



Consolidated Financial Statements

Prepared by Management
(not reviewed by the Company's auditor)

**Second Quarter Report
Period Ended June 30, 2007**

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

The Audit Committee of the Board of Directors meets periodically with management to review results of the interim consolidated financial statements and related financial reporting matters prior to submitting the interim consolidated financial statements to the Board of Directors for approval. The Audit Committee is appointed by the Board of Directors and all of its members are independent directors. The Audit Committee is responsible for engaging or re-appointing the external auditors.

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

MANAGEMENT'S NOTICE TO READER

The Company has reported the interim consolidated financial statements in US dollars and re-stated the comparative figures in accordance with Canadian GAAP requirements. Please refer to the notes of financial statements for further discussion.

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

| | Notes | June 30, 2007 | December 31, 2006 |
|-------------------------------------------------------------------------------------------------------------------------------|-------|------------------|----------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | | \$ 24,130 | \$ 31,870 |
| Marketable securities | 7 | 3,535 | 3,072 |
| Accounts receivable and prepaids | 8 | 7,732 | 3,104 |
| Inventories | | 3,980 | 3,332 |
| Due from related parties | | 34 | 34 |
| Total current assets | | 39,411 | 41,412 |
| Long term deposits | | 844 | - |
| Mineral property, plant and equipment | 9 | 39,552 | 21,317 |
| Total assets | | \$ 79,807 | \$ 62,729 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| Current liabilities | | | |
| Accounts payable and accrued liabilities | | \$ 2,492 | \$ 3,046 |
| Income taxes payable | | 786 | 4 |
| Total current liabilities | | 3,278 | 3,050 |
| Asset retirement obligations | 10 | 1,354 | 954 |
| Future income tax liability | | 2,577 | 2,968 |
| Total liabilities | | 7,209 | 6,972 |
| Non-controlling interest | | - | 1,198 |
| Shareholders' equity | | | |
| Common shares, unlimited shares authorized, no par value, issued and outstanding 47,171,152 shares (2006 - 42,373,988 shares) | 5 | 81,947 | 63,353 |
| Contributed surplus | | 8,105 | 5,064 |
| Accumulated comprehensive income | 4 | 930 | 212 |
| Deficit | | (18,384) | (14,070) |
| Total shareholders' equity | | 72,598 | 54,559 |
| | | \$ 79,807 | \$ 62,729 |

Nature of Operations (note 1)
Commitments and contingencies (notes 5)

Approved on behalf of the Board

/s/ *Bradford Cooke*

Director

/s/ *Godfrey Walton*

Director

ENDEAVOUR SILVER CORP.**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME**

(Unaudited – Prepared by Management)

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

| | Notes | Three Months Ended | | Six Months Ended | |
|--------------------------------------------------------------------|-------|--------------------|-------------------|-------------------|-------------------|
| | | June 30, 2007 | June 30, 2006 | June 30, 2007 | June 30, 2006 |
| Sales | | \$ 6,385 | \$ 4,550 | \$ 13,615 | \$ 6,831 |
| Cost of sales | | 5,092 | 1,348 | 8,659 | 2,738 |
| Depreciation and depletion | | 609 | 818 | 1,568 | 1,245 |
| Exploration | | 1,331 | - | 3,101 | - |
| General and administrative | | 1,522 | 216 | 3,054 | 938 |
| Corporate development | | 298 | 294 | 333 | 328 |
| Stock-based compensation | | 3,383 | 1,805 | 3,700 | 3,177 |
| Operating profit (loss) | | (5,850) | 69 | (6,800) | (1,595) |
| Foreign exchange gain (loss) | | 1,459 | (527) | 1,651 | (535) |
| Income (loss) from property option interest | | - | 100 | - | 122 |
| Realized gain (loss) on marketable securities | | 280 | - | 280 | - |
| Investment and other income | | 251 | 265 | 545 | 401 |
| Income (loss) before taxes and other items | | (3,860) | (93) | (4,324) | (1,607) |
| Non-controlling interest | | - | (602) | (1,483) | (789) |
| Income tax provision | | 1,784 | - | 1,493 | (799) |
| Income (loss) for the period | | (2,076) | (695) | (4,314) | (3,195) |
| Other comprehensive income, net of tax | | | | | |
| Unrealized gain (loss) on marketable securities | | 29 | - | 417 | - |
| Reclassification adjustment for gain (loss) included in net income | | (211) | - | (211) | - |
| Comprehensive income (loss) for the period | | (182) | - | 206 | - |
| Basic and diluted loss per share | | \$ (0.05) | \$ (0.02) | \$ (0.10) | \$ (0.09) |
| Weighted average number of shares outstanding | | 45,512,687 | 37,569,744 | 44,315,055 | 35,148,490 |

