Condensed Consolidated Interim Financial Statements

Prepared by Management

Third Quarter Report
Nine Months Ended September 30, 2011 and 2010

ENDEAVOUR SILVER CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited-Prepared by Management)
(expressed in thousands of US dollars)

	Notes	**September 30, 2011**	December 31, 2010 (Note 17)	January 1, 2010 (Note 17)
ASSETS				
Current assets				
Cash and cash equivalents		$ 92,800	$ 68,037	$ 26,702
Short term investments		14,961	20,009	-
Available for sale investments	3	15,505	3,632	4,521
Accounts receivable and prepaids	4	15,185	10,299	7,467
Inventories	5	20,948	12,883	6,032
Due from related parties	6	52	218	243
Total current assets		159,451	115,078	44,965
Long term deposits		600	778	1,153
Mineral property, plant and equipment	7	84,098	71,241	55,425
Total assets		$ 244,149	$ 187,097	$ 101,543
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Accounts payable and accrued liabilities		$ 8,231	$ 9,464	$ 5,230
Current portion of promissory note		-	231	231
Accrued interest on convertible debentures	8	-	-	254
Income taxes payable		5,525	3,260	545
Total current liabilities		13,756	12,955	6,260
Promissory note		-	56	248
Provision for reclamation and rehabilitation		2,546	2,524	2,018
Deferred income tax liability		19,778	13,323	7,945
Liability portion of convertible debentures	8	-	-	3,666
Derivative liabilities	10	20,447	29,348	29,749
Total liabilities		56,527	58,206	49,886
Shareholders' equity				
Common shares, unlimited shares authorized, no par value, issued and outstanding 85,942,564 shares (2010 - 80,720,420 shares)	Page 4	246,875	205,862	109,413
Contributed surplus	Page 4	7,400	7,793	7,319
Accumulated comprehensive income	Page 4	(1,021)	1,444	537
Deficit		(65,632)	(86,208)	(65,612)
Total shareholders' equity		187,622	128,891	$ 51,657
Total liabilities and shareholders' equity		$ 244,149	$ 187,097	$ 101,543

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

ENDEAVOUR SILVER CORP.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited- Prepared by Management)

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

	Notes	Three Months Ended Sept 30, 2011	Three Months Ended Sept 30, 2010	Nine Months Ended Sept 30, 2011	Nine Months Ended Sept 30, 2010
Revenue		**$ 38,776**	$ 20,091	**$ 110,491**	$ 58,035
Cost of sales:					
Direct production costs		**10,997**	10,710	**33,465**	29,400
Royalties		**636**	148	**1,712**	891
Stock-based compensation		**170**	173	**337**	493
Amortization and depletion		**4,841**	3,853	**13,031**	9,897
		16,644	14,884	**48,545**	40,681
Mine operating earnings		**22,132**	5,207	**61,946**	17,354
Expenses:					
Exploration	11	**3,093**	1,346	**6,818**	3,810
General and administrative	12	**2,964**	2,187	**8,109**	6,306
		6,057	3,533	**14,927**	10,116
Operating earnings		**16,075**	1,674	**47,019**	7,238
Mark-to-market (gain) loss on derivative liabilities	10	**5,777**	4,746	**13,408**	900
Finance costs	13	**8**	4,736	**27**	7,214
Other income (expense):					
Foreign exchange		**(4,821)**	184	**(3,252)**	225
Investment and other income		**3,478**	259	**6,496**	475
		(1,343)	443	**3,244**	700
Earnings (loss) before income taxes		**8,947**	(7,365)	**36,828**	(176)
Income tax expense:					
Current income tax expense		**1,557**	559	**8,818**	660
Deferred income tax expense		**4,293**	1,649	**7,462**	5,223
		5,850	2,208	**16,280**	5,883
Net earnings (loss) for the period		**3,097**	(9,573)	**20,548**	(6,059)
Other comprehensive income, net of tax					
Net change in fair value of available for sale investments	3	**(2,616)**	(95)	**(2,465)**	519
Comprehensive income (loss) for the period		**481**	(9,668)	**18,083**	(5,540)
Basic earnings (loss) per share based on net earnings		**$ 0.04**	$ (0.15)	**$ 0.25**	$ (0.10)
Diluted earnings per share based on net earnings	9 (d)	**$ 0.04**	$ (0.15)	**$ 0.24**	$ (0.10)
Basic weighted average number of shares outstanding		**85,159,320**	65,511,785	**83,349,279**	63,004,088
Diluted weighted average number of shares outstanding	9 (d)	**87,599,601**	65,511,785	**85,312,465**	63,004,088

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

ENDEAVOUR SILVER CORP.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY

(Unaudited – Prepared by Management)

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

	Note	Number of shares	Share Capital	Contributed Surplus	Accumulated other comprehensive income (loss)	Deficit	Total Equity
January 1, 2010		60,626,203	$ 109,413	$ 7,319	$ 537	$ (65,612)	$ 51,657
Exercise of options	9 (b)	1,293,900	4,968	(2,110)			2,858
Exercise of warrants	9 (c), 10 (a)	370,594	1,688	(215)			1,473
Exercise of convertible debentures	8, 10 (b)	6,658,382	23,091				23,091
Issued through stock bonus plan		29,000	109				109
Issued on acquisition of mineral properties		642,204	2,358				2,358
Share appreciation rights		136,870	532	(532)			-
Stock based compensation	9 (b)			3,611			3,611
Unrealized gain (loss) on available for sale assets					717		717
Realized gain (loss) on available for sale assets					(189)		(189)
Expiry and forfeiture of options				(147)		147	-
Earnings (loss) for the nine months						(6,059)	(6,059)
September 30, 2010		69,757,153	142,159	7,926	1,065	(71,524)	79,626
Issued on public offering		8,710,000	49,310				49,310
Exercise of options	9 (b)	468,600	2,112	(910)			1,202
Exercise of warrants	9 (c), 10 (a)	1,772,167	12,197	(141)			12,056
Exercise of convertible debentures	8, 10 (b)	-	-				-
Issued through stock bonus plan		12,500	84				84
Issued on acquisition of mineral properties		-	-				-
Share appreciation rights		-	-				-
Stock based compensation				918			918
Unrealized gain (loss) on available for sale assets					385		385
Realized gain (loss) on available for sale assets					(6)		(6)
Expiry and forfeiture of options							-
Earnings (loss) for the three months		-	-			(14,684)	(14,684)
December 31, 2010		80,720,420	205,862	7,793	1,444	(86,208)	128,891
Exercise of options	9 (b)	1,903,400	8,679	(3,026)			5,653
Exercise of warrants	9 (c), 10 (a)	3,219,314	31,811	(214)			31,597
Issued through stock bonus plan		3,600	39				39
Cancelled escrow shares	9 (a)	(93,750)					-
Issued on acquisition of mineral properties		-					-
Share appreciation rights		189,580	484	(484)			-
Stock based compensation	9 (b)			3,359			3,359
Unrealized gain (loss) on available for sale assets					(2,374)		(2,374)
Realized gain (loss) on available for sale assets					(91)		(91)
Expiry and forfeiture of options				(28)		28	-
Earnings (loss) for the nine months						20,548	20,548
September 30, 2011		85,942,564	$ 246,875	$ 7,400	$ (1,021)	$ (65,632)	$ 187,622

ENDEAVOUR SILVER CORP.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

(Unaudited – Prepared by Management)

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

	Notes	Three Months Ended Sept 30 2011	Three Months Ended Sept 30 2010	Nine Months Ended Sept 30 2011	Nine Months Ended Sept 30 2010
Operating activities					
Net earnings (loss) for the period		**$ 3,097**	$ (9,573)	**$ 20,548**	$ (6,059)
Items not affecting cash:					
Stock-based compensation	9	**1,498**	1,353	**3,399**	3,611
Depreciation and depletion		**4,885**	3,901	**13,146**	10,028
Deferred income tax provision		**2,704**	1,949	**6,454**	5,523
Unrealized foreign exchange loss (gain)		**3,539**	87	**2,069**	(130)
Mark to market loss (gain) on derivative liability	10	**5,777**	4,746	**13,408**	900
Loss on conversion of convertible debentures	8	**-**	4,398	**-**	5,519
Finance costs	13	**8**	330	**23**	1,664
Allowance for related party recievable	6	**180**	-	**180**	-
(Gain) loss on marketable securities		**(1,086)**	(143)	**(995)**	(190)
Net changes in non-cash working capital	14	**(6,272)**	(2,118)	**(8,007)**	(10,130)
Cash from operating activities		**14,330**	4,930	**50,225**	10,736
Investing activites					
Property, plant and equipment expenditures		**(10,848)**	(9,866)	**(30,216)**	(22,637)
Investment in short term investments		**(8,787)**	-	**(27,358)**	(1,021)
Proceeds from sale of short term investments		**18,432**	1,996	**19,063**	3,214
Investment in long term deposits		**-**	(49)	**-**	(49)
Proceeds from long term deposits		**-**	-	**178**	-
Cash used in investing activities		**(1,203)**	(7,919)	**(38,333)**	(20,493)
Financing activities					
Common shares issued, net of issuance costs	9	**5,468**	1,471	**14,940**	3,373
Interest paid	13	**-**	(364)	**-**	(989)
Cash from financing activites		**5,468**	1,107	**14,940**	2,384
Effect of exchange rate change on cash and cash equivalents		**(3,536)**	152	**(2,069)**	317
Increase (decrease) in cash and cash equivalents		**18,595**	(1,882)	**26,832**	(7,373)
Cash and cash equivalents, beginning of period		**77,741**	21,376	**68,037**	26,702
Cash and cash equivalents, end of period		**$ 92,800**	$ 19,646	**$ 92,800**	$ 19,646

See note 14 for supplementary cash flow information.

