Endeavour's cost of sales, as reported in the Company's consolidated financial statements.

Expressed in thousands US dollars	Three Months Ended December 31, 2013				Three Months Ended December 31, 2012			
	Guanacevi	Bolanitos	El Cubo	Total	Guanacevi	Bolanitos	El Cubo	Total
Cash costs	$11,164	$396	$2,274	$13,834	$9,335	($1,916)	$7,556	$14,975
Operations stock based compensation	35	35	35	105	7	6	111	124
Corporate general and administrative	732	567	294	1,593	1,110	1,111	425	2,646
Corporate stock based compensation	264	204	106	574	367	367	140	874
Reclamation - amortization/accretion	4	1	4	9	5	2	6	13
Mine site expensed exploration	149	423	940	1,512	666	1,631	102	2,399
Capital expenditures sustaining	2,514	3,441	2,831	8,786	4,674	4,789	3,811	13,274
All In Sustaining Costs	$14,862	$5,067	$6,484	$26,413	$16,164	$5,990	$12,151	$34,305
Growth exploration				159				989
Growth capital expenditures				3,385				4,975
All In Costs				$29,957				$40,269
Throughput tonnes	121,008	159,294	99,178	379,480	110,763	161,841	90,175	362,779
Payable silver ounces	852,880	660,113	342,115	1,855,108	513,025	513,487	196,193	1,222,705
Sustaining cost per ounce	$17.43	$7.68	$18.95	$14.24	$31.51	$11.67	$61.93	$28.06
All In costs per ounce				$16.15				$32.93

Expressed in thousands US dollars	Year Ended December 31, 2013				Year Ended December 31, 2012			
	Guanacevi	Bolanitos	El Cubo	Total	Guanacevi	Bolanitos	El Cubo	Total
Cash costs	$39,297	($7,882)	$20,775	$52,190	$30,487	($8,578)	$10,629	$32,538
Operations stock based compensation	172	172	171	515	211	223	111	545
Corporate general and administrative	3,552	2,887	1,165	7,604	5,108	3,391	619	9,117
Corporate stock based compensation	1,198	1,197	483	2,879	2,174	1,443	263	3,881
Reclamation - amortization/accretion	16	4	19	39	15	5	12	32
Mine site expensed exploration	1,779	2,505	2,222	6,506	2,346	1,761	730	4,837
Capital expenditures sustaining	15,866	21,397	13,727	50,990	19,330	21,732	10,397	51,459
All In Sustaining Costs	$61,881	$20,280	$38,562	$120,723	$59,671	$19,977	$22,761	$102,409
Growth exploration				4,404				6,227
Growth capital expenditures				27,946				14,777
All In Costs				$153,073				$123,413
Throughput tonnes	435,922	710,708	391,354	1,537,984	418,277	476,687	170,725	1,065,689
Payable silver ounces	2,744,505	2,742,499	1,106,801	6,593,805	2,487,813	1,651,446	301,360	4,440,619
Sustaining cost per ounce	$22.55	$7.39	$34.84	$18.31	$23.99	$12.10	$75.53	$23.06
All In costs per ounce				$23.21				$27.79

Silver co-product cash costs and gold co-product cash costs are measures used by the Company to manage and evaluate operating performance at each of the Company's operating mining units and consolidated group , but do not have a standardized meaning and are disclosed in addition to IFRS measures. The following tables provide a detailed reconciliation of these measures to Endeavour's cost of sales, as reported in the Company's consolidated financial statements.

Expressed in thousands US dollars	Three Months Ended December 31, 2013				Three Months Ended December 31, 2012			
	Guanacevi	Bolanitos	El Cubo	Total	Guanacevi	Bolanitos	El Cubo	Total
Direct production costs	$17,627	$12,183	$11,401	$41,211	$12,839	$9,986	$11,989	$34,814
Royalties	235	-	-	235	469	-	-	469
Opening finished goods	(4,651)	(589)	(2,057)	(7,297)	(3,891)	(8,183)	(3,971)	(16,045)
NRV cost adjustment	-	-	(434)	(434)	-	-	-	-
Closing finished goods	650	-	60	710	1,626	10,442	4,696	16,764
Direct production costs	13,861	11,594	8,970	34,425	11,043	12,245	12,714	36,002
Silver production	861,495	698,098	372,124	1,931,717	518,207	518,674	198,145	1,235,026
Average realized silver price	20.52	20.52	20.52	20.52	32.87	32.87	32.87	32.87
Silver value	17,677,877	14,324,971	7,635,984	39,638,833	17,033,464	17,048,814	6,513,026	40,595,305
Gold production	2,275	10,142	5,269	17,686	1,088	8,660	3,169	12,917
Average realized gold price	1,246	1,246	1,246	1,246	1,725	1,725	1,725	1,725
Gold value	2,834,650	12,636,932	6,565,174	22,036,756	1,876,800	14,938,500	5,466,525	22,281,825
Total metal value	20,512,527	26,961,903	14,201,158	61,675,589	18,910,264	31,987,314	11,979,551	62,877,130
Pro-rated silver costs	86%	53%	54%	64%	90%	53%	54%	65%
Pro-rated gold costs	14%	47%	46%	36%	10%	47%	46%	35%
Silver co-product cash costs	$13.87	$8.82	$12.96	$11.45	$19.20	$12.58	$34.89	$18.82
Gold co-product cash costs	$842	$536	$787	$695	$1,007	$660	$1,831	$988

Expressed in thousands US dollars	Year Ended December 31, 2013				Year Ended December 31, 2012			
	Guanacevi	Bolanitos	El Cubo	Total	Guanacevi	Bolanitos	El Cubo	Total
Direct production costs	$48,003	$66,923	$43,657	$158,583	$47,802	$29,588	$14,410	$91,800
Royalties	1,328	-	-	1,328	1,866	-	-	1,866
Opening finished goods	(1,626)	(10,442)	(2,305)	(14,373)	(7,865)	(4,636)	-	(12,501)
NRV cost adjustment	-	-	2,934	2,934	-	-	-	-
Closing finished goods	650	-	60	710	1,626	10,442	4,696	16,764
Direct production costs	48,355	56,481	44,346	149,182	43,429	35,394	19,106	97,929
Silver production	2,772,227	2,881,816	1,159,026	6,813,069	2,512,943	1,668,128	304,405	4,485,476
Average realized silver price	23.10	23.10	23.10	23.10	30.31	30.31	28.72	30.26
Silver value	64,038,444	66,569,950	26,773,501	157,381,894	76,167,302	50,560,960	8,742,512	135,730,504
Gold production	6,784	51,652	17,142	75,578	7,874	25,920	4,893	38,687
Average realized gold price	1,375	1,375	1,375	1,375	1,645	1,645	1,637	1,644
Gold value	9,328,000	71,021,500	23,570,250	103,919,750	12,952,730	42,638,400	8,009,841	63,601,428
Total metal value	73,366,444	137,591,450	50,343,751	261,301,644	89,120,032	93,199,360	16,752,353	199,331,932
Pro-rated silver costs	87%	48%	53%	60%	85%	54%	52%	68%
Pro-rated gold costs	13%	52%	47%	40%	15%	46%	48%	32%
Silver co-product cash costs	$15.22	$9.48	$20.35	$13.19	$14.77	$11.51	$32.76	$14.87
Gold co-product cash costs	$906	$564	$1,211	$785	$802	$625	$1,867	$808

SUMMARY OF QUARTERLY RESULTS AND TRENDS

The following table presents selected financial information for each of the most recent eight quarters:

(tables in thousands of US dollars except per share amounts)

	2013				2012			
Quarterly Results	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Revenue	$67,857	$67,803	$71,250	$69,873	$66,719	$51,880	$40,434	$49,046
Direct cost	41,210	35,739	44,746	36,887	34,814	24,485	15,890	16,611
Royalties	235	287	356	450	469	454	482	461
Mine operating cash flow	26,412	31,777	26,148	32,536	31,436	26,941	24,062	31,974
Share-based compensation	107	131	202	75	124	146	216	59
Amortization and depletion	15,780	12,566	13,149	12,074	10,517	6,353	4,328	8,496
Write down on inventory	664	(2,668)	6,383	1,495	2,876	3,345	-	-
Mine operating earnings	$9,861	$21,748	$6,414	$18,892	$17,919	$17,097	$19,518	$23,419
Net earnings (loss)	($115,758)	$12,297	($361)	$14,357	$14,821	$16	$7,505	$19,775
Impairment charge, net of tax	104,283	-	-	-	-	-	-	-
(Gain) Loss on derivative liability	(591)	679	(2,386)	(1,452)	(1,881)	1,728	1,632	(143)
Adjusted earnings (loss)	($12,066)	$12,976	($2,747)	$12,905	$12,940	$1,744	$5,873	$19,632
Basic earnings (loss) per share	($1.16)	$0.12	$0.00	$0.14	$0.15	$0.00	$0.09	$0.23
Diluted earnings (loss) per share	($1.17)	$0.12	$0.00	$0.13	$0.13	$0.00	$0.06	$0.22
Adjusted earnings (loss) per share	($0.35)	$0.13	($0.03)	$0.13	$0.13	$0.02	$0.06	$0.22
Weighted shares outstanding	99,720,704	99,741,010	99,710,933	99,660,016	99,539,282	97,666,618	87,999,495	87,728,391
Net earnings (loss)	($115,758)	$12,297	($361)	$14,357	$14,821	$16	$7,505	$19,775
Amortization and depletion	15,875	12,648	13,228	12,148	10,599	6,426	4,386	8,541
Finance costs	422	313	531	247	293	181	5	5
Current income tax	5,042	2,729	4,363	1,836	5,932	3,419	1,713	4,769
Deferred income tax	(23,100)	1,341	(1,158)	2,453	(3,460)	2,185	2,788	623
Impairment charges	135,060	-	-	-	-	-	-	-
EBITDA	$17,541	$29,328	$16,603	$31,041	$28,185	$12,227	$16,397	$33,713

