

ENDEAVOUR
SILVER



Consolidated Financial Statements

Prepared by Management

Second Quarter Report
Three and Six Months Ended June 30, 2009

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

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.

ENDEAVOUR SILVER CORP.
CONSOLIDATED BALANCE SHEETS
(Unaudited-Prepared by Management)
(expresses in thousands of US dollars)

	Notes	June 30, 2009	December 31, 2008
ASSETS			
Current assets			
Cash and cash equivalents		\$ 6,916	\$ 3,582
Marketable securities		37	35
Accounts receivable and prepaids	3	6,927	6,203
Inventories	4	6,365	3,159
Due from related parties	7	199	119
Total current assets		20,444	13,098
Long term deposits		943	914
Long term investments	6	2,170	2,155
Mineral property, plant and equipment	8	53,031	51,125
Total assets		\$ 76,588	\$ 67,292
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		\$ 5,490	\$ 5,339
Current portion of promissory note	9	231	-
Accrued interest on convertible debentures	5	252	-
Income taxes payable		753	-
Total current liabilities		6,726	5,339
Promissory note	9	335	-
Asset retirement obligations		1,525	1,445
Future income tax liability		3,177	4,036
Liability portion of convertible debentures	5	7,905	-
Total liabilities		19,668	10,820
Shareholders' equity			
Common shares, unlimited shares authorized, no par value, issued and outstanding 51,963,072 shares (2008 - 49,080,478 shares)	Page 5	90,611	87,584
Special Warrants, (2,311,540 units)	10 (c)	-	2,118
Equity portion of convertible debentures	5	2,393	-
Contributed surplus	Page 5	12,003	11,285
Accumulated comprehensive income	Page 5	212	212
Deficit		(48,299)	(44,727)
Total shareholders' equity		56,920	56,472
		\$ 76,588	\$ 67,292

Basis of Presentation (note 1)

See the accompanying notes to the consolidated financial statements.

Approved on behalf of the Board

/s/ *Bradford Cooke*

Director

/s/ *Godfrey Walton*

Director

ENDEAVOUR SILVER CORP.**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS****(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, 2009	June 30, 2008	June 30, 2009	June 30, 2008
Sales		\$ 8,236	\$ 10,060	\$ 16,723	\$ 20,789
Cost of sales		5,640	6,361	11,523	12,928
Depreciation and depletion		2,414	1,769	4,704	3,274
Exploration		426	2,661	583	4,744
General and administrative		928	1,449	2,018	2,827
Accretion of convertible debentures	5	427	-	574	-
Stock-based compensation	10 (d)	515	656	598	1,686
Operating (loss)		(2,114)	(2,836)	(3,277)	(4,670)
Foreign exchange gain (loss)		670	165	(245)	(297)
Realized gain on marketable securities		-	231	-	974
Investment and other income		7	74	196	217
Loss before taxes		(1,437)	(2,366)	(3,326)	(3,776)
Income tax recovery (provision)		(395)	(1,051)	(246)	(1,652)
Net loss for the period		(1,832)	(3,417)	(3,572)	(5,428)
Other comprehensive income, net of tax					
Unrealized gain on marketable securities		-	360	-	363
Reclassification adjustment for (gain) included in net income		-	(558)	-	(974)
		-	(198)	-	(611)
Comprehensive loss for the period		(1,832)	(3,615)	(3,572)	(6,039)
Basic and diluted loss per share based on net loss		\$ (0.04)	\$ (0.07)	\$ (0.07)	\$ (0.11)
Weighted average number of shares outstanding		51,806,160	49,033,794	50,948,467	49,014,913

See the accompanying notes to the consolidated financial statements.

