



Consolidated Financial Statements

First Quarter Report

March 31, 2006

(Unaudited – Prepared by Management)

Notice to Readers of the Unaudited Interim Consolidated Financial Statements
For the Three Months Ended March 31, 2006

The unaudited interim consolidated financial statements of Endeavour Silver Corp. (the “Company”) for the three months ended March 31, 2006 (“Financial Statements”) have been prepared by management and have not been reviewed by the Company’s auditors. The Financial Statements should be read in conjunction with the Company’s audited consolidated financial statements for the ten months ended December 31, 2005 which are available at the SEDAR website at www.sedar.com. The Financial Statements are stated in terms of Canadian dollars, unless otherwise indicated, and are prepared in accordance with Canadian generally accepted accounting principles.

ENDEAVOUR SILVER CORP.
CONSOLIDATED BALANCE SHEETS
(Unaudited – Prepared by Management)
(expressed in thousands of Canadian dollars)

	Notes	March 31, 2006	December 31, 2005
ASSETS			
CURRENT			
Cash and cash equivalents		\$ 17,135	\$ 18,561
Receivables and prepaids		2,375	1,739
		19,510	20,300
NON-CURRENT			
Due from related parties		-	5,688
Buildings and equipment	4	3,515	287
Mineral properties	5	10,433	4,125
		13,948	10,100
		\$ 33,458	\$ 30,400
LIABILITIES			
CURRENT			
Accounts payable and accrued liabilities		\$ 1,607	\$ 1,343
LONG-TERM			
Asset retirement obligations	3 and 6	779	-
Future income tax liability	3	2,321	-
Non-controlling interests		(1,328)	-
		3,379	1,343
SHAREHOLDERS' EQUITY			
Share capital	7(a)	41,226	39,706
Contributed surplus	7(c)	3,989	2,558
Deficit		(15,136)	(13,207)
		30,079	29,057
		\$ 33,458	\$ 30,400
Nature of operations	1		
Commitments and contingencies	5		
Subsequent events	7(b)		

Refer to the accompanying notes to the unaudited consolidated financial statements.

ENDEAVOUR SILVER CORP.**CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT**

(Unaudited – Prepared by Management)

(expressed in thousands of Canadian dollars, except per share amounts)

	Notes	Three Months Ended	
		March 31, 2006	February 28, 2005
Revenues		\$ 2,586	\$ -
Cost of operations		1,575	-
Amortization and depletion		484	-
Earnings from mining operations		527	-
General and administration		858	221
Stock-based compensation		1,556	714
Loss before undernoted		(1,887)	(935)
Income from option interests in mineral properties	5(a)	25	222
Interest income		145	64
Non-controlling interests		(212)	-
Loss for the period		(1,929)	(649)
Deficit, beginning of the period		(13,207)	(6,889)
Deficit, end of period		\$ (15,136)	\$ (7,538)
Basic and diluted loss per share		\$ (0.06)	\$ (0.03)
Weighted average number of shares outstanding		32,706,783	19,977,580

Refer to the accompanying notes to the unaudited consolidated financial statements.

ENDEAVOUR SILVER CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited – Prepared by Management)
(expressed in thousands of Canadian dollars)

	Three Months Ended	
	March 31, 2006	February 28, 2005
CASH PROVIDED FROM (USED FOR):		
OPERATIONS		
Loss for the period	\$ (1,929)	\$ (649)
Items not affecting cash:		
Amortization and depletion	484	5
Stock-based compensation	1,556	714
Non-controlling interest	212	-
	323	70
Net changes in non-cash working capital items:		
Receivables and prepaids	(312)	(503)
Due from related parties	-	(180)
Accounts payable and accrued liabilities	(326)	232
	(315)	(381)
FINANCING		
Issuance of common shares, net of issue costs	1,395	1,655
Loans payable	-	504
	1,395	2,159
INVESTMENTS		
Acquisition of subsidiary, net of cash acquired	(135)	-
Acquisition of buildings and equipment	(657)	(110)
Acquisition and exploration of mineral properties	(1,714)	(4,241)
Due from related party	-	(33)
Advance for acquisition	-	1,053
	(2,506)	(3,331)
DECREASE IN CASH AND CASH EQUIVALENTS	(1,426)	(1,553)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	18,561	6,511
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 17,135	\$ 4,958

Supplemental disclosure with respect to cash flows (Note 8)

Refer to the accompanying notes to the unaudited consolidated financial statements.

ENDEAVOUR SILVER CORP.

Notes to the Consolidated Financial Statements

Three Months Ended March 31, 2006

(Unaudited – Prepared by Management)

(tabular dollar amounts expressed in thousands of Canadian dollars, unless otherwise stated, except per share amounts)

1. NATURE OF OPERATIONS

Endeavour Silver Corp. (the “Company”) was incorporated under the laws of the Province of British Columbia on March 11, 1981 and its principal business activities are the acquisition, exploration and development of mineral properties.

In March 2005, the Company changed its fiscal year-end from February 28 to December 31. Accordingly, these financial statements present the Company’s financial position as at March 31, 2006 and the results of its operations and its cash flows for the period from January 1, 2006 to March 31, 2006.

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

These financial statements have been prepared on a going concern basis, which assumes the realization of assets and liquidation of liabilities in the normal course of business. The Company has incurred significant operating losses to date. At March 31, 2006, the Company had working capital of approximately \$17.9 million, which is expected to be sufficient to fund its operations in the next fiscal year. Management recognizes that the Company may need to generate additional financial resources in order to meet its planned business objectives beyond the next fiscal year. The Company has financed its activities principally by the sale of equity securities (Note 7(b)). The Company’s ability to continue as a going concern may be dependent on the Company’s ability to raise equity financing and the attainment of profitable operations. However, there can be no assurances that the Company will continue to obtain adequate additional financing and/or achieve profitability or positive cash flows. Furthermore, failure to continue as a going concern would require that the Company’s assets and liabilities be restated on a liquidation basis which would differ significantly from the going concern basis.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

These unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (“Canadian GAAP”) for the presentation of interim financial information. Accordingly, certain information and footnote disclosures normally included in annual financial statements prepared in accordance with Canadian GAAP have been omitted. These consolidated financial statements do not include all disclosures required for annual financial statements and should be read in conjunction with the Company’s audited consolidated financial statements and notes thereto for the ten months ended December 31, 2005 included in the Company’s Annual Report filed with the appropriate securities commissions.

In the opinion of management, all adjustments (which include reclassification and normal recurring adjustments) necessary to present fairly the consolidated financial position, consolidated results of operations and consolidated cash flows at March 31, 2006 and for all periods presented, have been made. The results of operations for the three month period ended March 31, 2006 are not necessarily indicative of the results for the full year ending December 31, 2006.

These consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany transactions and balances have been eliminated.

ENDEAVOUR SILVER CORP.

Notes to the Consolidated Financial Statements

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(Unaudited – Prepared by Management)

(tabular dollar amounts expressed in thousands of Canadian dollars, unless otherwise stated, except per share amounts)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Cash and cash equivalents

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

(c) Buildings and equipment

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

(d) Mineral properties

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

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

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

The accumulated costs of mineral properties that are developed to the stage of commercial production are amortized using the units of production basis.

(e) Share capital

Common shares issued for consideration other than cash are valued based on their market value over a reasonable period before and after the date of the agreement to issue shares was reached and announced.

(f) Stock-based compensation

The Company has a share option plan which is described in Note 7(d). The Company records all stock-based compensation for options using the fair value method. Under the fair value method, stock-based payments are measured at the fair value of the consideration received or the fair value of the equity instruments issued or liabilities incurred, whichever is more reliably measurable, and are charged to operations over the vesting period. The offset is credited to contributed surplus. Consideration received on the exercise of stock options is recorded as share capital and the related contributed surplus is transferred to share capital.

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(Unaudited – Prepared by Management)

(tabular dollar amounts expressed in thousands of Canadian dollars, unless otherwise stated, except per share amounts)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) **Asset retirement obligations**

The Company has adopted the Canadian Institute of Chartered Accountants (“CICA”) Handbook Section 3110 “*Asset Retirement Obligations*” (“HB 3110”). This standard recognizes statutory, contractual or other legal obligations related to the retirement of tangible long-lived assets when such obligations are incurred, if a reasonable estimate of fair value can be made. 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.

(h) **Loss per share**

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

(i) **Foreign currency translation**

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

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

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

(j) **Use of estimates**

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

(k) **Fair value of financial instruments**

The fair values of the Company’s cash and cash equivalents, receivables, and accounts payable and accrued liabilities approximate their carrying values due to their short terms to maturity. It is not practicable to determine the fair values of amounts due from related parties due to their related party nature and the absence of a secondary market for such instruments.

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(Unaudited – Prepared by Management)

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Variable interest entities

Effective March 1, 2005, the Company adopted the Canadian Institute of Chartered Accountants Accounting Guideline 15, "*Consolidation of Variable Interest Entities*" ("AcG15") on a prospective basis. AcG15 prescribes the application of consolidation principles for entities that meet the definition of a variable interest entity ("VIE"). An enterprise holding other than a voting interest in a VIE could, subject to certain conditions, be required to consolidate the VIE if it is considered its primary beneficiary whereby it would absorb the majority of the VIE's expected losses, receive the majority of its expected residual returns, or both. The adoption of this new standard had no effect on the consolidated financial statements as the Company does not have any VIE's.

(m) Comparative figures

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

3. BUSINESS ACQUISITION

On January 28, 2006, the Company completed the acquisition of 51% of the outstanding shares of Minera Santa Cruz y Garibaldi SA de C.V ("Minera Santa Cruz") on completion of cash initial payments totalling US\$1,275,714. Prior to December 31, 2005, the Company had accounted for its 51% option interest in Minera Santa Cruz as an interest in mineral properties on its balance sheet. The Company has accounted for this acquisition using the purchase method of accounting and the accounts of Minera Santa Cruz have been consolidated with those of the Company effective January 28, 2006.

Also on January 28, 2006, the Company completed the acquisition of a 51% interest of a processing plant from an unrelated party upon payment of initial payments totalling US\$2,285,715. Prior to December 31, 2005, the Company had accounted for its 51% option interest in the processing plant as an interest in mineral properties on its balance sheet. The Company has accounted for this acquisition as a purchase of an asset and accordingly has reclassified mineral properties to buildings and equipment.

The following table sets forth a preliminary allocation of the purchase price to assets and liabilities acquired, based on preliminary estimates of fair value. Final valuation estimates of mineral properties, contingencies, future income tax assets/liabilities, and asset retirement obligations are not yet complete due to inherent complexity associated with the valuations. The purchase price allocation is preliminary and subject to adjustment over the course of 2006 on completion of the valuation process and analysis of resulting tax effects.

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3. **BUSINESS ACQUISITION** (continued)

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

Fair market value of assets acquired:

Assets:		
Cash	\$	352
Receivables and prepaids		1,857
Mineral properties		8,290
Liabilities:		
Accounts payables and other accrued liabilities		(6,199)
Asset retirement obligation and reclamation		(404)
Future income tax liability		(2,321)
Non-controlling interest		<u>7</u>
Total	\$	<u><u>1,582</u></u>

Consideration given:

Cash consideration	\$	487
Other consideration		<u>1,095</u>
Total	\$	<u><u>1,582</u></u>

The Company recorded a provision for future reclamation and restoration costs in the amount of \$404,000. This amount has been applied to increase the carrying value of the mineral properties for accounting purposes.

4. **BUILDINGS AND EQUIPMENT**

	March 31, 2006		
	Cost	Accumulated amortization	Net book value
Buildings and equipment	\$ 3,591	\$ 76	\$ 3,515

ENDEAVOUR SILVER CORP.

Notes to the Consolidated Financial Statements

Three Months Ended March 31, 2006

(Unaudited – Prepared by Management)

(tabular dollar amounts expressed in thousands of Canadian dollars, unless otherwise stated, except per share amounts)

5. MINERAL PROPERTIES

The Company's mineral properties are comprised of properties located in Mexico. Expenditures incurred on mineral properties during the period ended March 31, 2006 is as follows:

	Guanacevi Project (Mexico)	Total
Balance, December 31, 2005	\$ 4,125	\$ 4,125
Additions during the period:		
Acquisition costs	-	-
Mine development costs	1,891	1,891
Exploration costs:		
Assays and surveys	96	96
Drilling	2,351	2,351
Foreign exchange	(227)	(227)
Field supplies and labour	74	74
Geologists and consultants	165	165
Roads and drill pads	45	45
Future income tax	2,321	2,321
Depletion to operations	(408)	(408)
Balance, March 31, 2006	\$ 10,433	\$ 10,433

(a) **Guanacevi Project** (Durango, Mexico)

In May 2004, the Company entered into option agreements to acquire a 100% interest in the producing Santa Cruz silver-gold mine, certain mining concessions and the Guanacevi mineral processing plant, all located in Durango, Mexico. In February 2004, the Company advanced US\$100,000 to the vendors in connection with these agreements.