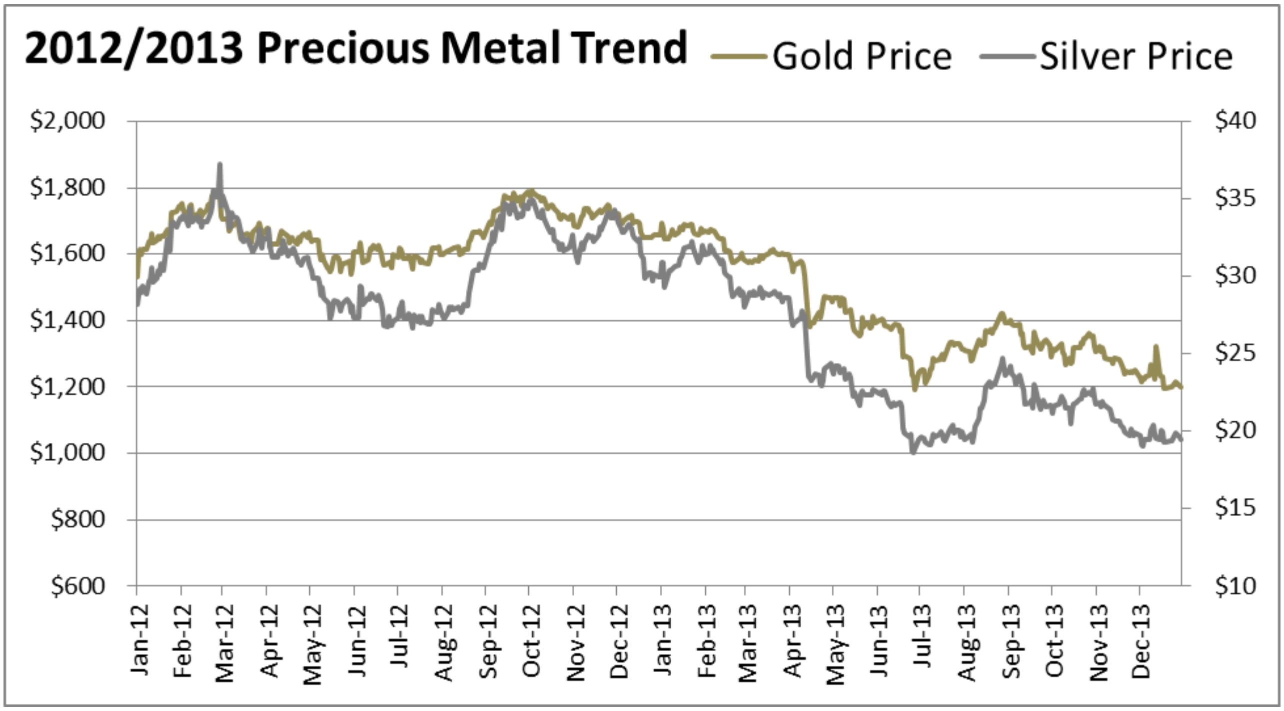
The following table presents selected production information for each of the most recent eight quarters:

Highlights	2013				2012			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Processed tonnes	379,480	389,090	393,070	376,344	362,779	306,164	202,987	193,759
Guanaceví	121,008	107,480	100,781	106,653	110,763	108,343	100,208	98,963
Bolañitos	159,294	181,442	202,472	167,500	161,841	117,271	102,779	94,796
El Cubo	99,178	100,168	89,817	102,191	90,175	80,550	NA	NA
Silver ounces	1,931,717	1,855,846	1,535,873	1,489,746	1,235,026	1,137,933	1,040,026	1,072,491
Guanaceví	861,495	715,080	555,036	640,616	518,207	598,285	669,754	726,697
Bolañitos	698,098	794,734	810,414	578,654	518,674	433,388	370,272	345,794
El Cubo	372,124	346,032	170,423	270,446	198,145	106,260	NA	NA
Silver grade	181	171	165	154	151	161	208	229
Guanaceví	271.7	265	240	233	215	227	269	292
Bolañitos	152	147	160	135	140	148	149	163
El Cubo	118	112	93	103	96	92	NA	NA
Silver recovery	87.3	86.7	73.6	79.9	70.1	71.8	76.5	75.2
Guanaceví	81.5	78.0	71.3	80.2	67.7	75.7	77.4	78.2
Bolañitos	89.5	92.5	77.8	79.8	71.3	77.7	75.2	69.5
El Cubo	99.1	95.6	63.5	79.9	71.2	44.6	NA	NA
Gold ounces	17,686	22,947	19,914	15,032	12,917	11,754	7,695	6,321
Guanaceví	2,275	1,977	1,590	942	1,088	2,667	2,499	1,620
Bolañitos	10,142	15,869	15,751	9,891	8,660	7,363	5,196	4,701
El Cubo	5,269	5,101	2,574	4,199	3,169	1,724	NA	NA
Gold grade	1.78	1.89	1.96	1.51	1.55	1.49	1.47	1.33
Guanaceví	0.69	0.70	0.68	0.34	0.69	0.87	0.87	0.6
Bolañitos	2.61	2.75	2.84	2.27	2.2	2.39	2.05	2.1
El Cubo	1.77	1.62	1.41	1.48	1.42	1.42	NA	NA
Gold recovery	82.1	96.9	80.4	82.3	71.7	80.1	80.3	76.2
Guanaceví	85.2	82.1	72.6	80.8	44.3	88	89.2	85.3
Bolañitos	75.8	98.9	85.2	81	75.8	81.7	76.6	73.6
El Cubo	93.2	97.8	63.2	86.4	77	46.9	NA	NA
Cash costs per oz	$7.46	$5.14	$10.53	$10.04	$12.25	$4.70	$5.46	$6.26
Guanaceví	$13.09	$12.98	$16.59	$16.70	$18.20	$10.99	$8.64	$12.38
Bolañitos	$0.60	($8.10)	($2.74)	($0.06)	($3.73)	($9.98)	($0.31)	($6.63)
El Cubo	$6.65	$18.61	$52.41	$15.30	$38.52	$29.21	NA	NA
Total cost per oz[1]	$14.59	$13.17	$18.18	$18.24	$20.84	$13.18	$9.98	$12.27
Guanaceví	$18.51	$18.76	$23.34	$22.56	$23.89	$16.54	$13.01	$17.73
Bolañitos	$4.35	($3.66)	$1.28	$4.45	$1.59	($5.20)	$4.50	$0.10
El Cubo	$24.58	$39.54	$80.16	$35.71	$49.30	$69.20	NA	NA
Costs per tonne	$90.72	$104.06	$96.45	$99.63	$92.86	$97.04	$86.32	$92.44
Guanaceví	$114.55	$111.06	$111.21	$113.61	$99.70	$101.82	$100.81	$113.69
Bolañitos	$72.78	$84.57	$75.50	$85.10	$75.66	$77.34	$72.18	$70.26
El Cubo	$90.44	$131.83	$127.11	$108.85	$115.25	$119.32	NA	NA

(1) Total Production Cost per ounce

KEY ECONOMIC TRENDS

Metal Price Trends



The prices of silver and gold are the largest single factor in determining profitability and cash flow from operations, therefore, the financial performance of the Company has been, and is expected to continue to be, closely linked to the prices of silver and gold. During Q4, 2013, the average price of silver was $20.82 per ounce, with silver trading between a range of $19.05 and $22.74 per ounce based on the London Fix silver price. This compares to an average of $32.61 per ounce during Q4, 2012, with a low of $29.75 and a high of $34.96 per ounce. During Q4, 2013, the Company realized an average price of $20.52 per ounce compared with $32.87 for the corresponding period in 2012.

During Q4, 2013, the average price of gold was $1,275 per ounce, with gold trading between a range of $1,195 and $1,361 per ounce based on the London Fix PM gold price. This compares to an average of $1,718 per ounce during Q4, 2012, with a low of $1,650 and a high of $1,792 per ounce. During Q4, 2013, the Company realized an average price of $1,246 per ounce compared with $1,725 for the corresponding period in 2012.

During 2013, the average price of silver was $23.79 per ounce, with silver trading between a range of $19.05 and $32.23 per ounce based on the London Fix silver price. This compares to an average of $31.15 per ounce during 2012, with a low of $26.67 and a high of $37.23 per ounce. During 2013, the Company realized an average price of $23.10 per ounce compared with $30.99 for the corresponding period in 2012.