See the accompanying notes to the consolidated financial statements.

ENDEAVOUR SILVER CORP.**CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY AND DEFICIT**

(Unaudited – Prepared by Management)

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

| | Notes | June 30, 2007 | December 31, 2006 |
|----------------------------------------------------------------|-------|-------------------|----------------------|
| Number of common shares, opening | | 42,373,988 | 32,366,330 |
| Issued on private placement | | - | 6,333,200 |
| Exercise of options | 11(b) | 668,000 | 282,500 |
| Exercise of warrants | 11(c) | 1,436,896 | 2,579,366 |
| Issued on acquisition of mineral properties | 5 | 2,550,416 | 671,558 |
| Share appreciation rights | 11(b) | 141,852 | 141,034 |
| Number of common shares, closing | | 47,171,152 | 42,373,988 |
| Common shares, opening | | \$ 63,353 | \$ 31,876 |
| Issued on private placement | | - | 22,855 |
| Exercise of options | 11(b) | 2,486 | 833 |
| Exercise of warrants | 11(c) | 3,539 | 5,434 |
| Issued on acquisition of mineral properties | 5 | 12,315 | 2,219 |
| Share appreciation rights | 11(b) | 254 | 136 |
| Common shares, closing | | 81,947 | 63,353 |
| Contributed surplus, opening | | 5,064 | 2,145 |
| Stock based compensation | 11(b) | 3,700 | 3,523 |
| Fair value of warrants issued for mineral properties | | 451 | (130) |
| Exercise of share purchase options | 11(b) | (856) | (338) |
| Share appreciation rights | 11(b) | (254) | (136) |
| Contributed surplus, closing | | 8,105 | 5,064 |
| Realized gain on marketable included in net income | | | |
| Comprehensive income, opening | | 212 | - |
| Cumulative impact of reporting currency change | 2 | - | 212 |
| Cumulative impact of adoption of financial instrument standard | 4 | 512 | - |
| Unrealized gain (loss) on marketable securities | | 417 | - |
| Realized gain on marketable included in net income | | (211) | - |
| Accumulated comprehensive income, closing | | 930 | 212 |
| Deficit, opening | | (14,070) | (12,335) |
| Loss for the period | | (4,314) | (1,735) |
| Deficit, closing | | (18,384) | (14,070) |
| Shareholders' equity | | \$ 72,598 | \$ 54,559 |

See the accompanying notes to the consolidated financial statements.

ENDEAVOUR SILVER CORP.
CONSOLIDATED STATEMENT OF CASH FLOW
(Unaudited – Prepared by Management)
(expresses in thousands of U.S. dollars)