The option agreement provides that the acquisition of the mine will be accomplished through the acquisition of all the issued and outstanding shares of Minera Santa Cruz. As at December 31, 2005, the Company made advance payments totalling \$1,097,773 (US\$852,143). On January 28, 2006, the Company completed the acquisition of 51% of the outstanding shares of Minera Santa Cruz on completion of initial payments totalling US\$1,275,714. The remaining 49% of the shares of Minera Santa Cruz can be acquired by January 28, 2008 through annual payments totalling US\$1,275,716.

In May 2004, the Company also entered into an option agreement to acquire mining concessions from Minera Santa Cruz for a total cost of US\$448,571. To February 28, 2005, the Company made advance payments totalling \$558,548 (US\$428,571), and during the period ended December 31, 2005, a further advance payment of US\$5,000 was made. The Company acquired a 51% beneficial ownership interest in the mining concessions on January 28, 2006 on completion of initial payments totalling US\$438,571. The remaining 49% beneficial ownership interest in the mining concessions can be acquired by January 28, 2008 through annual payments totalling US\$10,000.

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Notes to the Consolidated Financial Statements

Three Months Ended March 31, 2006

(Unaudited – Prepared by Management)

(tabular dollar amounts expressed in thousands of Canadian dollars, unless otherwise stated, except per share amounts)

5. MINERAL PROPERTIES (continued)

(a) Guanacevi Project (Durango, Mexico)

Also in May 2004, the Company entered into an option agreement to acquire a processing plant from an unrelated Mexican company for a total cost of US\$4,000,000. To December 31, 2005, the Company made advance payments totalling \$2,208,429 (US\$1,714,286). The Company acquired a 51% beneficial ownership interest in these assets on January 28, 2006 on completion of initial payments totalling US\$2,285,715. The remaining 49% beneficial ownership interest in the processing plant can be acquired by January 28, 2008 through annual payments totalling US\$1,714,285.

On January 28, 2006, the Company made payments totaling US\$1,000,000, thereby converting its 51% option interest into a fully vested 51% interests in Minera Santa Cruz and in the processing plant.

In June 2005, the Company acquired nine silver mining properties in the Guanacevi district, Durango, Mexico, from Industrias Peñoles S.A. de C.V. ("Peñoles"). Six of these properties form part of the producing Santa Cruz silver mine. This transaction effectively allows the Company to acquire the outright ownership of the six mineral concessions as well as a 4.5% net proceeds royalty from Peñoles. The Company will be required to send all mineral production from these properties to the Peñoles smelter in Torreon, Mexico, for smelting and refining. Peñoles will retain a 3% net proceeds royalty on future production after deduction of all shipping and smelting costs, including taxes and penalties if any. The Company has also formed a strategic alliance with Peñoles to acquire additional mining properties in Mexico. Peñoles has agreed to provide the Company with access to information on its portfolio of mineral concessions throughout Mexico. On each additional Peñoles property made available to the Company to acquire, a purchase price may be negotiated, payable in common shares of the Company. If the Company acquires additional properties from third parties introduced by Peñoles, the Company will pay Peñoles a 5% fee on the cash purchase price, also payable in common shares of the Company. If Peñoles acquires property from a third party introduced by the Company, Peñoles will pay the Company a 5% fee on the cash purchase price. In compensation for the nine mining properties acquired and certain mining equipment located thereon and the formation of the strategic alliance, the Company issued 1,000,000 units to Peñoles in July 2005; each unit consisted of one common share and one warrant to purchase an additional common share at \$2.10 until July 22, 2006 and thereafter at \$2.30 until July 22, 2007 (Note 7(e)). The fair value of the warrants was determined to be \$260,000 which was included in mineral properties; the fair value was based on an expected stock price volatility of 54.45%, expected life of 1 year and an estimated risk-free rate of 1.28%.

In July 2005, the Company entered into an option agreement to acquire a 100% interest in two silver properties, Porvenir Dos and La Sultana, in the Guanacevi District, Durango, Mexico, for payments totalling US\$137,500 of which US\$37,500 was paid during the period ended December 31, 2005, and the balance of US\$100,000 is payable on December 30, 2006.

In August 2005, the Company entered into an option agreement to acquire a 100% interest in four silver properties, La Prieta, El Aguaje de Arriba, Ampliacion El Aguaje de Arriba and La Plata, in the Guanacevi District, Durango, Mexico, for US\$100,000 of which US\$15,000 had been paid during the period ended December 31, 2005 and US\$15,000 was paid subsequent to December 31, 2005 and the balance of US\$70,000 is payable on August 5, 2007.

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

(b) Mineral property contingencies

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

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Three Months Ended March 31, 2006

(Unaudited – Prepared by Management)

(tabular dollar amounts expressed in thousands of Canadian dollars, unless otherwise stated, except per share amounts)

6. ASSET RETIREMENT OBLIGATIONS

The Company's asset retirement obligations consist of reclamation and closure costs for its 51% interest in an operating mine and in a processing plant. The present value of obligations relating to active mines is currently estimated at \$779,000. Significant reclamation and closure activities include land rehabilitation, demolition of buildings and mine facilities, ongoing care and maintenance and other costs. Changes to the reclamation and closure cost balance during the quarter are as follows:

Reclamation and closure cost obligations

Balance, December 31, 2005	\$	-
Arising on acquisition of Minera Santa Cruz and processing plant (Notes 3 and 4)		779
Balance, March 31, 2006	\$	779

7. SHARE CAPITAL

(a) Authorized and issued

Authorized share capital consists of unlimited common shares without par value.

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

Details of shares issued are as follows:

	Number of Shares	Amount
Balance, December 31, 2005	32,366,330	\$ 39,706
Issued during the period:		
For cash from exercise of share purchase options	101,000	300
For cash from exercise of warrants	561,959	1,220
Balance, March 31, 2006	33,029,289	\$ 41,226

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Three Months Ended March 31, 2006

(Unaudited – Prepared by Management)

(tabular dollar amounts expressed in thousands of Canadian dollars, unless otherwise stated, except per share amounts)

7. SHARE CAPITAL (continued)

(b) Private placements

Subsequent to the period ended March 31, 2006, the Company entered into an agreement with certain agents in a best efforts private placement offering of up to 5 million special warrants at \$4.50 per special warrant for gross proceeds of up to \$22.5 million. An over-subscription option allowed for up to an additional 2 million special warrants for additional proceeds of \$9 million. On April 24, 2006, the Company closed the placement for 5.11 million special warrants, for gross proceeds of \$22,995,000. Each special warrant is comprised of one common share and one-half of a common share purchase warrant. Each whole share purchase warrant will be exercisable to purchase one common share at a price of \$5.25 until October 24, 2007. The Company filed its prospectus on May 15, 2006 for the placement which closed on April 24, 2006. In connection with this offering, the agents will receive a cash commission of 6% of the gross proceeds and broker warrants exercisable for common shares equal to 6% of the total special warrants placed. The broker warrants have the same terms as the warrants in the private placement. The Company has agreed to seek a conditional listing for the share purchase warrants on the Toronto Stock Exchange.