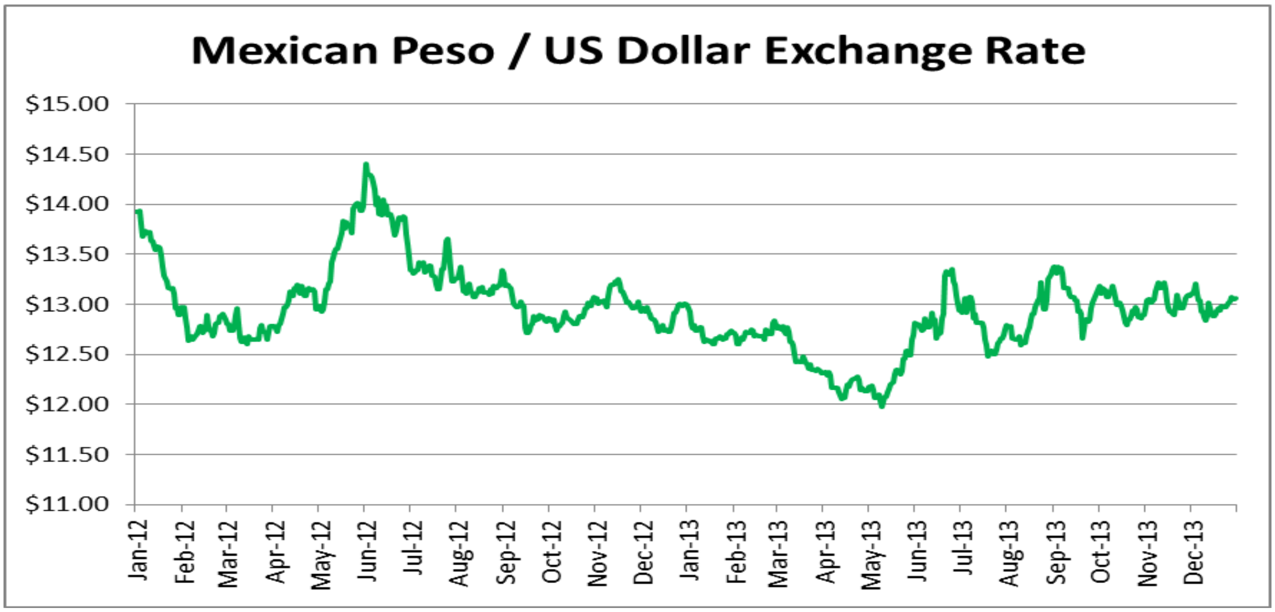
During 2013, the average price of gold was $1,411 per ounce, with gold trading between a range of $1,192 and $1,694 per ounce based on the London Fix PM gold price. This compares to an average of $1,669 per ounce during 2012, with a low of $1,540 and a high of $1,792 per ounce. During 2013, the Company realized an average price of $1,375 per ounce compared with $1,674 for the corresponding period in 2012.

The major influences on the precious metals prices during 2013 included weaker investment demand, selling from precious metal exchange traded funds, as well as strong US equity and bond markets that pulled investments from other asset classes, including precious metals. In addition, the precious metal prices were also affected by an expectation of improving economic conditions, which lead to the reduction of the US Federal Reserve's quantitative easing program. A sustained period at current metal prices will have a significant impact on the Company's financial position, performance and liquidity, as well as on the carrying value of the Company's cash generating units. See impairment of non-current assets on page 19).

Currency Fluctuations
The Company's operations are located in Mexico and therefore a significant portion of operating costs and capital expenditures are denominated Mexican pesos. The corporate activities are based in Vancouver, Canada with the significant portion of these expenditures being denominated in Canadian dollars. Generally, as the US dollar strengthens, these currencies weaken, and as the US dollar weakens, these foreign currencies strengthen.

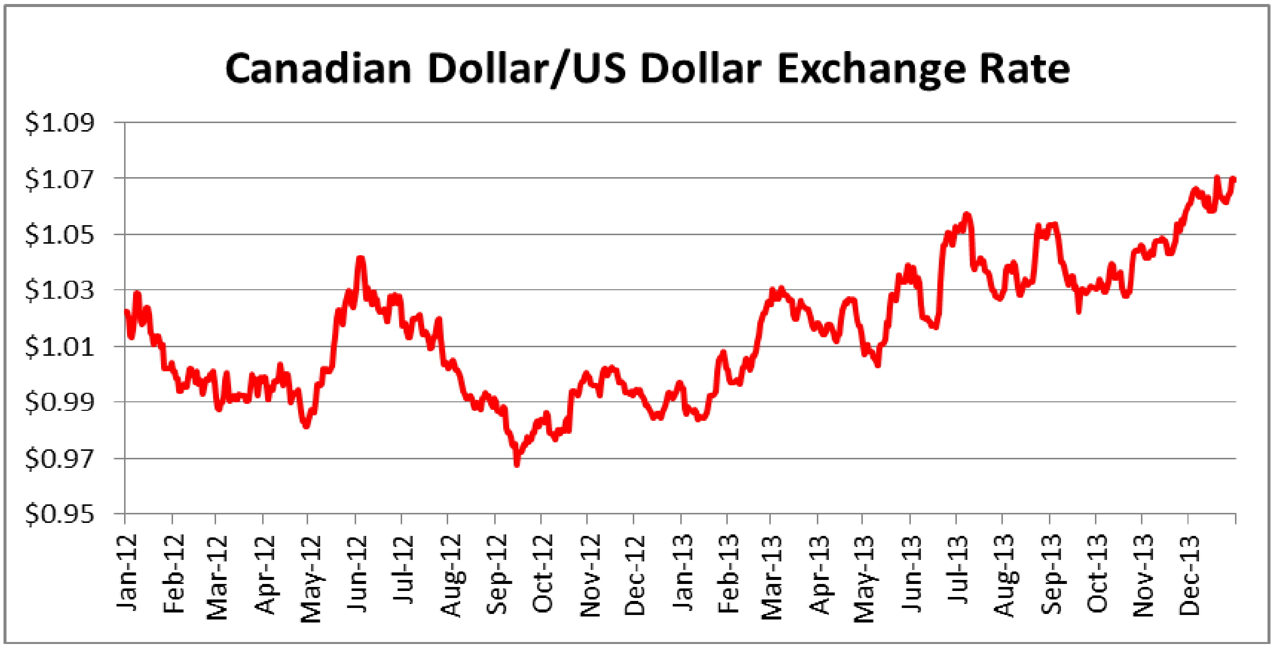
During Q2, 2013, the Mexican peso reversed its appreciation trend and depreciated relative to the US dollar. During Q4, 2013, the average foreign exchange rate was $13.01 Mexican Pesos per U.S. dollar, with the peso trading between a range of $13.22 and $12.79. This compares to an average of $12.94 during Q4, 2012, with a range of $13.25 and $12.72 Mexican peso per US dollar.

During 2013, the average foreign exchange rate was $12.75 Mexican Pesos per U.S. dollar, with the peso trading between a range of $13.37 and $11.97. This compares to an average of $13.15 during 2012, with a range of $14.41 and $12.60 Mexican peso per US dollar.

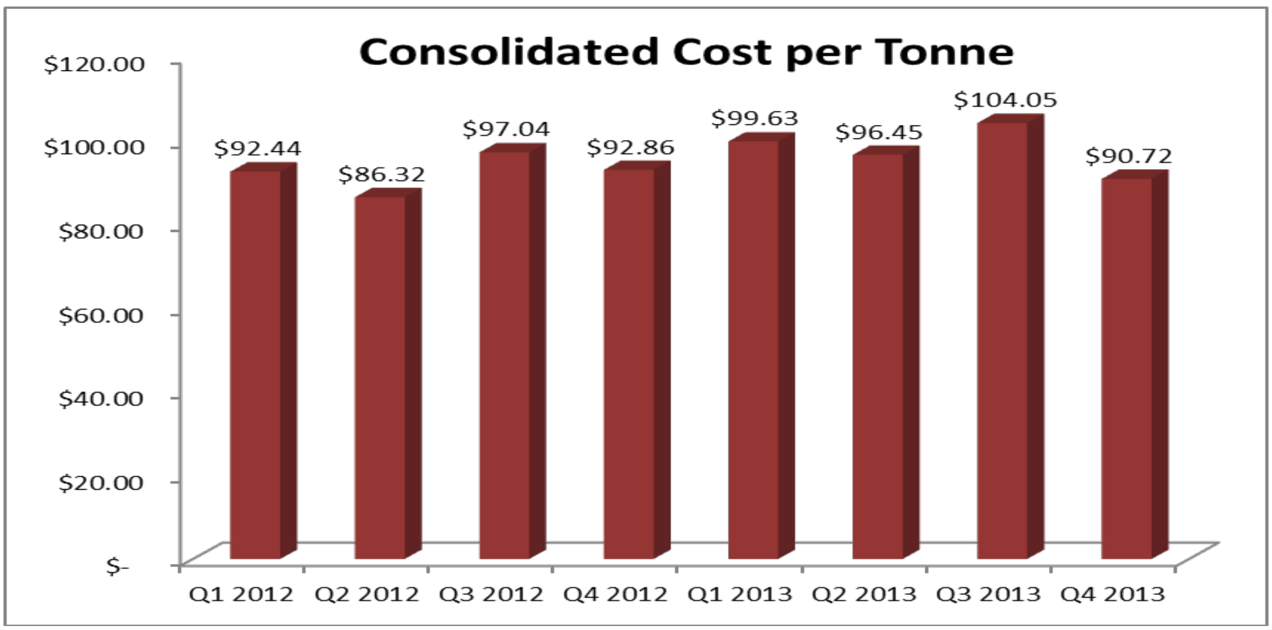


During Q4, 2013, the Canadian dollar continued to depreciate relative to the US dollar. During Q4, 2013, the average foreign exchange rate was $1.0495 Canadian dollar per U.S. dollar, with the Canadian dollar trading between a range of $1.0643 and $1.0328. This compares to an average of $0.9911 during Q4, 2012, between a range of $0.9785 and $1.0011 US dollar per Canadian dollar.