ENDEAVOUR SILVER CORP.**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY AND DEFICIT****(Unaudited – Prepared by Management)**

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

	Notes	June 30 2009	December 31 2008
Number of common shares, opening		49,080,478	48,982,146
Exercise of special warrants	10 (c)	2,311,540	-
Exercise of options	10 (d)	415,000	88,000
Issuance of common shares through stock bonus plan		20,000	-
Issuance of common shares for acquisition of mineral properties		136,054	-
Share appreciation rights		-	10,332
Number of common shares, closing		51,963,072	49,080,478
Common shares, opening		\$ 87,584	\$ 87,458
Exercise of special warrants		2,118	-
Exercise of options	10 (d)	674	105
Issuance of common shares through stock bonus plan		35	-
Issuance of common shares for acquisition of mineral properties		200	-
Share appreciation rights		-	21
Common shares, closing		90,611	87,584
Equity portion of convertible debentures, opening		-	-
Issued on convertible debentures, net of issuance costs	5	2,393	-
Equity portion of convertible debenture, closing		2,393	-
Special warrants, opening		2,118	-
Issued on private placement, net of issuance costs	10 (c)	-	2,118
Exercise of special warrants		(2,118)	-
Special warrants, closing		-	2,118
Contributed surplus, opening		11,285	8,921
Stock based compensation	10 (d)	563	2,349
Fair value of warrants issued on convertible debentures	5	465	82
Exercise of share purchase options	10 (d)	(310)	(46)
Share appreciation rights		-	(21)
Contributed surplus, closing		12,003	11,285
Accumulated other comprehensive income, opening		212	720
Unrealized (loss) on marketable securities		-	(1,145)
Realized loss on marketable securities included in net income		-	637
Accumulated other comprehensive income, closing		212	212
Deficit, opening		(44,727)	(26,723)
Loss for the period		(3,572)	(18,004)
Deficit, closing		(48,299)	(44,727)
Shareholders' equity		\$ 56,920	\$ 56,472

See the accompanying notes to the consolidated financial statements.

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

	Notes	Three Months Ended		Six Months Ended	
		June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008
Operating activities					
Net loss for the period		\$ (1,832)	\$ (3,417)	\$ (3,572)	\$ (5,428)
Items not affecting cash:					
Stock-based compensation		514	656	597	1,686
Depreciation and depletion		2,414	1,769	4,704	3,274
Future income tax loss (recovery)		(579)	572	(1,031)	595
Unrealized foreign exchange loss (gain)		787	203	717	351
Accretion of convertible debentures		121	-	167	-
(Gain) loss on marketable securities		-	(231)	-	(974)
Net changes in non-cash working capital	11	1,479	(1,735)	(2,150)	(1,051)
Cash from (used for) operations		2,904	(2,183)	(568)	(1,547)
Investing activities					
Property, plant and equipment expenditures		(4,001)	(4,391)	(6,468)	(8,288)
Long term deposits		(11)	(16)	(29)	(5)
Investment in marketable securities		-	(1,271)	-	(2,240)
Proceeds from sale of marketable securities		-	1,348	-	3,819
Cash used in investing activities		(4,012)	(4,330)	(6,497)	(6,714)
Financing activities					
Common shares issued, net of issuance costs	10 (d)	330	4	365	36
Issuance of convertible debentures	5	-	-	11,225	-
Debenture issuance costs	5	(89)	-	(1,191)	-
Cash from financing activities		241	4	10,399	36
Increase (decrease) in cash and cash equivalents		(867)	(6,509)	3,334	(8,225)
Cash and cash equivalents, beginning of period		7,783	14,861	3,582	16,577
Cash and cash equivalents, end of period		\$ 6,916	\$ 8,352	\$ 6,916	\$ 8,352

See note 11 for supplementary cash flow information.

ENDEAVOUR SILVER CORP.