The issuance of the remaining 1.89 million special warrants is subject to shareholder and regulatory approvals, and would provide gross proceeds of \$8,505,000 to the Company.

(c) Contributed surplus

Balance at December 31, 2005	\$	2,558
Changes during the period:		
Stock-based compensation (Note 5(d))		1,556
Exercise of share purchase options		(125)
Balance at March 31, 2006	\$	3,989

(d) Share purchase options

Options to purchase common shares have been granted to directors, officers, employees and consultants pursuant to the Company's stock option plan approved by the Company's shareholders in fiscal 2004 at exercise prices determined by reference to the market value on the date of the grant. Prior to August 2005, vesting periods were at the discretion of the Board of Directors but historically, options have vested immediately on the date of grant. In August 2005, the Company adopted a stock option plan which allows for granting options to its directors, officers, employees and consultants to acquire up to 4,200,000 common shares, of which options for 2,677,900 common shares were outstanding as at December 31, 2005. The stock option plan had a vesting provision in which 25% is vested immediately and another 25% is vested in each of the next 6-month period, provided the Company continued as a Tier 2 issuer on the TSX Venture Exchange. In February 2006, the Company graduated to a listing on the Toronto Stock Exchange, and the vesting provisions were then subject to the discretion of its Board of Directors.

ENDEAVOUR SILVER CORP.**Notes to the Consolidated Financial Statements****Three Months Ended March 31, 2006**

(Unaudited – Prepared by Management)

(tabular dollar amounts expressed in thousands of Canadian dollars, unless otherwise stated, except per share amounts)

7. SHARE CAPITAL (continued)**(d) Share purchase options** (continued)

The following table summarizes the status of the Company's stock option plan as at March 31, 2006 and changes during the period ended on that date:

	March 31, 2006	
	Number of Shares	Weighted average exercise price
Outstanding, beginning of period	2,223,900	\$1.88
Granted	555,000	\$2.55
Exercised	(101,000)	\$1.73
Cancelled	-	-
Outstanding, end of period	2,677,900	\$2.03
Options exercisable at period-end	2,677,900	

The following tables summarizes information about stock options outstanding at March 31, 2006:

Price Intervals	Options Outstanding and Exercisable		
	Number Outstanding as at March 31, 2006	Weighted Average Remaining Contractual Life (Number of Years)	Weighted Average Exercise Prices
\$0.50 - \$0.99	260,000	2.8	\$0.66
\$1.00 - \$1.49	200,000	0.6	\$1.39
\$1.50 - \$1.99	531,000	3.2	\$1.60
\$2.00 - \$2.49	816,000	4.5	\$2.35
\$2.50 - \$2.99	870,900	4.6	\$2.54
	2,677,900	3.8	\$2.03

During the period ended March 31, 2006, the Company recognized stock-based compensation expense of \$1,555,844 which is comprised of \$937,950 based on the fair value of options granted and \$617,894 for options which became vested during the period.

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

ENDEAVOUR SILVER CORP.**Notes to the Consolidated Financial Statements****Three Months Ended March 31, 2006**

(Unaudited – Prepared by Management)

(tabular dollar amounts expressed in thousands of Canadian dollars, unless otherwise stated, except per share amounts)

7. SHARE CAPITAL (continued)**(d) Share purchase options** (continued)

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

	Three Months Ended March 31, 2006
Weighted average fair value of options granted during the period	\$1.69
Risk-free interest rate	2.56%
Expected dividend yield	0%
Expected stock price volatility	92%
Expected option life in years	4

(e) Warrants

At March 31, 2006, the Company had outstanding warrants to purchase an aggregate 4,946,041 common shares as follows:

Exercise Prices	Expiry Dates	Oustanding at December 31, 2005	Issued	Exercised	Expired	Oustanding at March 31, 2006
\$2.30	February 1, 2007	1,058,000	-	(548,000)	-	510,000
\$2.10 / \$2.30	July 22, 2006 / July 22, 2007	1,000,000	-	-	-	1,000,000
\$2.90	October 5, 2007	3,450,000	-	(13,959)	-	3,436,041
		5,508,000	-	(561,959)	-	4,946,041

(f) Shares reserved for issuance

	Number of Shares
Issued and outstanding, March 31, 2006	33,029,289
Stock options	2,677,900
Warrants	4,946,041
Fully diluted, March 31, 2006	40,653,230

ENDEAVOUR SILVER CORP.

Notes to the Consolidated Financial Statements

Three Months Ended March 31, 2006

(Unaudited – Prepared by Management)

(tabular dollar amounts expressed in thousands of Canadian dollars, unless otherwise stated, except per share amounts)

8. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	Three Months ended March 31, 2006	
Non-cash financing and investing activities:		
Reclamation included in buildings and equipment	\$	375
Reclamation included in mineral properties	\$	404
Fair value of stock options allocated to shares issued on exercise of stock options	\$	125
Supplemental cash flow information:		
Cash paid during the period for:		
Interest	\$	-
Income taxes	\$	-

9. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties:

- (a) Consulting fees of \$36,000 paid to a company controlled by a director; and
- (b) Rent of \$4,500 was incurred and paid to a company with certain common directors.

10. SEGMENT DISCLOSURES

The Company has one operating segment, being the exploration and development of mineral properties. All of the Company's assets are located in Mexico and Canada (Note 5). Segmented disclosures are as follows:

	March 31, 2006		
	Canada	Mexico	Total
Cash	\$ 16,900	\$ 235	\$ 17,135
Receivables and prepaids	28	2,347	2,375
Buildings and equipment	-	3,515	3,515
Mineral properties	-	8,112	8,112
Revenues	-	2,586	2,586
Net income (loss)	(1,946)	17	(1,929)

As at March 31, 2006, all of the Company's assets are located in Canada, except for mineral properties which are located in Mexico. For the period ended March 31, 2006, substantially all capital expenditures were incurred in Mexico.