During 2013, the Canadian dollar continued to depreciate relative to the US dollar. During 2013, the average foreign exchange rate was $1.0303 Canadian dollar per U.S. dollar, with the Canadian dollar trading between a range of $1.0643 and $0.9856. This compares to an average of par during 2012, with a range of $0.9740 and $1.0339 US dollar per Canadian dollar.



Cost Trends



The Company's profitability is subject to industry wide cost pressures on development and operating costs with respect to labour, energy, consumables and capital expenditures. Underground mining is labour intensive and 33% of Endeavour's production costs are directly tied to labour. In order to mitigate the impact of higher labour and consumable costs, the Company focuses on continuous improvement, both by promoting more efficient use of materials and supplies, and by pursuing more advantageous pricing, while increasing performance and without compromising operational integrity.

In December 2013, the Mexican President passed tax reform legislation that will be effective January 1, 2014. The tax reform includes, among other items, an increase of the Mexican corporate tax rate from 28% to 30%, removal of the flat tax regime, a Special Mining Duty of 7.5% on taxable revenues, less allowable deductions excluding interest and capital depreciation and an 0.5% Environmental Tax on gold and silver revenues. The tax reform is expected to have a material impact on the Company's future earnings and cash flows.

ANNUAL OUTLOOK

Production Outlook

Endeavour plans to hold its silver production relatively steady in the range of 6.5-6.9 million ounces (oz) compared to the 6.8 million oz silver it produced in 2013. Gold production is expected to be in the 65,000-69,000 oz range and silver equivalent production is anticipated to be 10.4-11.0 million oz (at a silver:gold ratio of 60:1) as shown in the table below.

Mine	Ag Prod. (M oz)	Au Prod. (K oz)	Ag Eq. Prod. (K oz)	Tonnes/Day (tpd)
Guanaceví	2.6-2.7	7.0-8.0	3.0-3.2	1,200-1,300
Bolañitos	2.2-2.4	36.0-38.0	4.4-4.7	1,450-1,600
El Cubo	1.7-1.8	22.0-23.0	3.0-3.1	1,200-1,550
Total	6.5-6.9	65.0-69.0	10.4-11.0	3,850-4,450

In 2014, Bolañitos production will contract as management has elected not to continue extra mine production for processing at the El Cubo plant as it did in 2013. The Bolañitos operation will operate at its existing capacity of 1,600 tonnes per day (tpd). At Bolañitos, production will continue primarily from the Daniela, Karina, Lana and Bolañitos veins and mine development will open up the La Luz- Asunción deposit.

In 2013, El Cubo production will expand to fill the 1,550 tpd plant to capacity through a steady ramp-up of mine output as mine development opens up the new Villalpando-Asunción deposit. At El Cubo, the remaining 2014 production will continue to come primarily from the Dolores, Villalpando, San Nicolas and Santa Cecilia veins.

Bolañitos and El Cubo are both producing silver-gold concentrate for sale under one year contracts to smelters because their attractive terms offer lower costs and higher profit margins compared to producing doré bars from the El Cubo leach plant at the current low metal prices.

At Guanaceví, production will continue primarily from the Porvenir Norte, Porvenir Cuatro and Santa Cruz veins. Underground development of the new Milache discovery is awaiting permitting for development to start in 2014 and production to start in 2015.

Operating Costs

Direct operating costs are estimated to be in the $95 per tonne driving the expectation that the consolidated by-product cash costs of silver production (net of gold credits) to be in the $9-$10 range in 2014. The increase from 2013 is primarily driven by the lower gold price and reduced gold production. Consolidated co-product cash costs of silver and gold production are anticipated to be around $13-14 and $800-850 per oz respectively.

All-in by-product sustaining costs of production (including sustaining capex, exploration and G&A costs) are forecasted to be approximately $19 per oz of silver produced.

Capital Budget

Endeavour plans to invest $43.9 million on capital projects in 2014, including $34.6 million on mine development, infrastructure, equipment and exploration plus $9.3 million on plant upgrades, infrastructure, equipment and buildings. The Company has budgeted $20.9 million at El Cubo, $9.9 million at Bolañitos, $11.7 million at Guanaceví and $1.4 million for general capital, all of which should be funded by the Company's anticipated 2014 operating cash-flow.

Exploration Expenditures

In 2013, Endeavour plans to spend $10.3 million on exploration. A total of 54,000 metres of drilling in about 120 holes are budgeted to test multiple exploration targets in addition to the underground mine exploration drilling.

The Company will focus on brownfields exploration around the three operating mines in order to replenish reserves and grow resources and mine-lives, as well as expanding and permitting the emerging new high grade silver-gold discovery in the Terronera vein on the San Sebastián property in Jalisco State.

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents have increased from $18.6 million at December 31, 2012 to $35.0 million at December 31, 2013. The Company had working capital of $32.2 million at December 31, 2013 (December 31, 2012 - $50.9 million). The $18.7 million decrease in working capital is primarily a result of an increase in the revolving credit facility of $24.0 million, which was used towards expenditures on property, plant and equipment offset by contributions from operations.

Operating activities provided cash of $76.5 million during 2013 compared to providing $76.0 million during the same in 2012. The significant non-cash adjustments to net earnings were for the impairment of non-current assets and goodwill totaling $135.1 million, amortization and depletion of $53.9 million, share-based compensation of $3.5 million, a loss on the sale of marketable securities of $3.1 million, a deferred income tax recovery of $20.5 million, a mark-to-market gain on contingent liabilities of $8.4 million, a mark-to-market gain on derivative liabilities of $3.7 million, the write down of inventory to net realizable value of $5.9 million, finance costs of $1.5 million and a change in non-cash working capital of $5.0 million. The change in non-cash working capital was primarily due to an increase in accounts receivable due to third party sales of the Bolañitos and El Cubo concentrate and a reduction in accounts payable and income tax payable, offset by a reduction in inventories and prepaid expenses.

Investing activities during the period used $83.4 million as compared to $144.3 million in the same period of 2012, with $100 million in cash used towards the purchase of Mexgold in 2012. Investments in property, plant and equipment totaling $88.6 million compared to $66.2 million, primarily due to increased development and plant expansion expenditures at El Cubo. There was also $5.2 million in net receipts from short term investments compared to net receipts in short term investments of $22.1 million in 2012.

The Company invested a total of $88.6 million in property, plant and equipment during 2013. $15.9 million was invested at Guanaceví, with $10.3 million spent on mine development, $2.7 million spent on the tailings and refining facilities and $2.9 million on mine equipment. Guanaceví mine development included 5.4 kilometres of underground development, and the refining facilities expenditures included $0.7 million on new agitator and $1.7 million on the tailing dam expansion.

During 2013 the Company invested $21.4 million at Bolañitos. The Company spent $12.3 million on 7.6 kilometres of underground development, including two ventilation raises and infill drilling. The 7.6 kilometres was within 96% of the original plan, while incurring $2.8 million less than the original plan. The Company spent $3.8 million on plant projects completing the 2012 expansion, expansion of the tailings dam and spent $5.3 million on mine equipment to help facilitate the significant increase in mine output. In total the Company invested $21.4 million at Bolañitos in 2013.

During 2013 the Company invested $48.5 million at El Cubo. The plant re-build was complete, with $28.6 million spent. The Company spent $13.8 million on 10.6 kilometres of underground development, 14% more development than planned for 6% higher than budget. An additional $6.0 million was spent on equipment and surrounding infrastructure to improve operating efficiencies.

The Company spent $2.4 million on exploration property costs, including $2.0 million on the final San Sebastián property payment. An additional $0.3 million was invested office equipment and software for the exploration and corporate offices.

As at December 31, 2013, the Company held no short-term investments and $1.5 million in available for sale investments consisting of marketable securities.

Financing activities during 2013 generated $23.3 million, compared to $10.3 million during 2012. During 2013 the Company drew $24.0 million in net proceeds from its revolving line of credit, incurring $1.1 million of interest and $0.5 million was realized from the exercise of stock options. During 2012 the Company drew $9.0 million in proceeds from its revolving line of credit, incurring $0.4 million of interest, issuance costs of $0.7 million and $2.4 million was realized from the exercise of stock options and warrants.

As at December 31, 2013, the Company's issued share capital was $358.4 million, representing 99,784,409 common shares, compared to $357.3 million, representing 99,541,522 common shares, at December 31, 2012. All of the 199,488 common shares issued during the period were issued upon stock option or warrant exercises.