Notes to the Consolidated Financial Statements

Six Months ended June 30, 2009

(Unaudited – Prepared by Management)

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

1. BASIS OF PRESENTATION

The Company's interim consolidated financial statements have been prepared in accordance with Canadian GAAP using standards for interim financial statements and do not contain all of the information required for annual financial statements. The statements follow the same accounting policies and methods of application as our most recent annual financial statements, except as described in Note 2. Accordingly, they should be read in conjunction with our most recent annual financial statements. Certain comparative figures have been reclassified to conform to the presentation adopted for the current period. All dollar amounts are disclosed in US currency unless otherwise stated.

These financial statements have been prepared on a going concern basis, which assumes the realization of assets and liquidation of liabilities in the normal course of business. The Company has incurred significant operating losses to date. At June 30, 2009, the Company had working capital of approximately \$13.0 million (December 31, 2008 – 7.8 million). Management recognizes that the Company will need to generate additional financial resources in order to meet its planned business objectives in the near and long term. The Company's ability to continue as a going concern is dependent on the Company's ability to raise debt financing, equity financing or the attainment of profitable operations.

Management continues to pursue alternatives to improve the financial position of the Company to remain a going concern through 2009, however, there can be no assurances that the Company will obtain adequate additional financing and/or achieve profitability or positive cash flows. Furthermore, failure to continue as a going concern would require that the Company's assets and liabilities be restated on a liquidation basis which would differ significantly from the going concern basis.

2. ADOPTION OF NEW ACCOUNTING STANDARDS

On January 1, 2009, the Company adopted a new accounting standard that was issued by the Canadian Institute of Chartered Accountants: Handbook Section 3064, *Goodwill and Intangible Assets*, which replaces section 3062, *Goodwill and Intangible Assets* and Section 3450, *Research and Development Costs*, which establishes a standard for recognition, measurement and disclosure of goodwill and intangible assets. There was no impact on the Company's consolidated financial statements.

3. ACCOUNTS RECEIVABLE AND PREPAIDS

	June 30 2009	December 31 2008
Trade receivables	\$ 1,412	\$ 1,661
IVA receivables	3,901	2,886
Other receivables	803	843
Prepays and advances	811	813
	\$ 6,927	\$ 6,203

4. INVENTORIES

	June 30 2009	December 31 2008
Warehouse inventory	\$ 2,266	\$ 1,642
Stockpile inventory	-	151
Finished Goods inventory	3,725	941
Work in process inventory	374	425
	\$ 6,365	\$ 3,159

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(Unaudited – Prepared by Management)

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

5. CONVERTIBLE DEBENTURES

In February 2009, the Company issued CAN \$14 million in 10% subordinated unsecured convertible redeemable debentures (the “Debentures”) maturing February 2014. The interest is 10% annually, paid quarterly in arrears. At any time, each Debenture may be converted 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 may become issuable following the occurrence of certain corporate acts or events. Each full share purchase warrant will entitle the holder to purchase one common share at an exercise price of CAN \$2.05. A total of 7,364,737 common shares are issuable upon conversion. Subsequent to July 26, 2010, each Debenture can be redeemed by the Company for cash, plus a redemption fee of 7%, provided the closing share price is greater than CAN \$2.85.

As the Debentures include both cash payment and equity conversion features, the gross proceeds have been allocated between liability and equity elements, as described further below. The liability element has been designated as other liabilities and is recognized at amortized cost. The related transaction costs are allocated on a proportional basis. The transaction costs associated with the liability portion of the Debentures are deferred and amortized over their expected term.

The face value of the Debentures has been allocated as follows for accounting purposes:

	CAN \$	US \$
Allocation of gross proceeds		
Gross Proceeds	\$ 13,993	\$ 11,225
Fair value of liability portion	10,492	8,417
Fair value of equity portion	3,501	2,808
Liability portion of convertible debentures		
Opening balance	-	-
Fair value of debt component	10,492	8,417
Issuance costs	(1,547)	(1,241)
Accretion expense	670	574
Interest accrued	(291)	(252)
Interest paid	(190)	(156)
Foreign exchange (gain)/loss on revaluation	-	563
Closing balance of liability portion	\$ 9,134	\$ 7,905
Equity portion of convertible debentures		
Opening balance	-	-
Fair value of equity portion	3,501	2,808
Issuance costs	(516)	(415)
Closing balance of equity portion	\$ 2,985	\$ 2,393