HEAD OFFICE

#800 – 850 West Hastings Street
Vancouver, BC, Canada V6C 1E1

Telephone: (604) 685-9775
1-877-685-9775

Facsimile: (604) 685-9744

Website: www.edrsilver.com

DIRECTORS

Bradford Cooke
Godfrey Walton
Leonard Harris
Mario Szotlender

OFFICERS

Bradford Cooke ~ Chairman and Chief Executive Officer
Godfrey Walton ~ President and Chief Operating Officer
Bruce Bried ~ Vice-President, Mining
Michael Rasmussen ~ Vice-President, Exploration
Philip Yee ~ Chief Financial Officer
Stewart Lockwood ~ Secretary

**REGISTRAR AND
TRANSFER AGENT**

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

AUDITORS

KPMG LLP
777 Dunsmuir Street
Vancouver, BC, V7Y 1K3

SOLICITORS

Vector Corporate Finance Lawyers
#1040 – 999 West Hastings Street
Vancouver, BC, V6C 2W2

SHARES LISTED

Toronto Stock Exchange
(Effective as of February 7, 2006)
Trading Symbol ~ EDR

ENDEAVOUR SILVER CORP.
(the “Company”)

Management’s Discussion and Analysis
For the Three Months Ended March 31, 2006

CAUTION – FORWARD LOOKING STATEMENTS

We seek safe harbour.

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

1.0 Preliminary Information

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

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

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

All information contained in the MD&A is as of May 12, 2006 unless otherwise indicated.

1.1 Background

The Company is engaged in the evaluation, acquisition, exploration, development and exploitation of mineral properties. The business philosophy of the Company has historically been to identify, explore and develop mineral targets. The Company financed its operating and exploration activities principally by the issuance of common shares. In January 2006, the Company fully earned its 51% interest in a high grade silver mine and ore processing plant in Mexico.

Silver markets continued to show strength as the cumulative average increased from US\$4.8758 per ounce in 2003 to US\$6.6711 in 2004, to US\$7.3164 in 2005 and then to US\$10.7822 from January 2006 to early May 2006. Silver prices reached new highs of over US\$14 in mid-April 2006 and early May 2006.

ENDEAVOUR SILVER CORP.

Management's Discussion and Analysis

For the Three Months Ended March 31, 2006

(expressed in Canadian dollars unless otherwise noted)

In May 2004, the Company signed formal option agreements to acquire up to a 100% interest in the producing Santa Cruz silver-gold mine, certain other mining concessions and the Guanacevi mineral processing plant (collectively, the "Guanacevi Project") in Durango, Mexico. Terms of the agreement gave the Company the option to acquire a 51% interest in these operating assets by paying a total of US\$3 million to the vendors and incurring US\$1 million in mine exploration and development within one year. The balance of the 49% interest can be earned by paying a further US\$4 million over the period to January 2008. To complete the acquisition of the initial 51% interest, payments totalling US\$1 million had to be made by January 28, 2006. As at December 31, 2005, the Company had paid the vendors US\$3 million and invested in excess of \$10 million in property acquisitions, mine exploration and development and capital assets.

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

1.2 Overall Performance

The Guanacevi Project

In the first quarter of 2006, accelerated production in the Porvenir mine was realized from the development activities in the prior period.

The Santa Cruz mine continues to be closed temporarily to allow for underground exploration. Drilling confirms further mineralization in the mine.

An independent engineering audit was completed for the ore processing plant in early March 2005 which resulted in positive evaluations of its operations. The ore processing plant currently operates well below capacity even after the North Porvenir mine was re-opened for mining.

During the period ended December 31, 2005, the Company continued with its aggressive expansion plans by the acquisitions of additional mining properties in the Guanacevi district.

The Guanacevi Project produced 300,872 oz silver and 605 oz gold, or 331,122 oz silver equivalents (using a 50 Ag: 1 Au ratio) for the three months ended March 31, 2006.

In the first quarter of 2006, the Company retained Range Consulting Group, LLC ("RCG") to complete a review and/or update of mineral reserves and resources for the Porvenir Mine (North Porvenir and El Porvenir properties combined), Porvenir Dos and Deep Santa Cruz mineralized zones. Their technical report entitled "Mineral Resource and Reserve Estimate, Guanacevi Project, Durango, Mexico" ("RCG Report") and authored by A.E. Olson, MAusIMM, who is an independent Qualified Person under the definition by NI 43-101, was prepared in compliance with NI 43-101. The technical report increased proven and probable mineral reserves from nil in 2005 to 3,481,200 oz silver in 2006. Inferred mineral resources increased 178% from 3,839,000 oz silver in 2005 to 10,655,500 in 2006. Total silver reserves and resources now exceed 14 million oz in the Guanacevi Project, which should provide an estimated mine life of 7 years assuming 100% conversion of resources to reserves.

A major private placement offering for \$23 million closed in April 2006, and up to an additional \$8.5 million in financing from the original agency agreement being subject to regulatory and shareholder approval.

Porvenir Mine

For the three months ended March 31, 2006, total output from the Porvenir Mine was 32,105 dry tonnes (average

ENDEAVOUR SILVER CORP.

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(expressed in Canadian dollars unless otherwise noted)

434 tpd) grading 542 gpt Ag and 0.94 gpt Au, or 17.2 opt Ag equiv., of which 7,300 tonnes were stockpiled at the ore processing plant for future processing as the plant undergoes upgrades to increase its processing capacity.

In late March 2006, RCG completed a review and update of mineral reserves and resources for the Porvenir Mine (North Porvenir and El Porvenir properties combined). In the RCG Report, mineral reserves were estimated by the manual method using the Company's drill hole and underground sample data to March 15, 2006 as follows:

Porvenir Mine Reserves							
Classification	Tonnes	Silver	Gold	Silver	Gold	Ag Equivalent	
		(gpt)	(gpt)	Oz	Oz	(gpt)	(oz)
<u>Zone 1</u>							
Proven	18,403	426	0.64	252,100	379	470	278,251
Probable	26,293	425	0.63	359,300	533	468	396,077
Proven and Probable	44,696	425	0.63	611,400	912	468	674,328
<u>Zones 2 and 3</u>							
Proven	75,793	645	0.93	1,571,700	2,266	701	1,707,660
Probable	63,386	637	0.92	1,298,100	1,875	692	1,410,600
Proven and Probable	139,179	641	0.93	2,869,800	4,141	697	3,118,260
<u>All Zones Combined</u>							
Proven	94,196	602	0.87	1,823,800	2,645	656	1,985,911
Probable	89,679	575	0.83	1,657,400	2,408	627	1,806,677
Proven and Probable	183,875	589	0.85	3,481,200	5,053	642	3,792,588

Reserves were based on a US\$7 silver price, a US\$427 gold price, minimum mining width of 1.0 metre, mine extraction rate of 87%, mine dilution of 10% at 70 gpt silver, and cutoff grades of 404 gpt Ag for Zone 1 and 353 gpt Ag for Zones 2 and 3. Silver equivalents were calculated as silver oz plus gold oz multiplied by the equivalence ratio (69 for Zone 1 and 60 for Zones 2 and 3). The equivalence ratio was calculated as the silver recovery/gold recovery multiplied by the silver net smelter return/gold net smelter return. Net smelter return is the payable value minus the costs of freight, smelting, refining and royalties.