| | Notes | 2007 | 2006 | 2007 | 2006 |
|---------------------------------------------------|-------|------------------|------------------|------------------|------------------|
| Operating activities | | | | | |
| Loss for the period | | \$ (2,076) | \$ (1,493) | \$ (4,314) | \$ (3,195) |
| Items not affecting cash: | | | | | |
| Stock-based compensation | | 3,383 | (127) | 3,700 | 1,245 |
| Depreciation and depletion | | 609 | 2,750 | 1,568 | 3,177 |
| Income from option interest in mineral properties | | - | - | - | (133) |
| Non-controlling interest | | - | 602 | 1,483 | 789 |
| Future income tax expense | | (1,869) | (306) | (2,276) | (306) |
| Unrealized foreign exchange loss | | 54 | (35) | 25 | (35) |
| Net changes in non-cash working capital | 12 | (5,440) | (1,768) | (4,539) | (2,331) |
| Cash from (used for) operations | | (5,339) | (378) | (4,353) | (788) |
| Investing activities | | | | | |
| Property, plant and equipment expenditures | | (3,382) | (1,618) | (7,963) | (3,710) |
| Acquisition of subsidiary, net of cash acquired | | - | (11) | - | (130) |
| Long term deposits | | (844) | - | (844) | - |
| Investment in marketable securities | | (680) | (1,394) | (680) | (1,394) |
| Proceeds from sale of marketable securities | | 931 | - | 931 | - |
| Cash used in investing activities | | (3,975) | (3,023) | (8,556) | (5,233) |
| Financing activities | | | | | |
| Common shares issued | | 2,277 | 20,953 | 5,169 | 22,183 |
| Cash from financing activities | | 2,277 | 20,953 | 5,169 | 22,183 |
| Increase in cash and cash equivalents | | (7,037) | 17,552 | (7,740) | 16,162 |
| Cash and cash equivalents, beginning of period | | 31,167 | 14,980 | 31,870 | 16,371 |
| Cash and cash equivalents, end of period | | \$ 24,130 | \$ 32,532 | \$ 24,130 | \$ 32,532 |

See the accompanying notes to the consolidated financial statements.

ENDEAVOUR SILVER CORP.

Notes to the Consolidated Financial Statements

Six Months Ended June 30, 2007

(Unaudited – Prepared by Management)

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

1. NATURE OF OPERATIONS

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

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

2. CHANGE IN FUNCTIONAL AND REPORTING CURRENCY

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

The effect on the consolidated financial statements resulted in comprehensive income adjustment of \$212,000 as at December 31, 2006.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”). Significant measurement differences from United States GAAP are described in Note 14 to these financial statements. These consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany transactions and balances have been eliminated.

(b) Use of estimates

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

(c) Comparative figures

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

ENDEAVOUR SILVER CORP.

Notes to the Consolidated Financial Statements

Six Months Ended June 30, 2007

(Unaudited – Prepared by Management)

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

4. CHANGES IN ACCOUNTING POLICIES

On January 1, 2007, the Company adopted three new accounting standards that were issued by the Canadian Institute of Chartered Accountants: Handbook Section 1530, *Comprehensive Income*; Handbook Section 3861, *Financial Instruments – Presentation and Disclosure* and Handbook Section 3855, *Financial Instruments – Recognition and Measurement*. These standards have been applied prospectively; accordingly, comparative amounts for prior periods have not been restated.

Effective January 1, 2007, the Company changed its accounting policy for mineral property exploration expenditures to harmonize accounting differences between Canadian and US GAAP while the Company continues to transition its operations from a sole exploration company to an operator.

(a) Comprehensive income

Section 1530 introduces comprehensive income, which consists of net income and other comprehensive income. Other comprehensive income represents changes in shareholders' equity during a period arising from transactions and other events and circumstances from non-owner sources and includes unrealized gains and losses on financial assets classified as available-for-sale. The components of comprehensive income are disclosed in the interim consolidated statement of shareholders' equity

(b) Financial instruments – presentation and disclosure; recognition and measurement

Section 3861 establishes standards for the presentation and disclosure of financial instruments. Section 3855 establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. It requires that financial assets and financial liabilities, including derivatives, be measured at fair value on initial recognition and recorded on the balance sheet. Measurement in subsequent period depends on whether the financial instrument has been classified as held-for-trading, available-for-sale, held-to-maturity, loans and receivables or other financial liabilities.

Financial assets and liabilities held-for-trading are measured at fair value with changes in those fair values recognized in net income. Financial assets and financial liabilities considered held-to-maturity, loans and receivables, and other financial liabilities are measured at amortized cost using the effective interest method of amortization. Available-for-sale financial assets are measured at fair value with unrealized gains and losses recognized in other comprehensive income. Investments in equity instruments classified as available-for-sale that do not have a quoted market price in an active market are measured at cost.