1. BASIS OF PRESENTATION AND FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

In 2010, the Canadian Institute of Chartered Accountants Handbook was revised to incorporate International Financial Reporting Standards ("IFRS") and require publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, we have commenced reporting on this basis in these condensed consolidated interim financial statements.

These condensed interim consolidated financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34, Interim Financial Reporting and IFRS 1, First-Time Adoption of International Financial Reporting Standard. Subject to certain transition elections disclosed in Note 17, we have consistently applied the same accounting policies in our opening IFRS balance sheet as at January 1, 2010 and throughout all periods presented, as if the policies had always been in effect. Note 17 discloses the impact of the transition from Canadian Generally Accepted Accounting Principles to IFRS on our reported financial position, operating earnings and cash flows, including the nature and effect of significant changes in accounting policies from those used in our consolidated financial statements for year ended December 31, 2010. IFRS 1, which governs the first-time adoption of IFRS, generally requires accounting policies to be applied retrospectively to determine the opening balance sheet on our transition date of January 1, 2010 and allows certain exemptions on transition to IFRS. The elections that are considered significant to the Company and we have applied are disclosed in Note 17.

The policies applied in these condensed consolidated financial statements are presented in Note 2 and are based on IFRS issued and outstanding as of November 1, 2011, the date the Board of Directors approved the financial statements. Any subsequent changes to IFRS that are given effect in our annual consolidated financial statements for the year ended December 31, 2011 could result in restatement of these condensed consolidated interim financial statements. None of these standards are expected to have a significant effect on the consolidated financial statements.

These condensed interim consolidated financial statements are presented in the Company's functional currency of US dollars including the accounts of the Company and its subsidiaries. All significant intercompany transactions and balances have been eliminated.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Currency Translation

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

(b) Use of estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management judgement relate to the determination of mineralized reserves, plant and equipment lives, estimating the fair values of financial instruments and derivatives, estimating the fair value of convertible debentures components, impairment of long-lived assets, reclamation and rehabilitation provisions, 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 materially from those estimates.

(c) Financial instruments

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

Financial assets and liabilities held for trading are measured at fair value with changes in those fair values recognized in net earnings. 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. Available-for-sale financial assets are measured at fair value with unrealized gains and losses recognized in other comprehensive income. Derivative instruments, including embedded derivatives, are recorded on the balance sheet at fair value. Changes in the fair values of derivative instruments are recognized in net earnings.

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

(d) Fair value of financial instruments

The fair values of the Company's cash and cash equivalents, receivables, and accounts payable and accrued liabilities approximate their carrying values due to their short terms to maturity. Short term investments, marketable securities and Notes are recorded at fair value with unrealized gains and losses at the reporting date recognized in comprehensive income unless unrealized losses are indicative of other than temporary impairments in value.

(e) Cash and cash equivalents

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

(f) Marketable securities

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

(g) Inventories

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

(h) Mineral properties, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of mineral properties, plant or equipment items consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which is located. Mineral properties include direct costs of acquiring properties (including option payments) and costs incurred directly in the development of properties once the technical and commercial feasibility has been established. Exploration expenditures where commercial feasibility has not been established on the property are expensed.

Where an item of plant and equipment comprises major components with different useful lives; the components are accounted for as separate items of plant and equipment.

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

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

(i) Impairment

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

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

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. An impairment loss with respect to goodwill is never reversed.

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.

(j) Reclamation and rehabilitation obligations

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

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

(k) Revenue recognition

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

(l) Stock based payments

The Company has a share option plan which is described in Note 9(b). The Company records all stock-based compensation for options using the fair value method with graded vesting. 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 over the vesting period. The amount recognized as an expense is adjusted to reflect the actual number of share options for which the related service and vesting conditions are met. The offset is credited to contributed surplus. Consideration received on the exercise of stock options is recorded as share capital and the related contributed surplus is transferred to share capital. For those options that expire or are forfeited after vesting, the amount previously recorded in contributed surplus is transferred to retained deficit.

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

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

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

3. AVAILABLE FOR SALE INVESTMENTS

	September 30 2011	December 31 2010	January 1 2010
Notes receivable	**$ 3,357**	$ 3,551	$ 2,476
Investment in marketable securities, at cost	**14,373**	35	1,828
Unrealized gain (loss) on marketable securities	**(1,892)**	41	150
Unrealized foreign exchange gain (loss)	**(333)**	5	67
	$ 15,505	$ 3,632	$ 4,521

At September 30, 2011 the Company held Canadian dollar denominated restructured Asset Backed Commercial Paper Notes (the "Notes") that were obtained in February 2009 from the restructuring of Canadian Asset Backed Commercial Paper ("ABCP").

				Sept 30, 2011	**Dec 31, 2010**	**Jan 1, 2010**
Notes	Maturity Dates	Interest Rate	Face Amount	Market Value	Market Value	Market Value
MAV II Class A-1	July 15, 2056	BA - 0.5%	$ 3,219	**$ 2,135**	$ 2,334	$ 1,629
MAV II Class A-2	July 15, 2056	BA - 0.5%	1,093	**672**	705	525
MAV II Class B	July 15, 2056	BA - 0.5%	198	**106**	84	-
MAV II Class C	July 15, 2056	BA + 20.0%	140	**35**	15	-
IA Tracking Class 15		BA - 0.5%	464	**409**	413	322
			$ 5,114	**$ 3,357**	$ 3,551	$ 2,476

The Company has classified the Notes as Level 1 in the fair value hierarchy and as available for sale. Management has recorded the Notes at their estimated fair market value with the impact of fair value fluctuations and any related foreign exchange gains or losses recognized in other comprehensive income, unless such gains or losses are declines in value that are concluded to be other than temporary, in which case the declines will be charged to operations. The fair value of available for sale investments are determined based on a market approach reflecting the closing price of each particular security at the closing balance sheet date. The closing price is a quoted market price obtained from the exchange that is the principal active market for the particular security.

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

4. ACCOUNTS RECEIVABLE AND PREPAIDS

	September 30 2011	December 31 2010	January 1 2010
IVA receivables	**$ 6,502**	$ 7,895	$ 4,497
Income tax receivables	**1,509**	124	1,869
Other receivables	**752**	219	73
Prepaids and advances	**6,422**	2,061	1,028
	$ 15,185	$ 10,299	$ 7,467

5. INVENTORIES

	September 30 2011	December 31 2010	January 1 2010
Warehouse inventory	**$ 4,352**	$ 3,703	$ 2,446
Stockpile inventory (1)	**10,558**	6,492	1,380
Finished Goods inventory (2)	**5,643**	2,393	1,810
Work in process inventory	**395**	295	396
	$ 20,948	$ 12,883	$ 6,032

(1) The Company has stockpiled 140,000 tonnes of mined ore as of September 30, 2011 (December 31, 2010 – 110,000 tonnes)
(2) The Company held 270,536 silver ounces and 2,420 gold ounces as of September 30, 2011 (December 31, 2010 - 127,097 and 957, respectively). These ounces are carried at cost, however as at September 30, 2011, the quoted market value of the silver is $8,221 (December 31, 2010 - $3,893) and the quoted market value of the gold is $3,920 (December 31, 2010 - $1,346)

6. RELATED PARTY TRANSACTIONS

The Company shares common administrative services and office space with related party companies and from time to time will incur third party costs on behalf of the related parties on a full cost recovery basis. The Company has a $52 receivable related to administration costs outstanding as of September 30, 2011 (December 31, 2010 – $104).