The mineral resources were in addition to the reserves and were estimated by the polygonal method using drill hole data that met the minimum geologic width and cutoff grade, as follows:

ENDEAVOUR SILVER CORP.

Management's Discussion and Analysis
For the Three Months Ended March 31, 2006
(expressed in Canadian dollars unless otherwise noted)

Porvenir Mine Inferred Resources							
Classification	Tonnes	Silver	Gold	Silver	Gold	Ag Equivalent	
		(gpt)	(gpt)	Oz	Oz	(gpt)	(oz)
Zone 1	197,677	411	0.99	2,612,100	6,292	479	3,046,250
Zones 2 & 3	194,898	369	0.62	2,312,200	3,885	412	2,545,300
All Zones Combined	392,575	390	0.81	4,924,300	10,177	446	5,591,550

Deep Santa Cruz Zone

During the first quarter of 2006, an underground drill was moved to a second crosscut and additional mineralization was intersected in the Deep Santa Cruz zone.

In late March 2006, RCG completed a review of resources for Deep Santa Cruz. In the RCG Report, mineral resources for Deep Santa Cruz were estimated by the polygonal method using drill hole data that met the minimum geologic width and cutoff grade as follows:

Deep Santa Cruz Inferred Resources							
Vein	Tonnes	Silver	Gold	Silver	Gold	Ag Equivalent	
		(gpt)	(gpt)	Oz	Oz	(gpt)	(oz)
Shell A	18,879	653	0.59	396,400	358	689	418,240
Shell B	74,237	572	1.21	1,365,200	2,888	646	1,541,370
Shell C	46,916	542	1.07	817,500	1,614	607	915,950
Shell D	12,737	772	1.94	316,100	794	890	364,530
All Zones Combined	152,769	589	1.15	2,895,200	5,654	668	3,240,090

Resources were based on a minimum mining width of 1.0 m at a 200 gpt Ag cutoff grade without considering dilution or extraction rates. Silver equivalents were calculated as the ratio of a US\$427 gold price and a US\$7 silver price (1:61). Additional factors such as metal recoveries and net smelter returns will affect the silver equivalent calculation but are not yet known for the Deep Santa Cruz zone.

The mine remains closed temporarily in 2006 as further underground drilling and development efforts are underway to expand the silver resources, to develop a mine plan, and to prepare the Deep Santa Cruz zone for production in 2007.

Porvenir Dos Property

The Porvenir Dos property is located adjacent to and northwest of the North Porvenir mine, and covers more than 1 km of prospective strike length on the Santa Cruz vein. The property is the fourth discovery of high-grade mineralization on the Company's Guanacevi Project. Exploration efforts on the property are ongoing.

In March 2006, the RCG Report provided resource estimates for Porvenir Dos which were estimated by the polygonal method using drill hole data that met the minimum geologic width and cutoff grade as follows:

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Management's Discussion and Analysis

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(expressed in Canadian dollars unless otherwise noted)

Porvenir Dos Inferred Resources							
Vein	Tonnes	Silver	Gold	Silver	Gold	Ag Equivalent	
		(gpt)	(gpt)	Oz	Oz	(gpt)	(oz)
Santa Cruz	170,017	407	0.84	2,224,700	4,592	458	2,504,800
Conglomerate	40,115	474	0.73	611,300	942	519	668,760
All Zones Combined	210,132	420	0.82	2,836,000	5,534	477	3,173,560

Resources were based on a minimum mining width of 1.0 m at a 200 gpt Ag cutoff grade without considering dilution or extraction rates. Silver equivalents were calculated as the ratio of a US\$427 gold price and a US\$7 silver price (1:61). Additional factors such as metal recoveries and net smelter returns will affect the silver equivalent calculation but are not yet known for the Porvenir Dos zone.

Guanacevi Processing Plant

For the first quarter ended March 31, 2006, the processing plant throughout was 24,805 dry tonnes (average 279 tpd) grading 479 gpt Ag and 0.95 gpt Au, or 15.3 opt Ag equivalents. Metal recoveries averaged 77.4% for silver and 79.5% for gold. The Porvenir mine provided 88% of the plant throughout, with the balance being provided from the re-processing of old tailings (8.1%) and the custom milling of sulfide ores from another small mine in the Guanacevi district (4.3%).

Other Matters

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

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

In March 2006, the Company entered into an agreement with Salman Partners Inc. to act as lead agent for a syndicate of agents, including BMO Nesbitt Burns Inc., Canaccord Capital Corporation and Dundee Securities Corporation, in a best efforts private placement offering of up to 5 million special warrants at \$4.50 per special warrant for gross proceeds of up to \$22.5 million. An over-subscription option allowed for up to an additional 2 million special warrants for additional proceeds of \$9 million. On April 24, 2006, the Company closed the placement for 5.11 million special warrants, for gross proceeds of \$22,995,000. Each special warrant is comprised of one common share and one-half of a share purchase warrant. Each whole share purchase warrant will be exercisable to purchase one common share at a price of \$5.25 for a period of 18 months from the closing date. The Company filed its prospectus on May 15, 2006 for the placement which closed on April 24, 2006. For the private placement, the agents will receive a cash commission of 6% of the gross proceeds and broker warrants exercisable for common shares equal to 6% of the total special warrants placed. The broker warrants have the same terms as the warrants in the private placement. The Company has agreed to seek a conditional listing for the share purchase warrants on the Toronto Stock Exchange as of the closing date. The private placement is subject to all necessary regulatory and shareholder approvals.

1.3 Selected Annual Information

ENDEAVOUR SILVER CORP.

Management's Discussion and Analysis
For the Three Months Ended March 31, 2006
(expressed in Canadian dollars unless otherwise noted)

Selected annual information for the Company for each of the three fiscal periods ended December 31, 2005, February 28, 2005 and February 29, 2004 are as follows:

(in \$000s except per share amounts)	Ten Months Ended	Years Ended	
	December 31, 2005	February 28, 2005	February 29, 2004
Total revenues	\$ -	\$ -	\$ -
Loss before discontinued operations and extraordinary items:			
(i) Total	\$ (5,669)	\$ (2,565)	\$ (779)
(ii) Basic per share	\$ (0.23)	\$ (0.15)	\$ (0.11)
(iii) Diluted per share	\$ (0.23)	\$ (0.15)	\$ (0.11)
Net loss:			
(i) Total	\$ (5,669)	\$ (2,565)	\$ (779)
(ii) Basic per share	\$ (0.23)	\$ (0.15)	\$ (0.11)
(iii) Diluted per share	\$ (0.23)	\$ (0.15)	\$ (0.11)
Total assets ⁽¹⁾	\$ 30,400	\$ 11,246	\$ 761
Total long-term liabilities ⁽¹⁾	\$ -	\$ -	\$ -
Dividends per share	\$ -	\$ -	\$ -

(1) Total assets and long-term liabilities are as at December 31, 2005, February 28, 2005 and February 29, 2004.