The fair value of the liability portion of the Debentures at initial recognition was estimated using a discounted cash flow method, with the Company’s incremental borrowing rate estimated to be 18%. The fair value of the equity component was estimated using the residual value method. The Company has determined that its cash redemption option has no material value. The liability portion of the Debentures is accreted over an expected life of 5 years using the effective interest method. Total financing fees associated with the transaction were \$1,656, which were allocated on a proportional basis between the liability component (\$1,241) and equity component (\$415). The Company paid \$1,191 and issued 644,414 share purchase warrants exercisable at CAN\$ 1.90 for five years with an estimated value of \$465 as consideration for the financing fees. The agent warrants were valued using Black-Scholes valuation technique with an expected life of 5 years and a volatility of 73%.

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6. LONG TERM INVESTMENTS

At June 30, 2009 the Company held restructured Asset Backed Commercial Paper Notes (the “Notes”) that were obtained in February 2009 from the restructuring of Canadian Asset Backed Commercial Paper (“ABCP”). The ABCP was purchased in a Canaccord Capital account in August 2007 with a par value \$5.2 million. At the dates at which the Company acquired the investments, the non-bank sponsored ABCP was rated RI (High) by Dominion Bond Rating Services (“DBRS”), the highest credit rating issued for commercial paper. In August 2007, the ABCP market experienced liquidity problems and was subsequently frozen.

In September 2007, a Pan-Canadian Committee (the “Committee”) consisting of a panel of major ABCP investors was formed to restructure the affected ABCP trusts.

On March 20, 2008 the Committee issued an information statement which provided details of the restructuring plan. The proposed restructuring plan (the “Restructuring Plan”) was submitted under the Companies Creditors Arrangement Act and approved by the majority of noteholders on April 25, 2008. The Restructuring Plan was sanctioned by the Ontario Superior Court on June 5, 2008. The Supreme Court of Canada denied an appeal for note holders seeking relief thereby allowing the implementation of the Restructuring Plan on January 19, 2009.

The Company assessed the estimated fair value of its investment and based on the available information regarding current market conditions at that time, the underlying assets and the indicative values contained in the report issued by JP Morgan, we recorded an impairment of \$2.6 million in 2008. There was a significant amount of uncertainty in estimating the amount and timing of cash flows associated with the ABCP. The Company estimated the fair value by using a basic discounted cash flow model assuming principal is repaid between 2013 and 2016 using a 12% discount rate. This resulted in an estimated fair value of CAN\$2.6 million.

At December 31, 2008, the Company updated the valuation model to reflect the Notes that were distributed as a result of the restructuring. The restructuring plan was executed as follows:

- The creation of three master asset vehicles (MAV).
- Within each MAV, the issuance of 5 different series of notes:
 - Class A-1 Notes will be the senior notes, with the other series of Notes subordinated to them. Class A-1 Notes are expected to receive AA ratings, have maturities from 6 to 8 years and a coupon rate of Bankers Acceptance (“BA”) Rate less 0.5%.
 - Class A-2 Notes will be senior to the Class B Notes, C Notes and IA Tracking Notes. Class A-2 Notes are expected to receive AA ratings, have maturity of 8 years and a coupon rate of BA Rate less 0.5%
 - Class B Notes will be senior to the Class C Notes and IA Tracking Notes. Class B Notes will not be rated and are expected to have a maturity of 8 years and a coupon rate BA Rate of less 0.5%
 - Class C Notes will be senior to the IA Tracking Notes. Class C Notes will not be rated and are expected to have a maturity of 8 years and a coupon rate of 20%. It was stated by JP Morgan the Class C Notes that “investors” should expect return closer to BA Rate less 0.5%.
 - IA Tracking Notes will not be rated. IA Tracking Notes are expected to have a maturity of 8 years and a coupon rate equivalent to the net rate of return generated by the specific underlying assets.
- There have been minimal market trades of the restructured Notes. The DBRS has an “A” rating for the Class A-1 Notes at this time.