The Company shares office space with a private related party that has been unable to meet its obligations. The Company has provided an allowance totaling $180 for amounts outstanding since 2008.

The Company paid $108 for legal services to a legal firm with a common member of management (September 30, 2010 - $115). The Company has a $2 payable related to legal costs outstanding as of September 30, 2011 (December 31, 2010 - $39).

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

7. MINERAL PROPERTY, PLANT AND EQUIPMENT

(a) Mineral property, plant and equipment comprise:

	September 30, 2011			December 31, 2010			January 1, 2010
	Cost	**Accumulated amortization**	**Net book value**	Cost	Accumulated amortization	Net book value	Net book value
Properties	**$ 83,992**	**$ 44,002**	**$ 39,990**	$ 68,357	$ 29,728	$ 38,629	$ 30,774
Plant	**32,212**	**8,164**	**24,048**	24,583	6,582	18,001	12,778
Machinery and equipment	**21,279**	**4,538**	**16,741**	15,278	3,347	11,931	9,366
Transportation	**1,534**	**928**	**606**	1,336	778	558	528
Buildings	**2,522**	**703**	**1,819**	2,175	539	1,636	1,502
Office equipment	**1,655**	**761**	**894**	1,078	592	486	477
	$ 143,194	**$ 59,096**	**$ 84,098**	$ 112,807	$ 41,566	$ 71,241	$ 55,425

As of September 30, 2011, the Company had $2,920 committed to capital equipment purchases for the fourth quarter of 2011.

8. CONVERTIBLE DEBENTURES

In February 2009, the Company issued CAN $13,993 in 10% subordinated unsecured convertible redeemable debentures (the "Debentures") maturing February 2014. The interest was 10% annually, paid quarterly in arrears. At any time, each Debenture was convertible by the holder into one unit consisting of one of the Company's common shares and one half of a common share purchase warrant at an initial conversion rate of 526.3 units for each CAN $1,000 Debenture, representing an initial conversion price of CAN $1.90 per unit. Additional units would have become issuable following the occurrence of certain corporate acts or events. Each full share purchase warrant entitled the holder to purchase one common share at an exercise price of CAN $2.05 per share. Subsequent to August 26, 2010, each Debenture could be redeemed by the Company for cash, plus a redemption fee of 7%, provided the closing share price was greater than CAN $2.85 per share. In August 2010, the Company provided redemption notices to all debenture holders providing ten business days to convert all outstanding debentures, subsequently all outstanding debentures were converted. During the period of September 30, 2010, $5,519 loss was recorded on conversion of Debentures to units.

The convertible debentures underlying unit is denominated in a currency other than the Company's functional currency and is therefore not considered to be indexed to the Company's own stock. Therefore, the conversion feature was separated from the host contract and accounted for as a derivative instrument. The liability element was recognized at amortized cost. The derivative liability was accounted for at fair value with adjustments recognized through the operations statement. See note 10 for further detail on the derivative liability component.

Convertible debentures		
Opening balance at January 1, 2010	$	3,666
Opening accrued interest		254
Accretion expense		1,632
Interest accrued		-
Interest paid		(989)
Loss on conversion into common shares		5,519
Conversion into common shares		(10,220)
Foreign exchange (gain)/loss on revaluation		138
Closing balance as Sept 30, 2010	**$**	**-**
Opening accrued interest		-
Accretion expense		-
Interest paid		-
Loss on conversion into common shares		-
Conversion into common shares		-
Foreign exchange (gain)/loss on revaluation		-
Closing balance as December 31, 2010	**$**	**-**

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

9. SHARE CAPITAL

(a) During the period 93,750 common shares, which were held in escrow as of December 31, 2010 were cancelled.

(b) Options to purchase common shares have been granted to directors, officers, employees and consultants pursuant to the current Company's stock option plan approved by the Company's shareholders in fiscal 2009 at exercise prices determined by reference to the market value on the date of the grant. The stock option plan allows for, with approval by the board, granting of options to its directors, officers, employees and consultants to acquire up to 10% of the issued and outstanding shares at any time.

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

Expressed in Canadian dollars	**Nine Months Ended September 30, 2011**		Year Ended December 31, 2010	
	Number of Shares	**Weighted average exercise price**	Number of Shares	Weighted average exercise price
Outstanding, beginning of period	**4,665,000**	**$3.17**	5,187,700	$2.63
Granted	**1,330,000**	**$8.22**	1,819,000	$3.73
Exercised [(1)]	**(2,183,400)**	**$3.01**	(2,120,700)	$2.39
Cancelled	**(93,000)**	**$3.56**	(221,000)	$2.49
Outstanding, end of period	**3,718,600**	**$5.06**	4,665,000	$3.17
Options exercisable at period-end	**2,007,400**	**$3.80**	3,575,200	$3.00

[(1)] 280,000 options priced with a weighted average price of CAN $3.14 were cancelled in exchange for 189,580 share appreciation rights in the period ended September 30, 2011 (September 30, 2010 – 358,200 options priced with a weighted average price of $2.48 were cancelled in exchange for 136,870 share appreciation rights).

The following tables summarize information about stock options outstanding at September 30, 2011:

Expressed in Canadian dollars				
Options Outstanding			Options Exercisable	
Number Outstanding as at Sept. 30, 2011	Weighted Average Remaining Contractual Life (Number of Years)	Weighted Average Exercise Prices	Number Exercisable as at Sept. 30, 2011	Weighted Average Exercise Prices
300,000	2.7	$1.87	300,000	$1.87
40,000	5.7	$2.01	40,000	$2.01
2,017,800	3.4	$3.53	1,412,600	$3.45
12,000	4.1	$4.57	-	-
30,000	4.1	$5.69	-	-
1,293,800	4.7	$8.19	249,800	$8.19
25,000	5.0	$9.77	5,000	$9.77
3,718,600	3.9	$5.06	2,007,400	$3.80

During the period ended September 30, 2011, the Company recognized stock-based compensation expense of $3,360 (September 30, 2010 - $3,697) based on the fair value of the vested portion of options granted in prior periods.

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

9. SHARE CAPITAL (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 for the period ended:

	Nine Months Ended September 30, 2011	Year Ended December 31, 2010
Weighted average fair value of options granted during the period	$4.81	$1.94
Risk-free interest rate	2.02%	2.17%
Expected dividend yield	0%	0%
Expected stock price volatility	77%	77%
Expected option life in years	3.86	3.65

Option pricing models require the input of highly subjective assumptions. The expected life of the options considered such factors as the average length of time similar option grants in the past have remained outstanding prior to exercise, expiry or cancellation and the vesting period of the grants. Volatility was estimated based on historical price observations over the expected term. Changes in the subjective input assumptions can materially affect the estimated fair value of the options. The Company amortizes the fair value of stock options on a graded basis on a straight line basis over the respective vesting period of the entire stock option award. As of September 30, 2011, the non vested stock option expense not yet recognized was $3,650 (December 31, 2010 -$1,229) which is expected to be recognized over the next 24 months.

(c) Warrants

Exercise Price	Expiry Dates	Oustanding at December 31, 2010	Issued	Exercised	Expired	Oustanding at September 30, 2011
CAN $						
$1.90	February 25, 2014	532,500	-	-	-	532,500
$1.51	February 25, 2014	25,292	-	-	-	25,292
$1.90	February 26, 2014	462,142	-	(100,000)	-	362,142
$2.05	February 26, 2014	2,294,446	-	(1,103,142)	-	1,191,304
$3.60	October 7, 2011	2,941,150	-	(1,724,162)	-	1,216,988
$3.00	October 7, 2011	97,493	-	(97,493)	-	-
$3.60	October 26, 2011	489,117	-	(310,950)	-	178,167
		6,842,140	-	(3,335,747)	-	3,506,393

The warrants with an expiry date of February 26, 2014 consisting of agents warrants issued for placing debentures and warrants issued on conversion of debentures are eligible to be exercised "cashless" in which event no payment of the exercise price is required and the holder receives the number of shares based upon the intrinsic value of the warrants over the five day trading average prior to exercise. For the period ended September 30, 2011, 500,520 warrants (September 30, 2010 – 415,848) were elected by the holder to be exercised "cashless" resulting in 384,087 (September 30, 2010 – 193,699) cashless shares being issued.

Subsequent to the period end, all outstanding warrants expiring in October were exercised, except for 19,421 publicly traded that expired unexercised.