Total assets and net losses increased significantly in recent fiscal periods relative to prior years given that in the period ended December 31, 2005 the Company invested \$3,183,047 pursuant to option agreements related to its 51% interests in the mine, mining concessions and ore processing plant, raised gross proceeds of \$14.4 million from brokered and non-brokered private placements with additional proceeds of about \$7.2 million from the exercise of options and warrants, and increased its level of operations with the commensurate increases in expenses and net loss in fiscal 2005, and incurred losses from its option interests in the Guanacevi Project.

1.4 Results of Operations

First Quarter Ended March 31, 2006 – Three months ended March 31, 2006 compared with three months ended February 28, 2005

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

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

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

ENDEAVOUR SILVER CORP.

Management's Discussion and Analysis
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(expressed in Canadian dollars unless otherwise noted)

	March 31, 2006
Operating Data (From January 1, 2006 to March 31, 2006)	
Guanacevi Project:	
Silver production in ounces	300,872
Gold production in ounces	605
Mine Production:	
Dry tonnes	32,105
Ag gpt	542
Au gpt	0.94
Stockpiles (tonnes)	7,300
Processing Plant:	
Dry tonnes	24,805
Ag gpt	479
Au gpt	0.95
Recoveries for silver	77.4%
Recoveries for gold	79.5%
Financial Data (Consolidated from February 1, 2006 to March 31, 2006)	
Revenues from mine operations	\$ 2,586
Cost of mine operations	1,575
Amortization and depletion	484
Earnings from mine operations	\$ 527

The Company realized earnings from mine operations of \$527,000 from its mining and milling operations from revenues of \$2.59 million in the first quarter of 2006. Most of the revenues were generated from the North Porvenir mine.

The Company incurred a consolidated net loss of \$1.9 million in the quarter. Stock-based compensation expense of \$1.56 million contributed significantly to the loss. General and administrative expenses increased to reflect the commensurate and ancillary activities related to exploration, mine development, mining and milling operations of the Company.

In the prior fiscal period, the Company had only a 51% option interest in the Guanacevi Project which became fully earned and vested in the first quarter ended March 31, 2006.

The ore processing plant was still operating at below capacity in the first quarter until necessary upgrades are expected to be completed by the end of the second quarter.

As at March 31, 2006, expenditures on the Company's mineral properties were comprised of the following:

ENDEAVOUR SILVER CORP.

Management's Discussion and Analysis

For the Three Months Ended March 31, 2006

(expressed in Canadian dollars unless otherwise noted)

	Guanacevi Project (Mexico)	Total
Balance, December 31, 2005	\$ 4,125	\$ 4,125
Additions during the period:		
Acquisition costs	-	-
Mine development costs	1,891	1,891
Exploration costs:		
Assays and surveys	96	96
Drilling	2,351	2,351
Foreign exchange	(227)	(227)
Field supplies and labour	74	74
Geologists and consultants	165	165
Roads and drill pads	45	45
Future income tax	2,321	2,321
Depletion to operations	(408)	(408)
Balance, March 31, 2006	\$ 10,433	\$ 10,433

To complete the initial acquisition of the Company's 51% interests, the Company made payments totalling US\$1 million on January 28, 2006 for the Minera Santa Cruz, the mining concessions and the Guanacevi processing plant. To earn the remaining 49% thereafter, payments of US\$1.5 million must be made on January 28, 2007 and another US\$1.5 million on January 28, 2008.

1.5 Summary of Quarterly Results

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

(in \$000s except per share amounts)	Dec 31, 2006		Dec 31, 2005			Feb 28, 2005			
	Year End		Period End			Year End			
	Mar 31, 2006	Dec 31, 2005	Aug 31, 2005	May 31, 2005	Feb 28, 2005	Nov 30, 2004	Aug 31, 2004	May 31, 2004	
Total revenues	\$ 2,586	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Loss before discontinued operations and extraordinary items:									
(i) Total	\$ (1,929)	\$ (3,488)	\$ (1,024)	\$ (1,157)	\$ (649)	\$ (455)	\$ (403)	\$ (1,058)	
(ii) Basic per share	\$ (0.06)	\$ (0.13)	\$ (0.05)	\$ (0.05)	\$ (0.04)	\$ (0.02)	\$ (0.02)	\$ (0.07)	
(iii) Diluted per share	\$ (0.06)	\$ (0.13)	\$ (0.05)	\$ (0.05)	\$ (0.04)	\$ (0.02)	\$ (0.02)	\$ (0.07)	
Net loss:									
(i) Total	\$ (1,929)	\$ (3,488)	\$ (1,024)	\$ (1,157)	\$ (649)	\$ (455)	\$ (403)	\$ (1,058)	
(ii) Basic per share	\$ (0.06)	\$ (0.13)	\$ (0.05)	\$ (0.05)	\$ (0.04)	\$ (0.02)	\$ (0.02)	\$ (0.07)	
(iii) Diluted per share	\$ (0.06)	\$ (0.13)	\$ (0.05)	\$ (0.05)	\$ (0.04)	\$ (0.02)	\$ (0.02)	\$ (0.07)	

1.6 Liquidity and Capital Resources

ENDEAVOUR SILVER CORP.

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For the Three Months Ended March 31, 2006
(expressed in Canadian dollars unless otherwise noted)

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

(in \$000s)	March 31, 2006	December 31, 2005	February 28, 2005
Cash and cash equivalents	\$ 17,135	\$ 18,561	\$ 4,958
Working capital	\$ 17,903	\$ 18,957	\$ 5,260

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

The Company expects that, on or before August 10, 2006 (being the last day conditionally approved by the TSX), it will sell the remaining 1,890,000 Special Warrants issuable pursuant to the Over-subscription Option at a price of \$4.50 per Special Warrant (the "Future Placement"). In accordance with the policies of the TSX, the Future Placement will be subject to the approval of the Company's shareholders. There is no certainty that the Future Placement will close. Shareholder approval to the Future Placement and related matters will be sought at the Company's Annual and Special General Meeting on June 14, 2006. In the event that the Future Placement does close on or before July 15, 2006, the Company has agreed to use its reasonable best efforts to obtain, on or before July 15, 2006, a decision document from the British Columbia Securities Commission under the Mutual Reliance Review System for Prospectuses and Annual Information Forms (a "MRRS Decision Document") relating to the qualification for trading of any Common Shares and Warrants issuable upon exercise of those Special Warrants issued in the Future Placement in the relevant Canadian jurisdictions. In the event the Company fails to obtain a MRRS Decision Document on or before July 15, 2006, each Special Warrant that may be issued under the Future Placement will, upon exercise or deemed exercise, convert into 1.1 Common Share and 0.55 of a Warrant.