Derivative instruments, including embedded derivatives, are recorded on the balance sheet at fair value. Changes in the fair values of derivative instruments are recognized in net income with the exception of derivatives designated as effective cash flow hedges. The Company has no such designated hedges.

(c) Impact upon adoption of Handbook Section 1530, 3855 and 3861

The transition adjustment attributable to the remeasurement of financial assets and financial liabilities at fair value for available-for-sale financial assets were recognized in opening accumulated other comprehensive income as at January 1, 2007. The Company has recorded a non cash increase of \$512,000 to opening marketable securities and a non-cash pre tax adjustment of \$512,000 as a one time cumulative effect of the change in accounting policy in opening accumulated other comprehensive income.

(d) Exploration Expenditures

In prior years, the Company capitalized the acquisition cost of mineral properties and deferred exploration expenditures directly related to specific mineral properties. Under the new policy, exploration expenditures on non producing properties are expensed, while acquisition and property right payments continue to be capitalized. This change has been applied retrospectively and has increased the deficit as of December 31, 2006 by \$400,000 with a corresponding reduction in mineral properties.

ENDEAVOUR SILVER CORP.

Notes to the Consolidated Financial Statements

Six Months Ended June 30, 2007

(Unaudited – Prepared by Management)

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

5. BUSINESS ACQUISITION AND SIGNIFICANT ASSET ACQUISITIONS

- a) In May 2004, the Company entered into an option agreements to acquire 100% interest in the outstanding shares of Minera Santa Cruz y Garibaldi SA de CV (“Minera Santa Cruz”), which owns 100% of the producing Santa Cruz silver-gold mine located in Durango, Mexico. Under the option interest agreement the scheduled January 28, 2007 payment of \$638,000 was made with 176,201 shares of the Company in lieu of cash.

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

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

On May 30, 2007 the Company acquired 100% of the Bolanitos mine assets from three subsidiary companies of Industrias Penoles SA de CV (“Penoles”). The assets consist of 2071 hectares of land , three operating mines and a 500 ton per day processing plant. The purchase price was 800,000 shares of the Company with a fair market value of US \$4.84 and 250,000 2 year warrants with an exercise price of CAN \$5.50. The fair value of the warrants was determined to be \$460,000; the fair value was based on an expected stock price volatility of 68.7%, expected life of 2 year and an estimated risk-free rate of 3.98%.

A preliminary purchase price allocation of the Bolanitos mine assets is based on management’s preliminary internal assessment and is subject to change as the Company obtains additional information.

6. RELATED PARTY TRANSACTIONS

The Company has advanced \$440,000 to an external party as a deposit for property concessions on behalf of a company with common directors and management.

During the course of the period the company paid \$95,000 in bonus compensation to terminated employees who are now employees of a company with common board of directors and management.

ENDEAVOUR SILVER CORP.**Notes to the Consolidated Financial Statements****Six Months Ended June 30, 2007**

(Unaudited – Prepared by Management)

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

7. MARKETABLE SECURITIES

| | June 30 2007 | December 31 2006 |
|--------------------------------------------|-------------------------|---------------------|
| Investment in shares of companies, at cost | \$ 2,816 | \$ 3,072 |
| Unrealized gain | 719 | - |
| | \$ 3,535 | \$ 3,072 |

8. ACCOUNTS RECEIVABLE

| | June 30 2007 | December 31 2006 |
|----------------------|-------------------------|---------------------|
| Trade Receivables | \$ 1,312 | \$ 973 |
| IVA Receivables | 2,295 | 1,750 |
| Other Receivables | 663 | 222 |
| Prepays and Advances | 3,462 | 159 |
| | \$ 7,732 | \$ 3,104 |