As at December 31, 2013, the Company had options outstanding to purchase 5,695,550 common shares with a weighted average exercise price of CAN $5.26 and had share purchase warrants outstanding to purchase 1,196,967 common shares with a weighted average exercise price of CAN $1.94. Subsequent to December 31, 2013 all of the warrants were exercised.

On July 24, 2012, the Company entered into a $75 million revolving credit facility ("the Facility") reducing over three years with Scotia Capital. The purpose of the Facility is for general corporate purposes and is principally secured by a pledge of the Company's equity interests in its material operating subsidiaries, including Refinadora Plata Guanaceví S.A de C.V., Minas Bolañitos S.A. de C.V. and Compania Minera del Cubo S.A. de C.V. The interest rate margin on the Facility ranges from 2.75% to 4.25% over LIBOR based on the Company's net debt to EBITDA ratio, where EBITDA is adjusted for gains or losses on derivative liabilities and any extraordinary items. The Company agreed to pay a commitment fee of between 0.69% and 1.05% on undrawn amounts under the facility based on the Company's net debt to EBITDA ratio. The Facility is subject to various qualitative and quantitative covenants, including EBITDA leverage ratio, interest service coverage ratio and tangible net worth calculation; the Company is in compliance with all such debt covenants as at December 31, 2013. As part of the credit agreement the capacity of the credit facility was reduced to $50.0 million on July 24, 2013. As of December 31, 2013, the Company had drawn $33.0 million on this facility. With the completion of the El Cubo re-construction, the Company expects to reduce the outstanding balance dependent on the metal price environment. During 2013, the Company extended the Facility until July 24, 2016, reducing from $50 million to $25 million July 24, 2015.

In December 2013, the Mexican President passed tax reform legislation that will be effective January 1, 2014. The tax reform includes, among other items, an increase of the Mexican corporate tax rate from 28% to 30%, removal of the flat tax regime, a Special Mining Duty of 7.5% on taxable revenues, less allowable deductions excluding interest and capital depreciation and an 0.5% Environmental Tax on gold and silver revenues. On enactment of the Special Mining Duty, the Company recognized an $18.7 million deferred income tax expense for the year ended December 31, 2013. The tax reform is expected to have a material impact on the Company's future earnings and cash flows.

Contingencies

On February 18, 2013, the Mexican tax administration published temporary regulations on the tax amnesty program enacted in December 2012. Under the tax amnesty, available until May 31, 2013, taxpayers were able to settle tax liabilities for years 2006 and prior with forgiveness of up to 80% of the omitted tax and inflation adjustments and up to 100% of interest and penalties. Further, interest and penalties on qualified liabilities arising after 2007 will be eligible for a 100% forgiveness of penalties and interest.

Refinadora Plata Guanaceví SA de CV, a subsidiary of the Company, received a MXN$63 million (US$4.8 million) assessment on May 7, 2011 by Mexican fiscal authorities for failure to provide the appropriate support for certain expense deductions taken in the entity's 2006 tax return. During the audit process, the Company retained an international accounting firm and external counsel to expedite the audit process and to ensure the delivery of the appropriate documentation. Based on the advice of tax advisors and legal counsel, it was the Company's view that it provided the appropriate documentation and support for the expenses however, the Company estimated a potential tax exposure of $425,000, plus additional interest and penalties of $460,000. On May 30, 2013, under the tax amnesty program the Company paid $561,000 to settle the dispute.

Metales Interamericanos S.A. de C.V., a subsidiary of Endeavour, acquired in the El Cubo transaction received a MXN$68 million (US$5.2 million) assessment on August 24, 2010 by Mexican fiscal authorities for failure to provide the appropriate support for certain expense deductions in the 2006 tax return. Based on the advice of legal counsel, it was the Company's view the tax assessment has no legal merit and an appeals process was initiated in 2010. On May 30, 2013, under the tax amnesty program the Company paid $682,000 to settle the dispute.

Minera Santa Cruz y Garibaldi SA de CV, a subsidiary of the Company, received a MXN$238 million (US$18.3 million) assessment on October 12, 2010 by Mexican fiscal authorities for failure to provide the appropriate support for certain expense deductions taken in the entity's 2006 tax return. During the audit process, the Company retained an international accounting firm and external counsel to expedite the audit process and to ensure the delivery of the appropriate documentation. Based on the advice of tax advisors and legal counsel, it is the Company's view that it provided the appropriate documentation and support for the expenses and the tax assessment has no legal merit, however as a result of a detailed review by the Company of its accounting records and available information to support the deductions taken, the Company has estimated a potential tax exposure of $40,000, plus additional interest and penalties of $40,000, for which the Company has made a provision in the consolidated financial statements. The Company did not elect to use the tax amnesty and will continue the appeal process.

Capital Requirements

At the beginning of 2013 the Company planned to invest $44.9 million at El Cubo, $21.4 million at Bolañitos and $19.5 million at Guanaceví for a total of $85.8 million on capital projects in 2013, all which were anticipated to be covered by the Company's 2013 cash flow and credit facility. During Q2, 2013, the precious metal prices dropped significantly, prompting management to defer $16.3 million in capital expenditures across the three operations. The capital deferrals did not impact forecasted production in 2013 and as management assessed the market conditions re-instituted additional mine development in Q4, 2013.

The original $44.8 million capital budget at El Cubo was primarily for rebuilding the El Cubo plant, mine development and to purchase new underground mining equipment. The revised capital plan includes halting the construction of new administrative buildings and modifying other buildings to accommodate administration, delaying certain equipment purchases and reducing mine exploration for a total cost reduction of $4.0 million. As of December 31, 2013, the plant re-build was complete, with $28.6 million spent. The Company spent $13.8 million on 10.6 kilometres of underground development, 14% more development than planned for 6% higher than budget. An additional $6.0 million was spent on equipment and surrounding infrastructure for operations. In total the Company invested $48.5 million at El Cubo in 2013. In 2014, the Company has budgeted US$20.9 million. The capital program includes $13.3 million for underground development and exploration, $2.3 million for additional mobile equipment and $5.3 for various infrastructure projects.

The original $21.4 million capital budget at Bolañitos was for the continued mine development of the veins discovered in 2011 and 2012. The increased production also requires an additional investment in the tailings dam, totaling $4.2 million. The revised capital plan decelerates mine development and mine exploration by $3.5 million and defers equipment purchases by $2.7 million. During 2013, the Company had spent $12.3 million on 7.6 kilometres of underground development, including two ventilation raises and infill drilling. The 7.6 kilometres was within 96% of the original plan, while incurring $2.8 million less than the original plan. The Company spent $3.8 million on plant projects completing the 2012 expansion, expansion of the tailings dam and spent $5.3 million on mine equipment to help facilitate the significant increase in mine output. In total the Company invested $21.4 million at Bolañitos in 2013. In 2014, the Company has budgeted US$9.9 million for Bolañitos capital program. The capital program includes $8.2 million for underground development and exploration and $1.7 for various infrastructure projects.

The original $19.5 million capital budget at Guanaceví included $12.2 million for underground development, while $2.4 million will be spent on the tailings dam to ensure there is sufficient capacity into the future. The remaining investment was for various equipment purchases and upgrades. The revised capital plan decelerates mine development and mine exploration by $5.6 million. In 2013, 5.4 kilometres of underground development was completed costing $10.3 million, primarily due to infrastructure costs for pumping water from the Santa Cruz ore zone. The 5.4 kilometres was within 60% of the original plan, while incurring 85% of the original plan costs. Demobilization of contractors and higher underground infrastructure costs results in higher costs spent than the revised plan. Additionally the mine spent $2.7 million related to the plant and tailings and $2.9 million on various mine equipment. In 2014, the Company has budgeted US$11.7 million for Guanaceví capital program. The capital program includes $9.3 million for underground development and exploration and $1.4 for various infrastructure projects.

Contractual Obligations

The Company had the following contractual obligations at December 31, 2013:

Payments due by period (in thousands of dollars)

Contractual Obligations	Total	Less than 1 year	1 – 3 years	3 – 5 years	More than 5 years
Capital Asset purchases	$ 940	$ 940	$ -	$ -	$ -
Operating Lease	962	266	539	157	-
Other Long-Term Liabilities	6,652	-	6,652	-	-
Total	$ 8,554	$ 1,206	$ 7,191	$ 157	$ -

Transactions with Related Parties

The Company shares common administrative services and office space with Canarc Resource Corp., Caza Gold Corp., and Aztec Metals Corp. ("Aztec"), who are related party companies by virtue of having Bradford Cooke as a common director. From time to time, Endeavour incurs third-party costs on behalf of the related parties which are charged on a full cost recovery basis. The Company had $248,000 receivable related to administration costs outstanding as at December 31, 2013 (December 31, 2012 – $136,000). Subsequent to year end Mr. Cooke resigned from the Caza Gold Corp. board of directors.

During the year ended December 31, 2013, the Company was charged $129,000 (December 31, 2012 - $527,000) for legal services by Koffman Kalef LLP, a firm in which the Company's Corporate Secretary is a partner. As of December 31, 2013, the Company had a payable outstanding of $8,000 relating to these legal services (December 31, 2012 - $10,000).