1.7 Capital Resources

Item 1.6 provides further details.

ENDEAVOUR SILVER CORP.

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(expressed in Canadian dollars unless otherwise noted)

1.8 Off-Balance Sheet Arrangements

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

1.9 Transactions with Related Parties

The Company entered into the following transactions with related parties:

- (a) Consulting fees of \$36,000 paid to a company controlled by a director; and
- (b) Rent of \$4,500 was incurred and paid to a company with certain common directors.

1.10 First Quarter

Items 1.4 and 1.5 provide further details.

1.11 Proposed Transactions

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

1.12 Critical Accounting Estimates

The preparation of financial statements requires the Company to make estimates that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of estimates relate to mineral properties.

Acquisition costs of mineral properties and exploration and development expenditures incurred thereto are capitalized and deferred. The costs related to a property from which there is production will be amortized using the unit-of-production method. Capitalized costs are written down to their estimated recoverable amount if the property is subsequently determined to be uneconomic. The amounts shown for mineral properties represent costs incurred to date, less recoveries and write-downs, and do not reflect present or future values.

1.13 Changes in Accounting Policies Including Initial Adoption

Variable interest entities:

Effective March 1, 2005, the Company adopted the Canadian Institute of Chartered Accountants Accounting Guideline 15, "*Consolidation of Variable Interest Entities*" ("AcG15") on a prospective basis. AcG15 prescribes the application of consolidation principles for entities that meet the definition of a variable interest entity ("VIE"). An enterprise holding other than a voting interest in a VIE could, subject to certain conditions, be required to consolidate the VIE if it is considered its primary beneficiary whereby it would absorb the majority of the VIE's expected losses, receive the majority of its expected residual returns, or both. The adoption of this new standard had no effect on the consolidated financial statements as the Company does not have any VIE's.

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1.14 Financial Instruments and Other Instruments

There are no financial instruments or other instruments.

1.15 Other MD&A Requirements

1.15.1 Other MD&A Requirements

Additional information relating to the Company are as follows:

- (a) may be found on SEDAR at www.sedar.com;
- (b) may be found in the Company's annual information form; and
- (c) is also provided in the Company's unaudited interim consolidated financial statements for the three months ended March 31, 2006.

1.15.2 Additional Disclosure for Venture Issuers without Significant Revenue

- (a) capitalized or expensed exploration and development costs;
The required disclosure is presented in the notes to the Company's consolidated financial statements.
- (b) expensed research and development costs;
Not applicable.
- (c) deferred development costs;
Not applicable.
- (d) general and administrative expenses; and
The required disclosure is presented in the Company's consolidated financial statements.
- (e) any material costs, whether capitalized, deferred or expensed, not referred to in (a) through (d);
None.

1.15.3 Outstanding Share Data

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

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

Changes in the Company's share capital for the three months ended March 31, 2006 were as follows:

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	Number of Shares	Amount
Balance, December 31, 2005	32,366,330	\$ 39,706
Issued during the period:		
For cash from exercise of share purchase options	101,000	300
For cash from exercise of warrants	561,959	1,220
Balance, March 31, 2006	33,029,289	\$ 41,226

As at May 12, 2006, the Company had 33,873,196 common shares issued and outstanding.

At March 31, 2006, the Company had outstanding options to purchase an aggregate 2,677,900 common shares as follows:

	March 31, 2006	
	Number of Shares	Weighted average exercise price
Outstanding, beginning of period	2,223,900	\$1.88
Granted	555,000	\$2.55
Exercised	(101,000)	\$1.73
Cancelled	-	-
Outstanding, end of period	2,677,900	\$2.03
Options exercisable at period-end	2,677,900	

At May 12, 2006, options for 2,565,900 shares remain outstanding.

At March 31, 2006, the Company had outstanding warrants to purchase an aggregate 4,946,041 common shares as follows:

Exercise Prices	Expiry Dates	Oustanding at December 31, 2005	Issued	Exercised	Expired	Oustanding at March 31, 2006
\$2.30	February 1, 2007	1,058,000	-	(548,000)	-	510,000
\$2.10 / \$2.30	July 22, 2006 / July 22, 2007	1,000,000	-	-	-	1,000,000
\$2.90	October 5, 2007	3,450,000	-	(13,959)	-	3,436,041
		5,508,000	-	(561,959)	-	4,946,041

At May 31, 2006, warrants for 4,214,134 shares remain outstanding.

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1.16 Outlook

The property acquisitions in Mexico coupled with cash and cash equivalents of \$17 million and working capital of \$17.9 million at March 31, 2006 have facilitated the Company's goal to becoming a top tier primary silver producer. The special warrant offering of up to \$31.5 million in equity financing in 2006 would significantly enhance the Company's ability to seek more advanced properties for acquisition and to expand its operations on a more accelerated basis. These acquisitions and financings should allow the Company to expand its landholdings, silver reserves and resources and production. The Company has the financial resources for exploration drilling, underground development and production optimization.

1.17 Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Based upon the evaluation of the effectiveness of the disclosure controls and procedures regarding the Company's unaudited interim consolidated financial statements for the three months ended March 31, 2006 and this MD&A, the Company's Chief Executive Officer and Chief Financial Officer have concluded that the disclosure controls and procedures were effective to ensure that material information relating to the Company was made known to others within the Company particularly during the period in which this report and accounts were being prepared, and such controls and procedures were effective to ensure that information required to be disclosed by the Company in the reports that it files or submits under regulatory rules and securities laws is recorded, processed, summarized and reported, within the time periods specified. Management of the Company recognizes that any controls and procedures can only provide reasonable assurance, and not absolute assurance, of achieving the desired control objectives, and management necessarily was required to apply its judgement in evaluating the cost-benefit relationship of possible controls and procedures.

Changes in Internal Controls over Financial Reporting

There were no significant changes in the Company's internal controls or in other factors that could significantly affect these controls subsequent to the date the Chief Executive Officer completed his evaluation, nor were there any significant deficiencies of material weaknesses in the Company's internal controls requiring corrective actions.