Based on the Restructuring Plan:

- CAN \$3,229,000 of our investments were replaced with Class A-1 Notes
- CAN \$1,093,000 of our investments were replaced with Class A-2 Notes
- CAN \$ 198,000 of our investments were replaced with Class B Notes
- CAN \$ 140,000 of our investments were replaced with Class C Notes
- CAN \$ 464,000 of our investments were replaced with IA Tracking Notes

The Notes were recorded at their estimated fair value of CAN \$2.6 million, resulting in no gain or loss on implementation of the restructuring. There continues to be uncertainty surrounding the interest payments receivable, though the Company did receive \$221 in the period in accordance with the terms of the Notes.

The Company has classified the Notes as available for sale. Management has recorded the Notes at their estimated fair market value with the impact of market fluctuations recognized through other comprehensive income, unless they are declines in value that are concluded to be other than temporary, in which case the declines will be charged to operations.

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(Unaudited – Prepared by Management)

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

7. 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 \$97 receivable related to administration costs outstanding as of June 30, 2009 (December 31, 2008 - \$21).

During the six months ended June 30, 2009, the Company has paid \$63 for legal services to Koffman Kalef LLP, a firm in which the Company's Corporate Secretary is a partner.

The Company has \$102 receivable related to 2008 property tax payments and the initial Rico Chico option payment outstanding as of June 30, 2009. The Company agreed to accept common shares of Aztec Metals Corp. in lieu of cash for the outstanding receivable.

8. MINERAL PROPERTY, PLANT AND EQUIPMENT

Mineral property, plant and equipment comprise:

	June 30, 2009			December 31, 2008		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
Properties	\$ 41,676	\$ 12,634	\$ 29,042	\$ 37,066	\$ 9,041	\$ 28,025
Mill	17,902	4,642	13,260	17,380	3,366	14,014
Machinery and equipment	9,602	1,560	8,042	7,575	1,190	6,385
Transportation and vehicles	1,039	418	621	1,003	370	633
Buildings	1,816	271	1,545	1,770	185	1,585
Office equipment	815	294	521	689	206	483
	<u>\$ 72,850</u>	<u>\$ 19,819</u>	<u>\$ 53,031</u>	<u>\$ 65,483</u>	<u>\$ 14,358</u>	<u>\$ 51,125</u>

9. PROMISSORY NOTE

In April 2009, the Company purchased \$918 of mining equipment from Sandvik Mining and Construction de Mexico SA de CV ("Sandvik"). The Company financed \$596 of the purchase by a promissory note, which is paid with equal installments over a 36 month period incurring simple annual interest of 10% on the outstanding balance. As of June 30, 2009 the balance of \$566 remains. The promissory note has been designated as other liabilities and is recognized at amortized cost.

10. SHARE CAPITAL

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

(b) As at June 30, 2009 a total of 93,750 common shares are held in escrow, the release of which is subject to regulatory approval.

(c) Private Placement

In December 2008, the Company completed a brokered and non brokered private placements of special warrants for 2,311,540 units at CAN \$1.30 per unit for gross proceeds of CAN \$3.0 million. Each special warrant was exercisable into a unit comprised of one common share and one-half of a common share purchase warrant. Each whole share purchase warrant is exercisable to purchase one common share at an exercise price of CAN \$1.90 until February 25, 2014. The agents received a cash commission of 6% totaling \$100 and 131,792 agents' warrants at an exercise price of CAN \$1.51 until February 25, 2014. The warrants issued to the agents have an estimated fair value of \$0.1 million and have been recorded in share capital on a net basis. All of the special warrants were converted into units February 25, 2009 and the value assigned to the special warrants was reclassified into share capital in the period ended March 31, 2009.