Financial Assets and Liabilities

As at December 31, 2013, the carrying and fair values of Endeavour's financial instruments by category were as follows:

	As at December 31, 2013		As at December 31, 2012	
	Carrying value $	Estimated Fair value $	Carrying value $	Estimated Fair value $
Financial assets:				
Cash and cash equivalents	35,004	35,004	18,617	18,617
Available for sale securities	1,463	1,463	8,520	8,520
Trade receivables	10,263	10,263	-	-
Other receivables	13,486	13,486	20,526	20,526
Total financial assets	60,216	60,216	47,663	47,663
Financial liabilities:				
Accounts payable and accrued liabilities	17,221	17,221	38,485	38,485
Revolving credit facility	33,000	33,000	9,000	9,000
Contingent liabilities	99	99	8,497	8,497
Derivative liabilities	1,491	1,491	5,336	5,336
Total financial liabilities	51,811	51,811	61,318	61,318

Fair value hierarchy:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability (for example, interest rate and yield curves observable at commonly quoted intervals, forward pricing curves used to value currency and commodity contracts and volatility measurements used to value option contracts), or inputs that are derived principally from or corroborated by observable market data or other means. Level 3 inputs are unobservable (supported by no or little market activity). The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

Financial assets and liabilities measured at fair value on a recurring basis include:

As at December 31, 2013	Total $	Level 1 $	Level 2 $	Level 3 $
Financial assets:				
Available for sale securities	1,463	2,295	-	-
Trade receivables	10,263	10,263	-	-
Total financial assets	11,726	12,558	-	-
Financial liabilities:				
Contingent liabilities	99	-	99	-
Derivative liabilities	1,491	-	1,491	-
Total financial liabilities	1,590	-	1,590	-

Available for sale securities

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

Trade receivables

The trade receivables consist of receivables from provisional silver and gold sales from the Bolañitos and El Cubo mine. The fair value of receivables arising from concentrate sales contracts that contain provisional pricing mechanisms is determined using the appropriate quoted closing price on the measurement date from the exchange that is the principal active market for the particular metal. As such, these receivables, which meet the definition of an embedded derivative, are classified within Level 1 of the fair value hierarchy.

Contingent liability

On July 13, 2012 the Company completed the acquisition of 100% of the issued and outstanding shares of Mexgold Resources Inc. ("Mexgold"), thereby acquiring the El Cubo mine. The seller is entitled to receive up to an additional $50 million in cash payments from the Company upon the occurrence of certain events as follows:

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

ii) $10 million upon the simple average of the daily London Metals Exchange closing prices for gold exceeding $1,900.00 per ounce for a period of 12 consecutive months at any time during the three-year period immediately following the acquisition date;

iii) $10 million upon the simple average of the daily London Metals Exchange closing prices for gold exceeding $2,000.00 per ounce for a period of 12 consecutive months at any time during the three-year period immediately following the acquisition date; and

iv) $10 million upon the simple average of the daily London Metals Exchange closing prices for gold exceeding $2,100.00 per ounce for a period of 12 consecutive months at any time during the three-year period immediately following the acquisition date.

The contingent consideration related to the Las Torres lease was valued based on factoring the probability of the Company negotiating a lease extension. Management determined the probability of extending the lease to be highly unlikely, resulting in a nil value assigned to the liability at acquisition. During the quarter ended September 30, 2013, the Las Torres lease was terminated resulting in no further liability.

The contingent consideration related to metal price targets is considered a derivative, is recognized at fair value at period end and is classified as Level 2 in the fair value hierarchy. The contingent consideration based on the performance of gold prices was valued using a Monte Carlo simulation. Monte Carlo simulation approaches are a class of computational algorithms that rely on repeated random sampling to compute their results. Gold price paths were developed using a mathematical formula based on a stochastic process with mean reversion to a long term trend line. As of December 31, 2013, the fair value of the contingent consideration was estimated to be $99,000 (December 31, 2012 - $8,497,000).

Under the terms of the Las Torres lease, the Company was required to provide financial guarantees to the owner of the Las Torres Facility as security against any environmental damages. As at December 31, 2013, there was $1 million in letters of credit provided by the Company as security to the owner of the Las Torres facility.

Derivative liability

Equity offerings were completed in previous periods whereby warrants were issued with exercise prices denominated in Canadian dollars. As the warrants have an exercise price denominated in a currency which is different from the functional currency of the Company (US dollar), the warrants are treated as a financial liability. The Company's share purchase warrants are classified and accounted for as a financial liability at fair value with changes in fair value recognized in net earnings. The warrant derivative liability is classified as Level 2 in the fair value hierarchy. The publicly traded warrants and warrants with similar characteristics were valued using the quoted market price as of exercise or at period end, from the market with the greatest volume and level of activity. For the non-publicly traded warrants, the Company uses the Black-Scholes option pricing model to estimate the fair value of the Canadian dollar denominated warrants. All warrants outstanding at December 31, 2013 were exercised subsequent to year end.

Expressed in thousands US dollars	
Balance at December 31, 2011	$13,130
Exercise of financial liability	(5,866)
Mark to market loss (gain)	(1,928)
Balance at December 31, 2012	$5,336
Exercise of financial liability	(95)
Mark to market loss (gain)	(3,750)
Balance at December 31, 2013	$1,491

Assumptions used for Black-Scholes estimate for warrant derivative liability	Year ended Dec. 31	
	2013	2012
Outstanding warrants	849,468	902,098
Weighted average fair value of warrants at period end	$ 1.75	$ 5.92
Risk-free interest rate	0.88%	1.12%
Expected dividend yield	0%	0%
Expected stock price volatility	45%	46%
Expected warrant life in years	0.2	1.2

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

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:

<u>Credit Risk</u>

The Company is exposed to credit risk on its bank accounts, investments and accounts receivable. Credit risk exposure on bank accounts and short term investments is limited through maintaining the Company's balances with high-credit quality financial institutions, maintaining investment policies, assessing institutional exposure and continual discussion with external advisors. Value added tax ("IVA") receivables are generated on the purchase of supplies and services to produce silver which are refundable from the Mexican government. Trade receivables are generated on the sale of concentrate inventory to reputable metal traders.

<u>Liquidity Risk</u>

The Company ensures that there is sufficient capital in order to meet short term business requirements. The Company's policy is to invest cash at floating rates of interest, while cash reserves are to be maintained in cash equivalents in order to maintain liquidity after taking into account the Company's holdings of cash equivalents, money market investments, marketable securities, receivables and available cash under the revolving credit facility. The Company believes that these sources, operating cash flow and its policies will be sufficient to cover the likely short term cash requirements and commitments.

<u>Market Risk</u>

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

Foreign Currency Risk – The Company's operations in Mexico and Canada make it subject to foreign currency fluctuations. Certain of the Company's operating expenses are incurred in Mexican pesos and Canadian dollars; therefore the fluctuation of the 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.

Interest Rate Risk – In respect of financial assets, the Company's policy is to invest cash at floating rates of interest and cash reserves are to be maintained in cash equivalents in order to maintain liquidity. Fluctuations in interest rates impact the value of cash equivalents. The revolving credit facility is subject to interest rate risk as amounts outstanding are subject to charges at a LIBOR-based rate (plus 2.75% to 4.25% depending on financial and operating measures) payable according to the quoted rate term. The interest rate charge for the year was approximately 3.3%. As at December 31, 2013, with other variables unchanged, a 10% increase in the LIBOR rate would be result in additional interest expense of $330,000.

Commodity Price Risk – Gold and silver prices have historically fluctuated significantly and are affected by numerous factors outside of the Company's control, including, but not limited to , industrial and retail demand, central bank lending, forward sales by producers and speculators, levels of worldwide production, short-term changes in supply and demand because of speculative hedging activities and certain other factors. The Company has not engaged in any hedging activities, other than short term metal derivative transactions less than 90 days, to reduce its exposure to commodity price risk. Furthermore the Company carries a contingent liability linked to the price of gold. A significant rise in the gold price above $1900.00 could significantly affect the Company's future earnings (see Contingent Liability on page 37)

Equity Price Risk – Fair values in the Company's derivative liabilities related to the outstanding share purchase warrants denominated in Canadian dollars are subject to equity price risk. Changes in the market value of the Company's common shares may have a material effect on the fair value of the Company's warrants and on net income.

Outstanding Share Data

As of March 5, 2014, the Company had the following securities issued and outstanding:

- 101,140,314 common shares
- 5,495,550 stock options with a weighted average exercise price of CAN$5.35 per share expiring between June 22, 2014 and May 22, 2018.

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

CHANGES IN ACCOUNTING POLICIES & CRITICAL ACCOUNTING ESTIMATES

Changes in Accounting Policies

The Company has adopted the following new standards, along with any consequential amendments, effective January 1, 2013. These changes were made in accordance with the applicable transitional provisions.

Several other new standards and amendments came into effect on January 1, 2013; however, they do not impact the condensed consolidated interim financial statements and are not anticipated to impact the Company's annual consolidated financial statements.

The nature and impact of each new standard and amendment applicable to the Company are described below:

IAS 1 Presentation of Items of Other Comprehensive Income (Amendment)
The amendments to IAS 1 introduce a grouping of items presented in other comprehensive income (OCI). Items that could be reclassified to profit or loss at a future point in time (e.g. net gain or loss on available-for-sale financial assets) shall be presented separately from items that will never be reclassified. This amendment has no impact on the Company's presentation as the components of OCI pertain only to net gains or losses on marketable securities classified as available-for-sale financial assets.