9. MINERAL PROPERTY, PLANT AND EQUIPMENT

Mineral property, plant and equipment comprise:

| | June 30, 2007 | | | December 31, 2006 | | |
|-----------------------------|----------------------|-----------------------------|-------------------|-------------------|-----------------------------|-------------------|
| | Cost | Accumulated amortization | Net book value | Cost | Accumulated amortization | Net book value |
| Properties | \$ 25,249 | \$ 3,822 | \$ 21,427 | \$ 13,361 | \$ 2,618 | \$ 10,743 |
| Mill | 14,436 | 1,173 | 13,263 | 8,705 | 629 | 8,076 |
| Machinery and equipment | 4,221 | 226 | 3,995 | 2,092 | 35 | 2,057 |
| Transportation and vehicles | 599 | 128 | 471 | 311 | 59 | 252 |
| Buildings | 329 | 18 | 311 | 137 | 4 | 133 |
| Office equipment | 107 | 22 | 85 | 68 | 12 | 56 |
| | \$ 44,941 | \$ 5,389 | \$ 39,552 | \$ 24,674 | \$ 3,357 | \$ 21,317 |

ENDEAVOUR SILVER CORP.

Notes to the Consolidated Financial Statements

Six Months Ended June 30, 2007

(Unaudited – Prepared by Management)

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

10. ASSET RETIREMENT OBLIGATIONS

Although the ultimate amount of the reclamation costs to be incurred cannot be predicted with certainty, the total undiscounted amount of estimated cash flows required to settle the Company's estimated obligations is \$2,096,000 which has been discounted using a credit adjusted risk free rate of 8.25%. Significant reclamation and closure activities include land rehabilitation, decommissioning of buildings and mine facilities, ongoing care and maintenance and other costs.

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

| | | |
|--------------------------------------------------------------------------|-----------|--------------|
| Balance at December 31, 2006 | \$ | 954 |
| Changes during the period: | | |
| Incurrence | | |
| Change in estimate | | 74 |
| Changes due to acquisition of interests in mining and milling operations | | 281 |
| Interest accretion | | 45 |
| Balance at June 30, 2007 | \$ | 1,354 |

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

11. SHARE CAPITAL

(a) As at June 30, 2007 and December 31, 2006 a total of 93,750 common shares are held in escrow, the release of which is subject to regulatory approval.

(b) **Share purchase options**

The following table summarizes the status of the Company's stock option plan as at June 30, 2007 and changes for during the period ended:

Prices expressed in CAN \$

| | June 30, 2007 | | June 30, 2006 | |
|-----------------------------------|------------------|---------------------------------|------------------|---------------------------------|
| | Number of Shares | Weighted average exercise price | Number of Shares | Weighted average exercise price |
| Outstanding, beginning of period | 3,626,400 | \$ 2.43 | 2,223,900 | \$ 1.88 |
| Granted | 1,535,000 | 4.49 | 1,800,000 | 2.85 |
| Exercised | (668,000) | 2.79 | (213,000) | 1.99 |
| Cancelled ⁽¹⁾ | (235,000) | 1.90 | - | - |
| Outstanding, end of period | 4,258,400 | 3.27 | 3,810,900 | 2.33 |
| Options exercisable at period-end | 4,258,400 | \$ 3.27 | 3,810,900 | \$ 2.33 |

⁽¹⁾ 235,000 options were cancelled in exchange for 141,852 share appreciation rights.

ENDEAVOUR SILVER CORP.**Notes to the Consolidated Financial Statements****Six Months Ended June 30, 2007**

(Unaudited – Prepared by Management)

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

(b) Share purchase options (continued)

The following tables summarize information about stock options outstanding at June 30, 2007:

| CAN \$ Price Intervals | expressed in Canadian dollars | | | | |
|------------------------------|------------------------------------------------|---------------------------------------------------------------|-------------------------------------------|------------------------------------------------|-------------------------------------------|
| | Options Outstanding | | | Options Exercisable | |
| | Number Outstanding as at Jun 30, 2007 | Weighted | Weighted Average Exercise Prices | Number Exercisable as at Jun 30, 2007 | Weighted Average Exercise Prices |
| | | Average Remaining Contractual Life (Number of Years) | | | |
| \$0.50 - \$0.99 | 200,000 | 1.5 | \$0.66 | 200,000 | \$0.66 |
| \$1.00 - \$1.49 | - | - | - | - | - |
| \$1.50 - \$1.99 | 390,000 | 2.1 | \$1.60 | 390,000 | \$1.60 |
| \$2.00 - \$2.49 | 486,000 | 3.3 | \$2.35 | 486,000 | \$2.35 |
| \$2.50 - \$2.99 | 1,637,400 | 3.7 | \$2.74 | 1,637,400 | \$2.74 |
| \$3.00 - \$3.99 | 110,000 | 4.6 | \$3.95 | 110,000 | \$3.95 |
| \$4.00 - \$4.99 | 1,380,000 | 4.9 | \$4.78 | 1,380,000 | \$4.78 |
| \$5.00 - \$5.99 | 55,000 | 4.8 | \$5.48 | 55,000 | \$5.48 |
| | 4,258,400 | 3.5 | \$3.27 | 4,258,400 | \$3.27 |

During the period ended June 30, 2007, the Company recognized stock-based compensation expense of \$3,700,000 (June 30, 2006 - \$3,177,000) based on the fair value of options granted.

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

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

| Prices expressed in CAN \$ | Period Ended June 30, 2007 |
|---------------------------------------------------------------------|-------------------------------|
| Weighted average fair value of options granted during the period | \$2.67 |
| Risk-free interest rate | 3.98% |
| Expected dividend yield | 0% |
| Expected stock price volatility | 67% |
| Expected option life in years | 4 |

In January 2007, the Company granted stock options to a new officer to acquire up to 100,000 common shares at an exercise price of CAN \$4.08 per share with an expiry date of January 8, 2012.

In March 2007, the Company granted stock options to new employees to acquire up to 55,000 common shares at an exercise price of CAN \$5.36 per share with an expiry date of March 1, 2012.

In May 2007, the Company granted stock options to new employees to acquire up to 100,000 common shares at an exercise price of CAN \$5.54 per share with an expiry date of May 2, 2012.

In June 2007, the Company granted stock options to directors, officers, employees and consultants to acquire up to 1,280,000 common shares at an exercise price of \$4.83 per share with an expiry date of June 14, 2017.

ENDEAVOUR SILVER CORP.**Notes to the Consolidated Financial Statements****Six Months Ended June 30, 2007**

(Unaudited – Prepared by Management)

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

(c) Warrants

At June 30, 2007, the Company had outstanding warrants to purchase an aggregate 5,442,546 common shares as follows:

| Exercise Price | Expiry Dates | Oustanding at December 31, 2006 | Issued | Exercised | Expired | Oustanding at March 31, 2007 |
|----------------|------------------|---------------------------------|--------|-------------|---------|------------------------------|
| CAN \$ | | | | | | |
| \$2.30 | February 1, 2007 | 327,000 | - | (320,000) | (7,000) | - |
| \$2.90 | October 5, 2007 | 2,601,634 | - | (1,065,950) | - | 1,535,684 |
| \$5.25 | October 24, 2007 | 3,539,920 | - | (10,135) | - | 3,529,785 |
| \$3.70 | August 23, 2007 | 167,888 | - | (40,811) | - | 127,077 |
| \$5.50 | May 30, 2009 | 250,000 | - | - | - | 250,000 |
| | | 6,886,442 | - | (1,436,896) | (7,000) | 5,442,546 |

12. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

| | Period Ended June 30, 2007 | Period Ended June 30, 2006 |
|----------------------------------------------------------------|----------------------------------|----------------------------------|
| Net changes in non-cash working capital | | |
| Accounts receivable and prepaids | \$ (4,628) | \$ (1,427) |
| Inventory | (139) | (2,163) |
| Due from related parties | - | 65 |
| Accounts payable and accrued liabilities | (554) | 89 |
| Income taxes payable | 782 | 1,105 |
| | \$ (4,539) | \$ (2,331) |
| Non-cash financing and investing activities: | | |
| Reclamation included in mineral property, plant and equipment | \$ 355 | \$ 693 |
| Tax gross up related to the acquisition of subsidiary | 1,853 | - |
| Fair value of stock options allocated to shares issued | | |
| on exercise of stock options | 856 | 263 |
| Equity issued under the share appreciation rights plan | 254 | - |
| Equity issued on acquisition of mineral properties (Note 3(a)) | 12,315 | - |

Cash interest paid and cash taxes paid in the period ended June 30, 2007 and 2006 was nil.