ENDEAVOUR SILVER CORP.

Notes to the Consolidated Financial Statements

Six Months ended June 30, 2009

(Unaudited – Prepared by Management)

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

10. SHARE CAPITAL (continued)

(d) Purchase options

Options to purchase common shares have been granted to directors, officers, employees and consultants pursuant to the current Company's stock option plan approved by the Company's shareholders in fiscal 2006 at exercise prices determined by reference to the market value on the date of the grant. The stock option plan allows for 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 changes during the periods presented:

Prices expressed in CAN \$

	June 30, 2009		December 31, 2008	
	Number of Shares	Weighted average exercise price	Number of Shares	Weighted average exercise price
Outstanding, beginning of period	4,733,400	\$3.28	4,089,400	\$3.25
Granted	925,000	\$1.87	2,133,000	\$3.20
Exercised	(415,000)	\$1.36	(88,000)	\$0.83
Cancelled ⁽¹⁾	(164,900)	\$3.49	(1,401,000)	\$3.31
Outstanding, end of period	5,078,500	\$3.18	4,733,400	\$3.28
Options exercisable at period-end	4,225,500	\$3.37	4,263,400	\$3.33

⁽¹⁾ 20,000 options priced at CAN \$1.60 were cancelled in exchange for 10,332 share appreciation rights in 2008.

The following tables summarize information about stock options outstanding at June 30, 2009:

expressed in Canadian dollars

CAN \$ Price Intervals	Options Outstanding			Options Exercisable	
	Number Outstanding as at June 30, 2009	Weighted Average Remaining Contractual Life (Number of Years)	Weighted Average Exercise Prices	Number Exercisable as at June 30, 2009	Weighted Average Exercise Prices
\$1.00 - \$1.99	995,000	4.8	\$1.83	411,000	\$1.82
\$2.00 - \$2.99	1,960,500	1.6	\$2.63	1,933,500	\$2.64
\$3.00 - \$3.99	623,000	3.9	\$3.14	381,000	\$3.90
\$4.00 - \$4.99	1,345,000	6.8	\$4.72	1,345,000	\$4.72
\$5.00 - \$5.99	155,000	2.8	\$5.48	155,000	\$5.48
	5,078,500	3.9	\$3.18	4,225,500	\$3.37

During the period ended June 30, 2009, the Company recognized stock-based compensation expense of \$563 (June 2008 - \$1,686) based on the fair value of the vested portion of options granted in prior and current periods.

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.

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(Unaudited – Prepared by Management)

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

10. 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:

	<u>Period Ended</u> <u>June 30, 2009</u>	<u>Period Ended</u> <u>December 31, 2008</u>
Weighted average fair value of options granted during the period	\$0.97	\$1.71
Risk-free interest rate	2.35%	3.23%
Expected dividend yield	0%	0%
Expected stock price volatility	74%	67%
Expected option life in years	4.44	4.00

On July 29th, 2009, the Board of Directors approved a re-pricing of 670,000 employee options with weighted average remaining contractual life of 4.4 years and option price of CAN \$3.79. The re-priced options weighted contractual life will remain 4.4 years, while the options will have an exercise price of CAN \$2.01 and a one year vesting period.

On July 29th, 2009, the Board of Directors approved the cancellation of 1,120,000 insider options with weighted average remaining contractual life of 6.8 years and option price of CAN \$4.89.