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

9. SHARE CAPITAL (continued)

(d) Diluted earnings per share

	Note	Nine months ended September 30 2011		Nine months ended September 30 2010	
Basic and diluted earnings		**$**	**20,548**	$	(6,059)
Effect of anti-dilutive derivative liabilities:					
Mark to market loss on warrant derivative liability	10		**13,408**		900
Adjusted diluted earnings		**$**	**33,956**	$	(5,159)
Basic weighted average number of shares outstanding			**83,349,279**		63,004,088
Effect of dilutive securities:					
Stock options			**1,655,202**		-
Share purchase warrants			**307,984**		-
Diluted weighted average number of share outstanding			**85,312,465**		63,004,088
Effect of anti-dilutive derivative liabilities:					
Share purchase warrants with embedded derivative liabilities			**2,995,287**		2,098,160
Adjusted diluted weighted average number of share outstanding			**88,307,752**		65,102,248
Diluted earnings per share		**$**	**0.24**	**$**	**(0.10)**
Adjusted diluted earnings per share		**$**	**0.38**	**$**	**(0.08)**

	Note	Three months ended September 30 2011		Three months ended September 30 2010	
Basic and diluted earnings		**$**	**3,097**	$	(9,573)
Effect of anti-dilutive derivative liabilities:					
Mark to market loss on warrant derivative liability	10		**5,777**		4,746
Adjusted diluted earnings		**$**	**8,874**	$	(4,827)
Basic weighted average number of shares outstanding			**85,159,320**		65,511,785
Effect of dilutive securities:					
Stock options			**2,121,433**		-
Share purchase warrants			**318,848**		-
Diluted weighted average number of share outstanding			**87,599,601**		65,511,785
Effect of anti-dilutive derivative liabilities:					
Share purchase warrants with embedded derivative liabilities			**3,183,382**		2,098,160
Adjusted diluted weighted average number of share outstanding			**90,782,983**		67,609,945
Diluted earnings per share		**$**	**0.04**	**$**	**(0.15)**
Adjusted diluted earnings per share		**$**	**0.10**	**$**	**(0.07)**

The effect of the outstanding share purchase warrants with embedded derivatives is anti-dilutive for the three and nine months ended September 30, 2011.

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

10. DERIVATIVE LIABILITIES

	Warrants	Debentures	Total
Balance at January 1, 2010	$ 7,823	$ 21,926	$ 29,749
Issuances of financial liability	7,517	-	7,517
Exercise of financial liability	(958)	(20,388)	(21,346)
Mark to market loss (gain)	2,438	(1,538)	900
Balance at September 30, 2010	16,820	-	16,820
Exercise of financial liability	(8,684)	-	(8,684)
Mark to market loss (gain)	21,213	-	21,213
Balance at December 31, 2010	29,349	-	29,349
Exercise of financial liability	(22,310)	-	(22,310)
Mark to market loss (gain)	13,408	-	13,408
Balance at September 30, 2011	$ 20,447	-	$ 20,447

(a) Warrants

Equity offerings were completed in previous periods whereby warrants were issued with exercise prices denominated in Canadian dollars. As the warrants have an exercise price denominated in a currency which is different to the functional currency of the Company (U.S. dollar), the warrants are treated as a financial liability. The Company's share purchase warrants are classified and accounted for as a financial liability at fair value with adjustments recognized through net earnings. The publicly traded warrants and warrants with similar characteristics are valued using the quoted market price as of September 30, 2011. For the non-publicly traded warrants, the Company uses Black-Scholes option pricing model to determine the fair value of the Canadian dollar denominated warrants.

	Period Ended Sept 30, 2011	**Year Ended Dec 31, 2010**
Outstanding warrants valued using Black-Scholes	1,723,804	2,826,946
Weighted average fair value of warrants at period end	$7.33	$5.83
Risk-free interest rate	1.00%	1.92%
Expected dividend yield	0%	0%
Expected stock price volatility	63%	78%
Expected warrant life in years	2.4	3.1
Outstanding warrants valued using market quotes	1,395,155	3,430,267
Quoted market price at period end	$5.60	$3.75

(b) Debentures

The convertible debentures underlying units are denominated in a currency other than the Company's functional currency and is therefore not considered to be indexed to the Company's own stock. Accordingly, the conversion feature was separated from the host contract and accounted for as a derivative instrument. The derivative conversion option was valued using a bi-nominal lattice model taking into account underlying unit factors such as conversion price, volatility, risk-free rates, the Company's credit adjusted rates and dividend yield. On conversion of the debentures the liability amount was allocated to share capital and warrant derivative liability.

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

11. EXPLORATION

	Three month ended		Nine months ended	
	September 30 2011	September 30 2010	**September 30 2011**	September 30 2010
Depreciation and depletion	**$ 23**	$ 29	**$ 55**	$ 79
Stock based compensation	**116**	128	**278**	346
Salaries, wages and benefits	**285**	259	**1,163**	724
Direct costs	**2,669**	930	**5,322**	2,661
	$ 3,093	$ 1,346	**$ 6,818**	$ 3,810

12. GENERAL AND ADMINISTRATIVE

	Three months ended		Nine months ended	
	September 30 2011	September 30 2010	**September 30 2011**	September 30 2010
Depreciation and depletion	**$ 21**	$ 18	**$ 60**	$ 51
Stock based compensation	**1,211**	1,052	**2,784**	2,772
Salaries, wages and benefits	**694**	440	**2,524**	1,361
Direct costs	**1,038**	677	**2,741**	2,122
	$ 2,964	$ 2,187	**$ 8,109**	$ 6,306

13. FINANCE COSTS

	Three months ended		Nine months ended	
	September 30 2011	September 30 2010	**September 30 2011**	September 30 2010
Accretion on convertible debenture	**$ -**	$ 319	**$ -**	$ 1,632
Loss on conversion of convertible debentures	**-**	4,398	**-**	5,519
Accretion on asset retirement obligation	**8**	9	**23**	31
Interest expense on promissory note	**-**	10	**4**	32
	$ 8	$ 4,736	**$ 27**	$ 7,214

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

14. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	Period Ended September 30 2011	Period Ended September 30 2010
Net changes in non-cash working capital		
Accounts receivable and prepaids	**$ (4,886)**	(9,883)
Inventories	**(4,139)**	(3,263)
Due from related parties	**(14)**	(147)
Accounts payable and accrued liabilities	**(1,233)**	2,055
Income tax provision	**2,265**	1,108
	$ (8,007)	$ (10,130)
Non-cash financing and investing activities:		
Fair value of exercised options allocated to share capital	**3,026**	2,110
Fair value of shares issued under the share appreciation rights plan	**484**	532
Fair value of exercised agent warrants allocated to share capital	**214**	215
Fair value of shares issued under stock bonus plan	**39**	109
Fair value of equity issued on acquisition of other mineral properties	**-**	2,358
Other cash disbursements:		
Income taxes paid	**$ 5,541**	$ 1,536
Interest paid on convertible debenture	**-**	989
Interest paid on promissory note	**4**	31

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

15. SEGMENT DISCLOSURES

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

	September 30, 2011				
	Corporate	Exploration	Guanacevi	Guanajuato	Total
Cash and cash equivalents	$ 65,333	$ 643	$ 26,510	$ 314	$ 92,800
Short term investments	14,961	-	-	-	14,961
Available for sale investments	15,505	-	-	-	15,505
Accounts receivables and prepaids	951	1,011	10,566	2,657	15,185
Inventories	-	-	14,661	6,287	20,948
Due from related parties	52	-	-	-	52
Long term deposits	-	57	406	137	600
Mineral property, plant and equipment	103	995	60,480	22,520	84,098
Total assets	96,905	2,706	112,623	31,915	244,149

	Nine Month Ended September 30, 2011				
Silver revenue	$ -	$ -	$ 67,051	$ 23,177	$ 90,228
Gold revenue	-	-	7,440	12,823	20,263
Total revenue	-	-	74,491	36,000	110,491
Salaries, wages and benefits					
mining	-	-	3,351	2,200	5,551
processing	-	-	1,223	798	2,021
administrative	-	-	1,743	1,380	3,123
Direct costs	-	-			
mining	-	-	9,818	2,018	11,836
processing	-	-	5,505	2,559	8,064
administrative	-	-	1,587	1,283	2,870
Total direct production costs	-	-	23,227	10,238	33,465
Royalties	-	-	1,712	-	1,712
Depreciation and depletion	-	-	7,001	6,030	13,031
Stock based compensation	-	-	171	166	337
Total cost of sales	-	-	32,111	16,434	48,545
Earnings (loss) before taxes	$ (18,300)	$ (6,818)	$ 42,380	$ 19,566	$ 36,828