IFRS 10 Consolidated Financial Statements
In May 2011, the IASB issued IFRS 10 Consolidated Financial Statements to replace IAS 27 Consolidated and Separate Financial Statements and SIC 12 Consolidation – Special Purpose Entities. The new consolidation standard changes the definition of control so that the same criteria apply to all entities, both operating and special purpose entities, to determine control. The revised definition focuses on the need to have both power and variable returns before control is present. The adoption of IFRS 10 did not result in any change in the consolidation status of any of the Company's subsidiaries or investees.

IFRS 11 Joint Arrangements
In May 2011, the IASB issued IFRS 11 Joint Arrangements to replace IAS 31, Interests in Joint Ventures. The new standard defines two types of arrangements: Joint Operations and Joint Ventures. The focus of the standard is to reflect the rights and obligations of the parties involved in the joint arrangement, regardless of whether the joint arrangement operates through a separate legal entity. Joint arrangements that are classified as joint ventures are accounted for using the equity method of accounting. Joint arrangements that are classified as joint operations require the venturers to recognize the individual assets, liabilities, revenues and expenses to which they have legal rights or are responsible. The adoption of IFRS 11 did not result in any changes to the Company's condensed consolidated interim financial statements.

IFRS 12 Disclosure of Interests in Other Entities
In May 2011, the IASB issued IFRS 12 Disclosure of Interests in Other Entities to create a comprehensive disclosure standard to address the requirements for subsidiaries, joint arrangements and associates including the reporting entity's involvement with other entities. It also includes the requirements for unconsolidated structured entities (i.e. special purpose entities). Endeavour has adopted IFRS 12 effective January 1, 2013. The adoption of IFRS 12 did not result in any changes to the Company's consolidated financial statements.

IFRS 13 Fair Value Measurement
In May 2011, the IASB issued IFRS 13 Fair Value Measurement as a single source of guidance for all fair value measurements required by IFRS to reduce the complexity and improve consistency across its application. The standard provides a definition of fair value and guidance on how to measure fair value as well as a requirement for enhanced disclosures. Endeavour has adopted IFRS 13 on a prospective basis.

IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7 *Financial Instruments: Disclosures*. Some of these disclosures are specifically required by IAS 34 for financial instruments, thereby affecting the condensed consolidated interim financial statements.

Recently released IFRS accounting standards

Changes in Accounting Standards
A number of new standards, amendments to standards and interpretations, are not yet effective for the year ending December 31, 2013, and have not been applied in preparing these consolidated financial statements. The following pronouncements are those that the Company considers most significant and are not intended to be a complete list of new pronouncements that may affect the financial statements.

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

IFRS 9 amends some of the requirements of IFRS 7 Financial Instruments: Disclosures, including added disclosures about investments in equity instruments measured at fair value in OCI, and guidance on the measurement of financial liabilities and de-recognition of financial instruments. In December 2011, the IASB issued an amendment that adjusted the mandatory effective date of IFRS 9 from January 1, 2013 to January 1, 2018. Endeavour is currently assessing the impact of adopting IFRS 9 on Endeavour's consolidated financial statements, including the applicability of early adoption.

Critical Accounting Estimates
The preparation of financial statements requires the Company to make estimates that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management judgement relate to the determination of mineralized reserves, plant and equipment lives, estimating the fair values of financial instruments and derivatives, estimating the fair value of convertible debenture components, impairment of long-lived assets, reclamation and rehabilitation provisions, recognition of deferred tax assets, and assumptions used in determining the fair value of non-cash share-based compensation.

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

The recoverable amounts of the Company's CGUs, which include mining properties, plant and equipment and allocated goodwill, are determined on an annual basis and circumstances result in impairment indicators. As at December 31, 2013, the Company determined there were several indicators of potential impairment of its producing mineral properties which include the sustained decline in precious metal prices, the Mexican tax reform (see page 30) and a reduction of the estimated reserves and resources. The recoverable amounts are based on each CGUs future cash flows expected to be derived from the Company's mining properties and represents each CGUs fair value in use. The cash flows are determined based on the life-of-mine after tax cash flow forecast which incorporate management's best estimates of future metal prices, production based on current estimates of recoverable reserves and resources, exploration potential, future operating costs and non-expansionary capital expenditures.

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

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

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

The future income tax provision also incorporates management's estimates regarding the utilization of tax loss carry forwards, which are dependent on future operating performance and transactions.

Share-based Compensation
The Company has a share option plan and records all share-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 Endeavour's stock. The Company uses historical data to estimate the term of the option and the risk free rate for the expected term of the option is based on the Government of Canada yield curve in effect at the time of the grant.

Warrant Derivative Liability
Equity offerings were completed in previous periods whereby warrants were issued with exercise prices denominated in Canadian dollars. As the warrants have an exercise price denominated in a currency which is different to the functional currency of the Company (US dollar), the warrants are treated as a financial liability. The Company's share purchase warrants are classified and accounted for as a financial liability at fair value with adjustments recognized through net earnings. The publicly traded warrants and warrants with similar characteristics were valued using the quoted market price as of exercise or at period end. For the non-publicly traded warrants, the Company uses Black-Scholes option pricing model to determine the fair value of the Canadian dollar denominated warrants.

Business Combinations
On the acquisition of a business, the acquisition method of accounting is used, whereby the purchase consideration is allocated to the identifiable assets, liabilities and contingent liabilities (identifiable net assets) on the basis of fair value at the date of acquisition. When the cost of acquisition exceeds the fair values attributable to the Company's share of identifiable net assets, the difference is treated as purchased goodwill, which is not amortized but is reviewed for impairment annually or more frequently where there is an indication of impairment. If the fair value attributable to the Company's share of the identifiable net assets exceeds the cost of acquisition, the difference is immediately recognized in the income statement. Incremental costs related to acquisitions are expensed as incurred.

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

When purchase consideration is contingent on future events, the initial cost of the acquisition recorded includes an estimate of the fair value of the contingent amounts expected to be payable in the future. When the fair value of contingent consideration as at the date of acquisition is finalized, before the end of the 12 month measurement period, the adjustment is allocated to the identifiable assets acquired and liabilities assumed. Changes to the estimated fair value of contingent consideration subsequent to the acquisition date are recorded in the consolidated statement of comprehensive income.

RISKS AND UNCERTAINTIES

Precious and Base Metal Price Fluctuations

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

Fluctuations in the price of consumed commodities

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

Foreign Exchange Rate Fluctuations

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

Competitive Conditions

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

Operating Hazards and Risks

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

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

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

Mining Operations

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

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

Infrastructure

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

Exploration and Development

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

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

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

Calculation of Reserves and Resources and Precious Metal Recoveries

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

Replacement of Reserves and Resources

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

Acquisition Strategy

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

Integration of New Acquisitions

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

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

Past and future business or property acquisitions could place increased pressure on the Company's cash flow if such acquisitions involve cash consideration or the assumption of obligations requiring cash payments. The integration of the Company's existing operations with any acquired business will require significant expenditures of time, attention and funds. Achievement of the benefits expected from consolidation would require the Company to incur significant costs in connection with, among other things, implementing financial and planning systems.

The Company may not be able to integrate the operations of a recently acquired business or restructure the Company's previously existing business operations without encountering difficulties and delays. In addition, this integration may require significant attention from the Company's management team, which may detract attention from the Company's day-to-day operations. Over the short-term, difficulties associated with integration could have a material adverse effect on the Company's business, operating results, financial condition and the price of the Company's common shares. In addition, the acquisition of mineral properties may subject the Company to unforeseen liabilities, including environmental liabilities.

Foreign Operations

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

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

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

Government Regulation

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

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

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

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

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

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

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

Potential Conflicts of Interest

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

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

Third Party Reliance

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

Absolute Assurance on Financial Statements

We prepare our financial reports in accordance with accounting policies and methods prescribed by International Financial Reporting Standards. In the preparation of financial reports, management may need to rely upon assumptions, make estimates or use their best judgment in determining the financial condition of the Company. Significant accounting policies and practices are described in more detail in the notes to our annual consolidated financial statements for the year ended December 31, 2013. In order to have a reasonable level of assurance that financial transactions are properly authorized, assets are safeguarded against unauthorized or improper use and transactions are properly recorded and reported, we have implemented and continue to analyze our internal control systems for financial reporting. Although we believe our financial reporting and financial statements are prepared with reasonable safeguards to ensure reliability, we cannot provide absolute assurance in that regard.

General Economic Conditions

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

Specifically:

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

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

Substantial Volatility of Share Price

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

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

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

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

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

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

The Company documented and tested, during its most recent fiscal year, its internal control procedures in order to satisfy the requirements of Section 404 of the U.S. Sarbanes-Oxley Act ("SOX"). SOX requires an annual assessment by management of the effectiveness of the Company's internal control over financial reporting and an attestation report by the Company's independent auditor addressing this assessment. The Company may fail to achieve and maintain the adequacy of its internal control over financial reporting as such standards are modified, supplemented, or amended from time to time, and the Company may not be able to ensure that it can conclude on an ongoing basis that it has effective internal control over financial reporting in accordance with Section 404 of SOX. The Company's failure to satisfy the requirements of Section 404 of SOX on an ongoing, timely basis could result in the loss of investor confidence in the reliability of its financial statements, which in turn could harm the Company's business and negatively affect the trading price of its common shares or market value of its other securities.