ENDEAVOUR SILVER CORP.**Notes to the Consolidated Financial Statements****Six Months Ended June 30, 2007**

(Unaudited – Prepared by Management)

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

13. SEGMENT DISCLOSURES

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

| | June 30, 2007 | | | |
|---------------------------------------|---------------|-----------|-----------|------------|
| | Corporate | Guanacevi | Bolanitos | Total |
| Cash and cash equivalents | \$ 22,976 | \$ 1,157 | \$ (3) | 24,130 |
| Marketable Securities | 3,535 | - | - | 3,535 |
| Accounts Receivable and prepaids | 97 | 6,196 | 1,439 | 7,732 |
| Inventories | - | 3,980 | - | 3,980 |
| Due from related parties | - | 34 | - | 34 |
| Mineral property, plant and equipment | - | 31,290 | 8,262 | 39,552 |
| Revenue | - | 12,853 | 762 | 13,615 |
| Net income (loss) | \$ (5,901) | 1,656 | \$ (69) | \$ (4,314) |

| | December 31, 2006 | | | |
|---------------------------------------|-------------------|-----------|-----------|------------|
| | Corporate | Guanacevi | Bolanitos | Total |
| Cash and cash equivalents | \$ 30,027 | \$ 7,110 | \$ - | \$ 31,870 |
| Marketable Securities | 3,072 | - | - | 3,072 |
| Accounts Receivable and prepaids | 95 | 3,009 | - | 3,104 |
| Inventories | - | 3,332 | - | 3,332 |
| Due from related parties | - | 34 | - | 34 |
| Mineral property, plant and equipment | - | 21,317 | - | 21,317 |
| Revenue | - | 15,678 | - | - |
| Net income (loss) | \$ (4,381) | \$ 289 | \$ - | \$ (4,092) |

ENDEAVOUR SILVER CORP.

Notes to the Consolidated Financial Statements

Six Months Ended June 30, 2007

(Unaudited – Prepared by Management)

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

14. RECONCILIATION WITH UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

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

(a) **Stock based compensation**

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

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

(b) **Impact of recent United States accounting pronouncements:**

- (i) In June 2005, the FASB issued SFAS No. 154, “*Accounting Changes and Error Corrections*”, a replacement of APB Opinion No. 20, “*Accounting Changes*”, and FASB Statement No. 3, “*Reporting Accounting Changes in Interim Financial Statements*”. SFAS 154 requires retrospective application to prior periods’ financial statements of a change in accounting principle unless it is impracticable to do so. This is a change from the existing practice that requires most accounting changes to be accounted for by including in net income in the period of the change the cumulative effect of changing to the new accounting principle. SFAS 154 will be effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. The Company has applied the change in accounting policy of retrospectively.
- (ii) In June 2006, The FASB has issued FASB Interpretation No. 48, “*Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109*” (“FIN 48”). FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The Interpretation also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006. The provisions of FIN 48 are to be applied to all tax positions upon initial adoption, with the cumulative effect adjustment reported as an adjustment to the opening balance of retained earnings. The Company has determined the interpretation has no impact on the periods presented.

ENDEAVOUR SILVER CORP.

Notes to the Consolidated Financial Statements

Six Months Ended June 30, 2007

(Unaudited – Prepared by Management)

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

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

CORPORATE INFORMATION

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Godfrey Walton ~ President and Chief Operating Officer
John D. Watkins ~ Chief Financial Officer
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SHARES LISTED

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Trading Symbol - EDR

American Stock Exchange
Trading Symbol – EXK

Frankfurt Stock Exchange
Trading Symbol - EJD