	Three Month Ended September 30, 2011				
Silver revenue	$ -	$ -	$ 21,999	$ 8,845	$ 30,844
Gold revenue	-	-	2,852	5,080	7,932
Total revenue	-	-	24,851	13,925	38,776
Salaries, wages and benefits					
mining	-	-	1,009	846	1,855
processing	-	-	340	288	628
administrative	-	-	540	545	1,085
Direct costs	-	-			
mining	-	-	3,114	813	3,927
processing	-	-	1,575	963	2,538
administrative	-	-	506	458	964
Total direct production costs	-	-	7,084	3,913	10,997
Royalties	-	-	636	-	636
Depreciation and depletion	-	-	2,240	2,601	4,841
Stock based compensation	-	-	94	76	170
Total cost of sales	-	-	10,054	6,590	16,644
Earnings (loss) before taxes	$ (10,092)	$ (3,093)	$ 14,797	$ 7,335	$ 8,947

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

SEGMENT DISCLOSURES

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

	December 31, 2010				
	Corporate	Exploration	Guanacevi	Guanajuato	Total
Cash and cash equivalents	$ 56,964	$ -	$ 10,918	$ 155	$ 68,037
Short term investments	20,009	-	-	-	20,009
Available for sale investments	3,632	-	-	-	3,632
Accounts receivables and prepaids	1,352	188	5,284	3,475	10,299
Inventories	-	-	10,521	2,362	12,883
Due from related parties	218	-	-	-	218
Long term deposits	-	235	406	137	778
Mineral property, plant and equipment	54	702	56,674	13,811	71,241
Total assets	82,229	1,125	83,803	19,940	187,097

	Nine Month Ended September 30, 2010				
Silver revenue	$ -	$ -	$ 32,967	$ 10,455	$ 43,422
Gold revenue	-	-	5,255	9,358	14,613
Total revenue	-	-	38,222	19,813	58,035
Salaries, wages and benefits					
mining	-	-	2,821	2,027	4,848
processing	-	-	1,526	496	2,022
administrative	-	-	1,472	946	2,418
Direct costs					
mining	-	-	7,115	1,946	9,061
processing	-	-	5,781	2,540	8,321
administrative	-	-	2,019	711	2,730
Total direct production costs	-	-	20,734	8,666	29,400
Royalties	-	-	891	-	891
Depreciation and depletion	-	-	5,076	4,821	9,897
Stock based compensation	-	-	286	207	493
Total cost of sales	-	-	26,987	13,694	40,681
Earnings (loss) before taxes	$ (13,720)	$ (3,810)	$ 11,235	$ 6,119	$ (176)

	Three Month Ended September 30, 2010				
Silver revenue	$ -	$ -	$ 12,151	$ 3,539	$ 15,690
Gold revenue	-	-	1,751	2,650	4,401
Total revenue	-	-	13,902	6,189	20,091
Salaries, wages and benefits					
mining	-	-	1,013	633	1,646
processing	-	-	558	146	704
administrative	-	-	525	281	806
Direct costs					
mining	-	-	2,820	606	3,426
processing	-	-	2,371	832	3,203
administrative	-	-	729	196	925
Total direct production costs	-	-	8,016	2,694	10,710
Royalties	-	-	148	-	148
Depreciation and depletion	-	-	1,776	2,077	3,853
Stock based compensation	-	-	97	76	173
Total cost of sales	-	-	10,037	4,847	14,884
Earnings (loss) before taxes	$ (11,226)	$ (1,346)	$ 3,865	$ 1,342	$ (7,365)

16. INCOME TAXES

Refinadora Plata Guanacevi SA de CV's, a subsidiary of Endeavour, received a $5.3 million assessment on May 7th, 2011 by Mexican fiscal authorities for failure to provide the appropriate support for certain expense deductions in the 2006 tax return. During the audit process the Company retained a big four accounting firm and external counsel to expedite the audit process and to ensure the delivery of the appropriate documentation. Based on the advice of our tax advisors and legal counsel, it is the Company's view that it provided the appropriate documentation and support for the expenses and the tax assessment has no legal merit, other than as follows: As a result of a detailed review by the Company of its accounting records and available information to support the deductions taken, the Company has estimated a potential tax exposure of $533, plus an additional interest and penalties of $275, for which the Company has made a provision in the consolidated financial statements for the period ended September 30, 2011. The Company has provided the government a 3% bond and has commenced the appeal process.

Minera Santa Cruz y Garibaldi SA de CV's, a subsidiary of Endeavour, received a $19.1 million assessment on October 12th, 2010 by Mexican fiscal authorities for failure to provide the appropriate support for certain expense deductions in the 2006 tax return. During the audit process the Company retained a big four accounting firm and external counsel to expedite the audit process and to ensure the delivery of the appropriate documentation. Based on the advice of our tax advisors and legal counsel, it is the Company's view that it provided the appropriate documentation and support for the expenses and the tax assessment has no legal merit. The Company commenced the appeal process.

17. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

As stated in Note 2, these are the Company's first condensed consolidated interim financial statements for the period covered by the first annual consolidated financial statements prepared in accordance with IFRS. An explanation of how the transition from previous Canadian GAAP to IFRS has affected the Company's financial position and comprehensive loss is set out in this note.

The accounting policies set out in Note 2 have been applied in preparing the financial statements for the period ended September 30, 2011, the comparative information presented in these financial statements for the period ended September 30, 2010 and in the preparation of an opening IFRS Balance Sheet at January 1, 2010 (the Company's date of transition).

FIRST TIME ADOPTION OF IFRS

The Company has adopted IFRS on January 1, 2011 with a transition date of January 1, 2010. Under IFRS 1 *First time adoption of International Financial Reporting Standards* (IFRS 1), the IFRS standards are applied retrospectively at the transition date with all adjustments to assets and liabilities as stated under GAAP taken to deficit, with IFRS 1 providing for certain optional and mandatory exemptions to this principle.

The Company has elected to apply the following optional exemptions

Share-based payment transactions
IFRS 1 allows that full retrospective application may be avoided for certain share-based instruments depending on the grant date, vesting terms and settlement of any real liabilities. A first-time adopter can elect to not apply IFRS 2 to share-based payments granted after November 7, 2002 that vested before the later of (a) the date of transition to IFRS and (b) January 1, 2005. The Company has elected this exemption and will apply IFRS2 to only unvested stock options as at January 1, 2010 being the transition date.

Business Combinations
IFRS 1 allows that a first-time adopter may elect not to apply IFRS 3 *Business Combinations* (IFRS 3) retrospectively to business combinations prior to the date of transition avoiding the requirement to restate prior business combinations. The Company has elected to apply IFRS 3 to business combinations that occur on or after January 1, 2010.

Decommissioning Liabilities
IFRS requires specified changes in a decommissioning or similar liability to be added or deducted from the cost of the asset to which it relates. The adjusted depreciable amount is then depreciated prospectively over its remaining useful life. IFRS 1 allows a first time adopter to not comply fully with these accounting requirements for changes in such liabilities that occurred before the date of transition and instead apply a simplified method which is set out in IFRS 1. The Company has elected this exemption.

Cumulative translation differences
IFRS 1 allows that a first-time adopter may elect to deem all cumulative translation differences to be zero at the date of transition. The Company has elected this exemption and as such the cumulative translation amount of $212 previously included in other comprehensive income has been reallocated to deficit.

Borrowing Costs
Borrowing costs related to the acquisition, construction or production of qualifying assets must be capitalized under IAS 23(R). This is effective for fiscal years beginning on or after January 1, 2009, with earlier application permitted. IFRS 1 allows the effective date to be the date of transition to IFRS rather than January 1, 2009. The Company has elected this exemption and as such there is no difference between Canadian GAAP and IFRS on transition.

Fair value as deemed cost
The Company may elect among two options when measuring the value of its assets under IFRS. It may elect, on an asset by asset basis, to use either historical cost as measured under retrospective application of IFRS or fair value of an assets at the opening balance sheet date. The Company has elected to use historical cost for its assets.

Reconciliation to previously reported financial statements

A reconciliation of the above noted changes is included in these following Consolidated Statements of Financial Position and Consolidated Statements of Comprehensive Income for the dates noted below. The effects of transition from GAAP to IFRS on the cash flow are not material; therefore a reconciliation of cash flows has not been presented.

Transitional Consolidated Statement of Financial Position Reconciliation – January 1, 2010
Consolidated Interim Statement of Financial Position Reconciliation – September 30, 2010.
Consolidated Interim Statement of Operations and Comprehensive Income Reconciliation – Three months ended September 30, 2010.
Consolidated Interim Statement of Operations and Comprehensive Income Reconciliation – Nine months ended September 30, 2010.
Consolidated Statement of Financial Position Reconciliation – December 31, 2010
Consolidated Statement of Operations and Comprehensive Income Reconciliation – December 31, 2010.