In addition, any failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm the Company's operating results or cause it to fail to meet its reporting obligations. Future acquisitions of companies may provide the Company with challenges in implementing the required processes, procedures and controls in its acquired operations. Acquired companies may not have disclosure controls and procedures or internal control over financial reporting that are as thorough or effective as those required by securities laws currently applicable to the Company.

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

Potential dilution of present and prospective shareholdings

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

Lack of Dividends

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

Future Sales of Common Shares by Existing Shareholders

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

Claims Under U.S. Securities Laws

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

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

Financial Instruments

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

Financial Reporting Standards

The Company prepares its financial reports in accordance with IFRS applicable to publicly accountable enterprises effective January 1, 2011. In preparation of financial reports, management may need to rely upon assumptions, make estimates or use their best judgment in determining the financial condition of the Company. Significant accounting policies are described in more detail in the Company's audited financial statements. In order to have a reasonable level of assurance that financial transactions are properly authorized, assets are safeguarded against unauthorized or improper use, transactions are properly recorded and reported and the Company has implemented and continues to analyze its internal control systems for financial reporting. Although the Company believes its financial reporting and financial statements are prepared with reasonable safeguards to ensure reliability, the Company cannot provide absolute assurance.

CONTROLS AND PROCEDURES

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

At the end of the period covered by this MD&A management, including the CEO and CFO, conducted an evaluation of the effectiveness of the Company's disclosure controls and procedures pursuant to National Instrument 52-109 "Certification of Disclosure in Issuers Annual and Interim Filings" ("NI 52-109") and Rule 13a -15(b) of the U.S. Securities Exchange Act of 1934, as amended (the "U.S. Exchange Act"). Based upon that evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that as of the end of the period covered by this MD&A the Company's disclosure controls and procedures were effective to give reasonable assurance that the information required to be disclosed by the Company in reports that it files or submits is (i) recorded, processed, summarized and reported, within the time periods specified under applicable securities legislation in Canada and in the U.S. Securities and Exchange Commission's rules and forms, and (ii) accumulated and communicated to management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Management's Report on Internal Controls over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in NI 52-109 and in Rules 13a-15(b) of the U.S. Exchange Act). A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with applicable generally accepted accounting principles.

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

Management, including our Chief Executive Officer and Chief Financial Officer, assessed the effectiveness of our internal control over financial reporting as of December 31, 2013. 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, 2013, 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, 2013.

Changes in Internal Control over Financial Reporting

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

Exhibit 99.5

CERTIFICATION

I, Bradford Cooke, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: March 31, 2014

By: /s/ Bradford Cooke

Bradford Cooke
Chief Executive Officer
(Principal Executive Officer)

Exhibit 99.6

CERTIFICATION

I, Dan Dickson, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: March 31, 2014

By: /s/ Dan Dickson

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

Exhibit 99.7

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, 2013 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, 2014 /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 99.8

CERTIFICATION PURSUANT TO
18 U.S.C. §1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the annual report of Endeavour Silver Corp. (the "Company") on Form 40-F for the period ended December 31, 2013 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Dan Dickson, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

March 31, 2014

/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.

CONSENT of AUTHOR

TO: British Columbia Securities Commission
Alberta Securities Commission
Saskatchewan Financial Services Commission
Manitoba Securities Commission
Ontario Securities Commission
Autorité des marchés financiers
New Brunswick Securities Commission
Nova Scotia Securities Commission
Prince Edward Island Securities Office
Securities Commission of Newfoundland and Labrador
U.S. Securities and Exchange Commission
TSX Toronto Stock Exchange

Dears Sirs/Mesdames:

I, Mike Munroe, SME-RM., do hereby consent to the public filing of the technical report titled *"NI 43-101 Technical Report Resource and Reserve Estimates for the Guanaceví Mines Project, Durango State, Mexico"* effective December 31, 2013 and dated March 27, 2014 (the "Technical Report") prepared for Endeavour Silver Corp. and to extracts from or a summary of, the technical report contained in the Annual Information Form dated March 28, 2014, the Annual Report on Form 40-F dated March 28, 2014, the Management Discussion & Analysis dated March 5, 2014 and the news release dated February 24, 2014 of Endeavour Silver Corp. (collectively the Disclosure Documents").

I confirm that I have read the Disclosure Documents of Endeavour Silver Corp and that they fairly and accurately represent the information in the technical report.

Dated this 27th day of March, 2014

"Michael J. Munroe" {signed and sealed}

Michael Munroe, SME-RM

CONSENT of AUTHOR

TO: British Columbia Securities Commission
Alberta Securities Commission
Saskatchewan Financial Services Commission
Manitoba Securities Commission
Ontario Securities Commission
Autorité des marchés financiers
New Brunswick Securities Commission
Nova Scotia Securities Commission
Prince Edward Island Securities Office
Securities Commission of Newfoundland and Labrador
U.S. Securities and Exchange Commission
TSX Toronto Stock Exchange

Dears Sirs/Mesdames:

I, Michael Munroe, SME-RM., do hereby consent to the public filing of the technical report titled *"NI 43-101 Technical Report Resource and Reserve Estimates for the Bolañitos Mines Project, Guanajuato State, Mexico"* effective December 31, 2013 and dated March 27, 2014 (the "Technical Report") prepared for Endeavour Silver Corp. and to extracts from or a summary of, the technical report contained in the Annual Information Form dated March 28, 2014, the Annual Report on Form 40-F dated March 28, 2014, the Management Discussion & Analysis dated March 5, 2014 and the news release dated February 24, 2014 of Endeavour Silver Corp. (collectively the Disclosure Documents").

I confirm that I have read the Disclosure Documents of Endeavour Silver Corp and that they fairly and accurately represent the information in the technical report.

Dated this 27th day of March, 2014

"Michael J. Munroe" {signed and sealed}

____
Michael Munroe, SME-RM

CONSENT of AUTHOR

TO: British Columbia Securities Commission
Alberta Securities Commission
Saskatchewan Financial Services Commission
Manitoba Securities Commission
Ontario Securities Commission
Autorité des marchés financiers
New Brunswick Securities Commission
Nova Scotia Securities Commission
Prince Edward Island Securities Office
Securities Commission of Newfoundland and Labrador
U.S. Securities and Exchange Commission
TSX Toronto Stock Exchange

Dears Sirs/Mesdames:

I, Michael Munroe, SME-RM., do hereby consent to the public filing of the technical report titled *"NI 43-101 Technical Report Resource and Reserve Estimates for the El Cubo Mines Project, Guanajuato State, Mexico"* effective December 31, 2013 and dated March 27, 2014 (the "Technical Report") prepared for Endeavour Silver Corp. and to extracts from or a summary of, the technical report contained in the Annual Information Form dated March 28, 2014, the Annual Report on Form 40-F dated March 28, 2014, the Management Discussion & Analysis dated March 5, 2014 and the news release dated February 24, 2014 of Endeavour Silver Corp. (collectively the Disclosure Documents").

I confirm that I have read the Disclosure Documents of Endeavour Silver Corp and that they fairly and accurately represent the information in the technical report.

Dated this 27th day of March, 2014

"Michael J. Munroe" {signed and sealed}

____
Michael Munroe, SME-RM

CONSENT of AUTHOR

TO: British Columbia Securities Commission
Alberta Securities Commission
Saskatchewan Financial Services Commission
Manitoba Securities Commission
Ontario Securities Commission
Autorité des marchés financiers
New Brunswick Securities Commission
Nova Scotia Securities Commission
Prince Edward Island Securities Office
Securities Commission of Newfoundland and Labrador
U.S. Securities and Exchange Commission
TSX Toronto Stock Exchange

Dears Sirs/Mesdames:

I, Michael Munroe, SME-RM., do hereby consent to the public filing of the technical report titled *"NI 43-101 Technical Report on the Resource Estimates for the San Sebastian Project, Jalisco State, Mexico"* effective December 31, 2013 and dated March 27, 2014 (the "Technical Report") prepared for Endeavour Silver Corp. and to extracts from or a summary of, the technical report contained in the Annual Information Form dated March 28, 2014, the Annual Report on Form 40-F dated March 28, 2014, the Management Discussion & Analysis dated March 5, 2014 and the news release dated February 24, 2014 of Endeavour Silver Corp. (collectively the Disclosure Documents").

I confirm that I have read the Disclosure Documents of Endeavour Silver Corp and that they fairly and accurately represent the information in the technical report.

Dated this 27th day of March, 2014

"Michael J. Munroe" {signed and sealed}

____
Michael Munroe, SME-RM

KPMG LLP
Chartered Accountants
PO Box 10426 777 Dunsmuir Street
Vancouver BC V7Y 1K3
Canada

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

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors of Endeavour Silver Corp.

We consent to the use of our reports, each dated March 28, 2014, with respect to the consolidated financial statements of Endeavour Silver Corp. which comprise the consolidated statements of financial position as at December 31, 2013 and December 31, 2012, the consolidated statements of comprehensive income (loss), changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information, and on the effectiveness of internal control over financial reporting as of December 31, 2013, which appear in this annual report on Form 40-F.

//s// KPMG LLP

Chartered Accountants

March 28, 2014
Vancouver, Canada