(e) Warrants

At June 30, 2009, the Company had outstanding warrants to purchase an aggregate 1,931,976 common shares as follows:

Exercise Price	Expiry Dates	Oustanding at December 31, 2008	Issued	Exercised	Expired	Oustanding at June 30, 2009
CAN \$						
\$5.50	May 30, 2009	250,000	-	-	(250,000)	-
\$4.65	January 8, 2009	60,000	-	-	(60,000)	-
\$1.51	February 25, 2014	131,792	-	-	-	131,792
\$1.90	February 25, 2014	-	1,155,770	-	-	1,155,770
\$1.90	February 26, 2014	-	644,414	-	-	644,414
		441,792	1,800,184	-	(310,000)	1,931,976

(f) Stock Bonus Plan

As of June 2, 2009, shareholders approved a stock bonus plan whereby the Board of Directors have the authority to grant common shares without par value in the Company to the directors, executive officer and employees of the Company up to a maximum of 250,000 common shares per calendar year. As of June 30, 2009, 20,000 common shares were granted to an executive officer of the Company valued at \$35 expensed as stock based compensation.

ENDEAVOUR SILVER CORP.**Notes to the Consolidated Financial Statements**

Six Months ended June 30, 2009

(Unaudited – Prepared by Management)

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

11. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	Period Ended	Period Ended
	June 30,	June 30,
	2009	2008
Net changes in non-cash working capital		
Accounts receivable and prepaids	\$ (724)	\$ (3,378)
Inventories	(2,502)	(220)
Due from related parties	(80)	112
Accounts payable and accrued liabilities	151	2,320
Accrued interest on convertible debt	252	-
Income taxes payable	753	115
	\$ (2,150)	\$ (1,051)
Non-cash financing and investing activities:		
Fair value of stock options allocated to shares issued on exercise of stock options	310	30
Fair value of shares issued under the share appreciation rights plan	-	21
Fair value of shares issues on acquisition of property	200	-
Fair value of share issued under stock bonus plan	35	-
Fair value of agent warrants issued on convertible debentures	465	-

ENDEAVOUR SILVER CORP.**Notes to the Consolidated Financial Statements**

Six Months ended June 30, 2009

(Unaudited – Prepared by Management)

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

12. SEGMENT DISCLOSURES

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

	June 30, 2009			
	Corporate	Guanacevi	Guanajuato	Total
Cash and cash equivalents	\$ 6,171	\$ 668	\$ 77	\$ 6,916
Marketable securities	37	-	-	37
Accounts receivables and prepaids	182	5,227	1,518	6,927
Inventories	-	4,493	1,872	6,365
Due to related parties	199	-	-	199
Mineral property, plant and equipment	101	43,223	9,707	53,031
Long term investments	2,170	-	-	2,170
Revenue	\$ -	\$ 10,673	\$ 6,050	\$ 16,723
Net income (loss) before taxes	(3,822)	(165)	661	(3,326)

	December 31, 2008			
	Corporate	Guanacevi	Guanajuato	Total
Cash and cash equivalents	\$ 3,246	\$ 255	\$ 81	\$ 3,582
Marketable securities	35	-	-	35
Accounts receivables and prepaids	1,758	2,837	1,608	6,203
Inventories	-	2,175	984	3,159
Due to related parties	119	-	-	119
Mineral property, plant and equipment	100	41,547	9,478	51,125
Long term investments	2,155	-	-	2,155
Revenue	\$ -	\$ 17,159	\$ 3,630	\$ 20,789
Net income (loss) before taxes	(8,358)	4,849	(267)	(3,776)

ENDEAVOUR SILVER CORP.

Notes to the Consolidated Financial Statements

Six Months ended June 30, 2009

(Unaudited – Prepared by Management)

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

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Rex McLennan

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Godfrey Walton ~ President and Chief Operating Officer
Dan Dickson ~ Chief Financial Officer
Dave Howe ~ Vice-President, Mexico Operations
Barry Devlin ~ Vice-President, Exploration
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SHARES LISTED

Toronto Stock Exchange
Trading Symbol - EDR

American Stock Exchange
Trading Symbol – EXK

Frankfurt Stock Exchange
Trading Symbol - EJD