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

The January 1, 2010 Canadian GAAP consolidated statement of financial position has been reconciled to IFRS as follows:

	Ref	January 1, 2010 CAN GAAP	Effect of Transition to IFRS	**January 1, 2010 IFRS**
ASSETS				
Current assets				
Cash and cash equivalents		$ 26,702	$ -	**$ 26,702**
Available for sale investments		4,521		**4,521**
Accounts receivable and prepaids		7,467		**7,467**
Inventories	e)	6,100	(68)	**6,032**
Due from related parties		243		**243**
Total current assets		45,033	(68)	**44,965**
Long term deposits		1,153		**1,153**
Long term investments		-		**-**
Redemption call option on covertible debentures	f)	2,693	(2,693)	-
Mineral property, plant and equipment	b) e)	57,002	(1,577)	**55,425**
Total assets		$ 105,881	$ (4,338)	**$ 101,543**
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Accounts payable and accrued liabilities		$ 5,230	$ -	**$ 5,230**
Current portion of promissory note		231		**231**
Accrued interest on convertible debentures		254		**254**
Income taxes payable		545		**545**
Total current liabilities		6,260	-	**6,260**
Promissory note		248		**248**
Provision for reclamation and rehabilitation	b)	1,740	278	**2,018**
Future income tax liability	e)	8,103	(158)	**7,945**
Liability portion of convertible debentures	f)	8,149	(4,483)	**3,666**
Convertible debenture derivative liability	f)	-	21,926	**21,926**
Warrant Derivative Liability	d)	-	7,823	**7,823**
Total liabilities		24,500	25,386	**49,886**
Shareholders' equity				
Common shares, unlimited shares authorized, no par value, issued and outstanding 60,626,203	d) f)	112,173	(2,760)	**109,413**
Equity portion of convertible debentures	f)	2,164	(2,164)	-
Contributed surplus	a)	12,948	(5,629)	**7,319**
Accumulated comprehensive income	c)	749	(212)	**537**
Deficit		(46,653)	(18,959)	**(65,612)**
Total shareholders' equity		81,381	(29,724)	**51,657**
		$ 105,881	$ (4,338)	**$ 101,543**

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

The September 30, 2010 Canadian GAAP consolidated interim statement of financial position has been reconciled to IFRS as follows:

	Ref	September 30, 2010	Effect of Transition to IFRS	**September 30, 2010**
		CAN GAAP		**IFRS**
ASSETS				
Current assets				
Cash and cash equivalents		$ 19,646	$ -	**$ 19,646**
Available for sale investments		3,254		**3,254**
Accounts receivable and prepaids		17,350		**17,350**
Inventories	e)	11,023	(73)	**10,950**
Due from related parties		390		**390**
Total current assets		51,663	(73)	**51,590**
Long term deposits		1,202		**1,202**
Mineral property, plant and equipment	b) e)	70,138	(1,401)	**68,737**
Total assets		$ 123,003	$ (1,474)	**$ 121,529**
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Accounts payable and accrued liabilities		$ 7,318	$ -	**$ 7,318**
Current portion of promissory note		231		**231**
Income taxes payable		1,653		**1,653**
Total current liabilities		9,202	-	**9,202**
Promissory note		106		**106**
Provision for reclamation and rehabilitatioin	b)	1,847	203	**2,050**
Future income tax liability	e)	13,723	2	**13,725**
Warrant Derivative Liability	d)	-	16,820	**16,820**
Total liabilities		24,878	17,025	**41,903**
Shareholders' equity				
Common shares, unlimited shares authorized, no par value, issued and outstanding 69,757,153	d) f)	128,278	13,881	**142,159**
Contributed surplus	a)	13,788	(5,862)	**7,926**
Accumulated comprehensive income	c)	1,277	(212)	**1,065**
Deficit		(45,218)	(26,306)	**(71,524)**
Total shareholders' equity		98,125	(18,499)	**79,626**
		$ 123,003	$ (1,474)	**$ 121,529**

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

The Canadian GAAP consolidated interim statement of operations and comprehensive income for the three months ended September 30, 2010 has been reconciled to IFRS as follows:

	Ref	Three months ended September 30, 2010 CAN GAAP	Effect of Transition to IFRS	**Three months ended September 30, 2010 IFRS**
Revenue		$ 20,091		**$ 20,091**
Cost of sales:				
Direct Costs	g)	10,858	(148)	**10,710**
Royalties	g)	-	148	**148**
Stock-based compensation	g)	-	173	**173**
Amortization and depletion	b) e) g)	3,977	(124)	**3,853**
		14,835	49	**14,884**
Mine operating earnings		5,256	(49)	**5,207**
Expenses:				
Exploration	g)	1,189	157	**1,346**
General and administrative	g)	1,126	1,061	**2,187**
		2,315	1,218	**3,533**
Income from operations		2,941	(1,267)	**1,674**
Mark-to-market gain (loss) on derivative liabilities	d) f)	-	(4,746)	**(4,746)**
Finance costs	f) g)	-	4,736	**4,736**
Other income (expense):				
Mark-to-market gain on redemption call option	f)	413	(413)	**-**
Accretion of convertible debentures	g)	(248)	248	**-**
Stock-based compensation	a) g)	(1,353)	1,353	**-**
Foreign Exchange	e) f)	244	(60)	**184**
Realized gain on marketable securities		142		**142**
Investment and other income		117		**117**
		(685)	1,128	**443**
Income before income taxes		2,256	(9,621)	**(7,365)**
Income tax expense:				
Current income tax expense		608	(49)	**559**
Deferred income tax expense	e)	1,521	128	**1,649**
		2,129	79	**2,208**
Net income (loss) for the period		127	(9,700)	**(9,573)**
Other comprehensive income, net of tax				
Unrealized gain (loss) on marketable securities		(54)		**(54)**
Unrealized foreign exchange gain/ (loss) on investments		29		**29**
Unrealized gain/(loss) on other investments		72		**72**
Reclassification adjustment for loss (gain) included in net income		(142)		**(142)**
		(95)	-	**(95)**
Comprehensive income (loss) for the period		32		(9,668)
Basic earnings per share		$ 0.00		$ (0.15)
Weighted average number of shares outstanding		65,511,785		**65,511,785**

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

The Canadian GAAP consolidated interim statement of operations and comprehensive income for the nine months ended September 30, 2010 has been reconciled to IFRS as follows:

	Ref	Nine months ended September 30, 2010 CAN GAAP	Effect of Transition to IFRS	**Nine months ended September 30, 2010 IFRS**
Revenue		$ 58,035		**$ 58,035**
Cost of sales:				
Direct Costs	g)	30,291	(891)	**29,400**
Royalties	g)	-	891	**891**
Stock-based compensation	g)	-	493	**493**
Amortization and depletion	b) e) g)	10,306	(409)	**9,897**
		40,597	84	**40,681**
Mine operating earnings		17,438	(84)	**17,354**
Expenses:				
Exploration	g)	3,385	425	**3,810**
General and administrative	g)	3,514	2,792	**6,306**
		6,899	3,217	**10,116**
Income from operations		10,539	(3,301)	**7,238**
Mark-to-market gain (loss) on derivative liabilities	d) f)	-	(900)	**(900)**
Finance costs	f) g)	-	7,214	**7,214**
Other income (expense):				
Mark-to-market gain on redemption call option	f)	703	(703)	-
Accretion of convertible debentures	g)	(1,088)	1,088	-
Stock-based compensation	a) g)	(3,697)	3,697	-
Foreign Exchange	e) f)	153	72	**225**
Realized gain on marketable securities		189		**189**
Investment and other income		286		**286**
		(3,454)	4,154	**700**
Income before income taxes		7,085	(7,261)	**(176)**
Income tax expense:				
Current income tax expense		660	-	**660**
Deferred income tax expense	e)	4,990	233	**5,223**
		5,650	233	**5,883**
Net income (loss) for the period		1,435	(7,494)	**(6,059)**
Other comprehensive income, net of tax				
Unrealized gain (loss) on marketable securities		(28)		**(28)**
Unrealized foreign exchange gain/ (loss) on investments		-		-
Unrealized gain/(loss) on other investments		736		**736**
Reclassification adjustment for loss (gain) included in net income		(189)		**(189)**
		519	-	**519**
Comprehensive income (loss) for the period		1,954		(5,540)
Basic earnings per share		$ 0.02		$ (0.10)
Weighted average number of shares outstanding		63,004,088		**63,004,088**

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

The December 31, 2010 Canadian GAAP consolidated statement of financial position has been reconciled to IFRS as follows:

	Ref	December 31, 2010	Effect of Transition to IFRS	**December 31, 2010**
		CAN GAAP		**IFRS**
ASSETS				
Current assets				
Cash and cash equivalents		$ 68,037		**$ 68,037**
Short term investments		20,009		**20,009**
Marketable securities		81		**81**
Notes receivable		3,551		**3,551**
Accounts receivable and prepaids		10,299		**10,299**
Inventories	e)	12,971	(88)	**12,883**
Due from related parties		218		**218**
Total current assets		115,166	(88)	**115,078**
Long term deposits		778		**778**
Mineral property, plant and equipment	b) e)	72,479	(1,238)	**71,241**
Total assets		$ 188,423	$ (1,326)	**$ 187,097**
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Accounts payable and accrued liabilities		$ 9,464		**$ 9,464**
Current portion of promissory note		231		**231**
Income taxes payable		3,260		**3,260**
Total current liabilities		12,955		**12,955**
Promissory note		56		**56**
Provision for reclamation and rehabilitation	b)	2,242	282	**2,524**
Future income tax liability	e)	14,157	(834)	**13,323**
Warrant Derivative Liability	d)	-	29,348	**29,348**
Total liabilities		29,410	28,796	**58,206**
Shareholders' equity				
Common shares, unlimited shares authorized, no par value, issued and outstanding 80,720,420	d) f)	183,296	22,566	**205,862**
Contributed surplus	a) d)	13,635	(5,842)	**7,793**
Accumulated comprehensive income	c)	1,656	(212)	**1,444**
Opening deficit		(46,653)	(18,812)	**(65,465)**
Deficit		7,079	(27,822)	**(20,743)**
Total shareholders' equity		159,013	(30,122)	**128,891**
		$ 188,423	$ (1,326)	**$ 187,097**

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

The Canadian GAAP consolidated statement of operations and comprehensive income for the year ended December 31, 2010 has been reconciled to IFRS as follows:

	Ref	December 31, 2010 CAN GAAP	Effect of Transition to IFRS	December 31, 2010 IFRS
Revenue		$ 86,510		**$ 86,510**
Cost of sales:				
Direct costs	g)	41,514	(1,212)	**40,302**
Royalties	g)	-	1,212	**1,212**
Stock-based compensation	g)	-	694	**694**
Amortization and depletion	b) e) g)	15,447	(534)	**14,913**
		56,961	160	**57,121**
Mine operating earnings		29,549	(160)	**29,389**
Expenses:				
Exploration	g)	4,283	543	**4,826**
General and administrative	g)	5,485	3,513	**8,998**
		9,768	4,056	**13,824**
Income from operations		19,781	(4,216)	**15,565**
Mark-to-market gain (loss) on derivative liabilities	d) f)	-	(22,113)	**(22,113)**
Finance costs	f) g)	-	(7,233)	**(7,233)**
Other income (expense):				
Mark-to-market gain on redemption call option	f)	703	(703)	**-**
Accretion of convertible debentures	g)	(1,088)	1,088	-
Stock-based compensation	a) g)	(4,679)	4,679	-
Foreign Exchange	e) f)	1,156	89	**1,245**
Gain (loss) on marketable securities		195		**195**
Investment and other income		478		**478**
		(3,235)	5,153	**1,918**
Income before income taxes		16,546	(28,409)	**(11,863)**
Income tax expense:				
Current income tax expense		3,786		**3,786**
Deferred income tax expense	e)	5,681	(587)	**5,094**
		9,467	(587)	**8,880**
Net income (loss) for the period		7,079	(27,822)	**(20,743)**
Other comprehensive income, net of tax				
Unrealized gain (loss) on marketable securities		22		**22**
Unrealized gain on notes receivable		953		**953**
Unrealized foreign exchange gain (loss) on available for sale securities		127		**127**
Reclassification adjustment for loss (gain) included in net income		(195)		**(195)**
		907	-	**907**
Comprehensive income (loss) for the period		7,986		(19,836)
Basic earnings per share based on net earnings		$ 0.11		$ (0.32)
Diluted earnings per share based on net earnings		$ 0.10		$ (0.32)
Basic weighted average number of shares outstanding		65,646,786		**65,646,786**
Diluted weighted average number of shares outstanding		69,122,226		**65,646,786**

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

Adjustments on transition to IFRS:
The following is a summary of the significant accounting differences considered as part of the IFRS transition project and, where appropriate, the quantification of the adjustments required as of the transition date and for the comparative period.

Functional currency and foreign exchange translation
Canadian GAAP requires an entity to determine whether a subsidiary is an integrated or self sustaining entity based on the functional currency of the parent company. This determination dictates the method of foreign exchange translation for the consolidated financial statements. Under IFRS an entity is required to assess its functional currency independently for each entity within a consolidated group. The Company has completed its assessment and has determined that there is no change to the functional currency of its entities.

Componentization of mineral property, plant and equipment
IFRS requires entities to componentize all long lived assets and record amortization on a component-by-component basis whereas under Canadian GAAP the concept of componentization may not be applied on as rigorous a basis as under IFRS therefore differences in practice may arise. The Company has completed its assessment on all long-lived assets in order to determine if a material difference exists between the application of componentization under Canadian GAAP and that to be applied under IFRS. The Company has determined that there is no material impact.

Asset impairment
Both Canadian GAAP and IFRS require an entity to undertake quantitative impairment testing where there is an indication of impairment. Further there is a requirement under IFRS for the Company to assess whether indicators of impairment exist at the date of transition to IFRS.

Unlike Canadian GAAP, IFRS requires impairment charges to be reversed if circumstances leading to the impairment no longer exist. The Company has no historic impairment charges which could be reversed as of the transition date.

As at the transition date, there were no indications of impairment under IFRS identified by management, therefore no formal quantitative impairment was undertaken.

Adjustments on transition to IFRS:

(a) Share-based payment transactions

On transition to IFRS the Company has elected to change its accounting policy for the treatment of amounts recorded in contributed surplus which relate to vested stock options which expire unexercised. Under IFRS amounts recorded for expired unexercised vested stock options will be transferred to deficit on the date of expiry. Previously the Company's Canadian GAAP policy was to leave such amounts in contributed surplus.

Impact on Consolidated Statements of Financial Position

	December 31 2010	September 30 2010	January 1 2010
Contributed surplus	$ (5,724)	$ (5,724)	$ (5,577)
Adjustment to deficit	$ 5,724	$ 5,724	$ 5,577

A further difference is that IFRS 2 requires that forfeiture estimates are recognized in the period they are estimated and are revised for actual forfeitures in subsequent periods, whereas under the Company's Canadian GAAP policy forfeitures of awards have been recognized as they occur. On application of the IFRS 1 exemption noted previously, this change in accounting was applied only to unvested awards as of the transition date.

Impact on Consolidated Statements of Financial Position

	December 31 2010	September 30 2010	January 1 2010
Contributed surplus	$ (118)	$ (138)	$ (52)
Adjustment to deficit	$ 118	$ 138	$ 52

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

Impact on Consolidated Statements of Operations and Comprehensive Income

	Year ended December 31 2010	Nine months ended September 30 2010	Three months ended September 30 2010
Stock-based compensation	$ (66)	$ (86)	$ -
Adjustment to comprehensive loss	$ (66)	$ (86)	$ -

(b) Provision for reclamation and rehabilitation

The primary differences between IFRS and Canadian GAAP for reclamation and rehabilitation provisions include the basis of estimation for undiscounted cash flows, the discount rate, frequency of liability re-measurement and the recognition of a liability when a constructive obligation exists. Canadian GAAP requires a liability to be recognized when there is a legal obligation whereas IFRS expands the recognition principle by requiring that a liability be recorded if there is a legal or constructive obligation.

Canadian GAAP requires the estimate of undiscounted cash flows to be based on the amount that a third party would demand to assume the obligation, whereas IFRS focuses on management's best estimate of the expenditures required to settle the obligation. Under Canadian GAAP the discount rate used to determine the present value of the liability is the credit-adjusted risk free rate for the entity whereas IFRS requires the use of a discount rate that reflects the risks specific to the liability. Under Canadian GAAP the Company's provision for reclamation and rehabilitation is re-measured when there is a change in the amount or timing of cash flows required to settle the obligation whereas IFRS requires the re-measurement at each reporting date.

On consideration of the differences noted in the above paragraph, an adjustment is required to reflect the impact of applying a discount rate specific to the liability. The adjustment to the provision for the change in discount rate was recorded against mineral property, plant and equipment in accordance with the IFRS 1 exemption described above.

Impact on Consolidated Statements of Financial Positon

	December 31 2010	September 30 2010	January 1 2010
Property, plant and equipment	$ 275	$ 198	$ 278
Provision for reclamation and rehabilitation	282	203	278
Adjustment to deficit	$ (7)	$ (5)	$ -

Impact on Consolidated Statements of Comprehensive Income

	Year ended December 31 2010	Nine months ended September 30 2010	Three months ended September 30 2010
Depreciation and depletion	$ 7	$ 5	$ 1
Adjustment to comprehensive loss	$ 7	$ 5	$ 1

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

(c) Cumulative translation differences

At the date of transition under Canadian GAAP there was a cumulative translation adjustment relating to the Company's change in functional currency in 2007. The Company has chosen to apply the related IFRS 1 election and has eliminated the cumulative translation difference.

Impact on Consolidated Statements of Financial Position

	December 31 2010	September 30 2010	January 1 2010
Accumulated comprehensive income	$ (212)	$ (212)	$ (212)
Adjustment to deficit	$ 212	$ 212	$ 212

(d) Warrant Derivative Liability

Under IFRS, the warrants issued by the Company with an exercise price denominated in a currency other than its functional currency must be classified as liabilities (as they do not meet the definition of an equity instrument) and are recognized at fair value with changes in fair value being recognized as a profit or loss. There is no such requirement under Canadian GAAP as warrants issued by the Company meet the definition of an equity instrument. The Company's outstanding warrants are denominated in Canadian dollars and the functional currency is the US dollar therefore the Company will recognize the warrants as a liability with changes to the fair value of the liability being recognized in net earnings.

The Company's publicly traded warrants were valued based on the quoted market value of these warrants as of December 31, 2009 and 2010 and September 30, 2010 and are classified in Level 1 of the fair value hierarchy. The non-publicly traded warrants have been valued using Black-Scholes valuation model and are classified in Level 2 of the fair value hierarchy.

Impact on Consolidated Statements of Financial Position

	December 31 2010	September 30 2010	January 1 2010
Warrant derivative liability	$ 29,348	$ 16,820	$ 7,823
Common shares	(1,594)	(10,278)	(3,719)
Adjustment to deficit	$ 27,754	$ 6,542	$ 4,104

Impact on Consolidated Statements of Comprehensive Income

	Year ended December 31 2010	Nine months ended September 30 2010	Three months ended September 30 2010
Mark to market gain (loss) on derivative liability	$ (23,650)	$ (2,438)	$ (3,421)
Adjustment to comprehensive loss	$ (23,650)	$ (2,438)	$ (3,421)

(e) Income Tax

There are a number of differences between Canadian GAAP and IFRS related to income taxes with the two that are most significant to the Company being the calculation of temporary differences on non-monetary items and the initial recognition exemption (the "IRE") on an asset acquisition.

Initial recognition exemption
Under Canadian GAAP deferred tax liabilities ("DTL") arising from temporary differences at the date an asset is acquired are recognized using a circular calculation with the other side recognized against the asset. Under IFRS, in the circumstances described above, deferred tax is prohibited from being recognized. Under Canadian GAAP deferred tax was recognized using the above methodology for the Minera Santa Cruz y Garibaldi S.A. de C.V. and Metalurgica Guanacevi S.A. de C.V. asset acquisitions.

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

Calculation of temporary difference on non-monetary items
Under Canadian GAAP, deferred tax balances are calculated in the currency in which the taxes are paid and then converted to the accounting presentation currency at the current exchange rate whereas IFRS requires that deferred taxes be determined in an entity's functional accounting currency by comparing the historic non monetary accounting basis to the tax basis converted at the current exchange rate. Adjustments arise from this different treatment when an entity's functional currency differs from that in which the entity calculates and pays tax. The Company's adjustments for this difference primarily relate to the Mexican subsidiaries which have significant mineral property, plant and equipment balances recorded.

Impact on Consolidated Statements of Financial Position

	December 31 2010	September 30 2010	January 1 2010
Inventory	$ (88)	$ (73)	$ (68)
Property, plant and equipment	(1,513)	(1,599)	(1,855)
Future income tax liability	834	2	(158)
Adjustment to deficit	$ (767)	$ (1,674)	$ (1,765)

Impact on Consolidated Statements of Operations and Comprehensive Income

	Year ended December 31 2010	Nine months ended September 30 2010	Three months ended September 30 2010
Depreciation and depletion	$ (322)	$ (252)	$ (68)
Foreign exchange gain (loss)	89	72	47
Deferred income tax expense	(587)	233	79
Adjustment to comprehensive loss	$ (998)	$ (91)	$ (36)

(f) Convertible Debentures

Under Canadian GAAP, the asset, liability and equity components of the Company's convertible debentures are separately determined and classified on the consolidated statements of financial position. The asset portion represents the value of the Company's redemption option. The liability component represents the amortized cost of the host debt contract, while the equity component reflects the residual value at inception after determination of the fair value of the host debt contract and redemption option at inception. Transaction costs were allocated proportionately to the host debt and equity components at the inception date.

Under IFRS, due to the conversion option's exercise price being denominated in a currency other than the Company's functional currency, the holders' conversion feature is also considered an embedded derivative. As such all components of the convertible debentures are presented on the consolidated statements of financial position as financial liabilities. Under IFRS the conversion and redemption features were separated from the host contract and accounted for as a net derivative instrument.

Impact on Consolidated Statements of Financial Position

	December 31 2010	September 30 2010	January 1 2010
Redemption option on convertible debentutre	$ -	$ -	$ (2,693)
Liability portion of convertible debentures	-	-	(4,483)
Convervitble debenture derivative liability	-	-	21,926
Common shares	24,160	24,160	959
Equity portion of convertible debenture	-	-	(2,164)
Adjustment to deficit	$ 24,160	$ 24,160	$ 18,931

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

Impact on Consolidated Statements of Comprehensive Income

	Year ended December 31 2010	Nine months ended September 30 2010	Three months ended September 30 2010
Mark to market gain (loss) on derivative liability	$ 1,538	$ 1,538	$ (1,325)
Mark to market gain on redemption call option	(703)	(703)	(413)
Foreign exchange gain (loss)	-	-	(107)
Finance Costs	6,063	6,063	4,469
Adjustment to comprehensive loss	$ (5,228)	$ (5,228)	$ (6,314)

(g) Presentation Adjustments

Stock-based compensation

In the Company's statement of operations prepared in accordance with Canadian GAAP the stock-based compensation was disclosed as a separate line item whereas under IFRS the Company has allocated this amount based on the underlying function which results in a reallocation of the costs.

Impact on Consolidated Statements of Comprehensive Income

	Year ended December 31 2010	Nine months ended September 30 2010	Three months ended September 30 2010
Stock-based compensation	$ (4,613)	$ (3,611)	$ (1,353)
Production cost	694	493	173
Exploration cost	436	346	128
General and administrative	3,483	2,772	1,052
Adjustment to comprehensive loss	$ -	$ -	$ -

Finance Costs

In the Company's statement of operations prepared in accordance with Canadian GAAP the accretion of convertible debentures, interest expense and accretion on asset retirement obligations were presented as; accretion of convertible debentures, and within general and administration and depletion & depreciation, respectively. Under IFRS the Company has presented these amounts within Finance costs.

Impact on Consolidated Statements of Comprehensive Income

	Year ended December 31 2010	Nine months ended September 30 2010	Three months ended September 30 2010
Accretion of convertible debenture	$ (1,088)	$ (1,088)	$ (248)
General and administrative	$ (39)	$ (31)	$ (9)
Depletion and depreciation	$ (43)	$ (32)	$ (10)
Finance costs	1,170	1,151	267
Adjustment to comprehensive loss	$ -	$ -	$ -

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

Corporate and exploration depreciation

In the Company's statement of comprehensive income prepared in accordance with Canadian GAAP the depreciation on corporate and exploration assets was included with depreciation and depletion whereas under IFRS the Company has allocated these amount based on the underlying function which results in a reallocation of the costs to general and administrative and exploration.

Impact on Consolidated Statements of Comprehensive Income

	Year ended December 31 2010	Nine months ended September 30, 2010	Three months ended September 30, 2010
Depreciation and depletion	$ (176)	$ (130)	$ (47)
General and administrative	69	51	18
Exploration	107	79	29
Adjustment to comprehensive loss	$ -	$ -	$ -

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