

September 27, 2010

Endeavour Silver Corp. (EDR—T, \$4.16)

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Rating: SECTOR PERFORM; 12-Month Target: \$4.30; Risk: SPECULATIVE

Event: Endeavour Announces Cash Offer to Acquire Cream Minerals for \$13.6 M

Impact – Positive – Neutral to our valuation

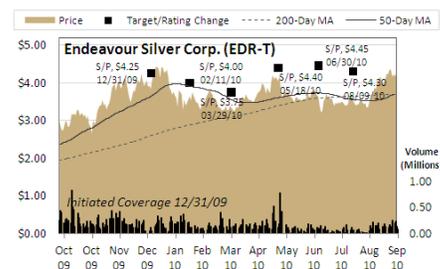
- **Cream Minerals Ltd. (CMA-V; NOT RATED)** – Cream Minerals Ltd.'s primary asset is its wholly-owned Nuevo Milenio Silver-Gold Project located in Nayarit State, Mexico – host to a NI 43-101 Inferred Resource of 52.2 million ounces of silver and 375 thousand ounces of gold (see Figure 2). Cream also holds a portfolio of exploration-stage projects throughout Canada: the Wine nickel-copper property in Manitoba and the Kaslo silver and Goldsmith gold properties in British Columbia.
- **Endeavour's Offer** – Endeavour is offering Cream shareholders \$0.12 cash per share, representing a 60% premium to the company's \$0.075 pre-halt share price. The value of the transaction is estimated at \$13.6 million (based on outstanding shares and in-the-money options and warrants as of August 27, 2010) exclusive of approximately \$2.0 million in outstanding debts. Endeavour will be hosting a conference call on Tuesday, September 28th, 2010 to discuss the details of the offer at (604) 638-5340 (toll-free 1-800-319-4610). Complete details of the offer will be mailed to Cream shareholders and posted on SEDAR next week.
- **Debt Free with \$21 million in Cash** – Endeavour recently announced the conversion of all outstanding convertible debt (see [September 16th, 2010 Radar Flash](#)), of approximately \$7.9 million, leaving the Company debt-free and with US\$21.4 million in cash and equivalents as of June 30th. The Company also recently acquired three new mining properties in the San Pedro area of the Guanacevi silver district in Durango State, Mexico.
- **On track for +3Moz silver for 2010** – The Company anticipates total production of 3.1 million ounces of silver and 15,000 ounces of gold at an average cash cost of US\$5.50 per ounce for 2010. This compares with Haywood's estimate of 3.3 million ounces of silver and 15,500 ounces of gold at cash costs of US\$6.47 per ounce – higher than guidance but consistent with operating performance delivered year-to-date. In 2009, Endeavour produced 2.6 million ounces of silver and 13,298 ounces of gold at a cash cost of US\$6.04.

Implications: While the details of the offer are preliminary, the offer is hostile and has not received CMA board approval. A first glance assessment of the Nuevo Milenio exploration project looks promising for EDR shareholders at \$0.26 per silver-equivalent ounce (based on 58.5 Moz Ag-Eq – see table). More details are to follow with the scheduled conference call tomorrow and the filing of a bid circular next week.

Valuation: Our target price is derived from an 8.5x multiple of average 2011/12 CF of US\$0.49. The Company currently trades at an 8.5x average 2011/2012 OCF. Peers currently between 6.4x to 22.0x (12.1x average) average 2011/2012 OCF.

Target Price	\$4.30	52-Week High / Low	\$4.57 / \$2.62
Current Price	\$4.16	Shares O/S	64.1 million (basic)
Return (incl. dist'n)	3%		81.0 million (F/D)
YTD Performance	9%	Market Capitalization	\$267 million
Dividend / Yield	N/A	Cash	\$21.9 million
		Debt	\$0 million
Risk Profile:		Working Capital	\$52.2 million
Forecast Risk	High	Enterprise Value	\$244.9 million
Financial Risk	Low-Moderate	Daily Volume	
Valuation Risk	Low-Moderate	(3 mo avg)	100,570
Political Risk	Moderate	Currency	C\$ unless noted
		Company Web Site	www.edrsilver.com
		CEO	Bradford Cooke

Price Performance

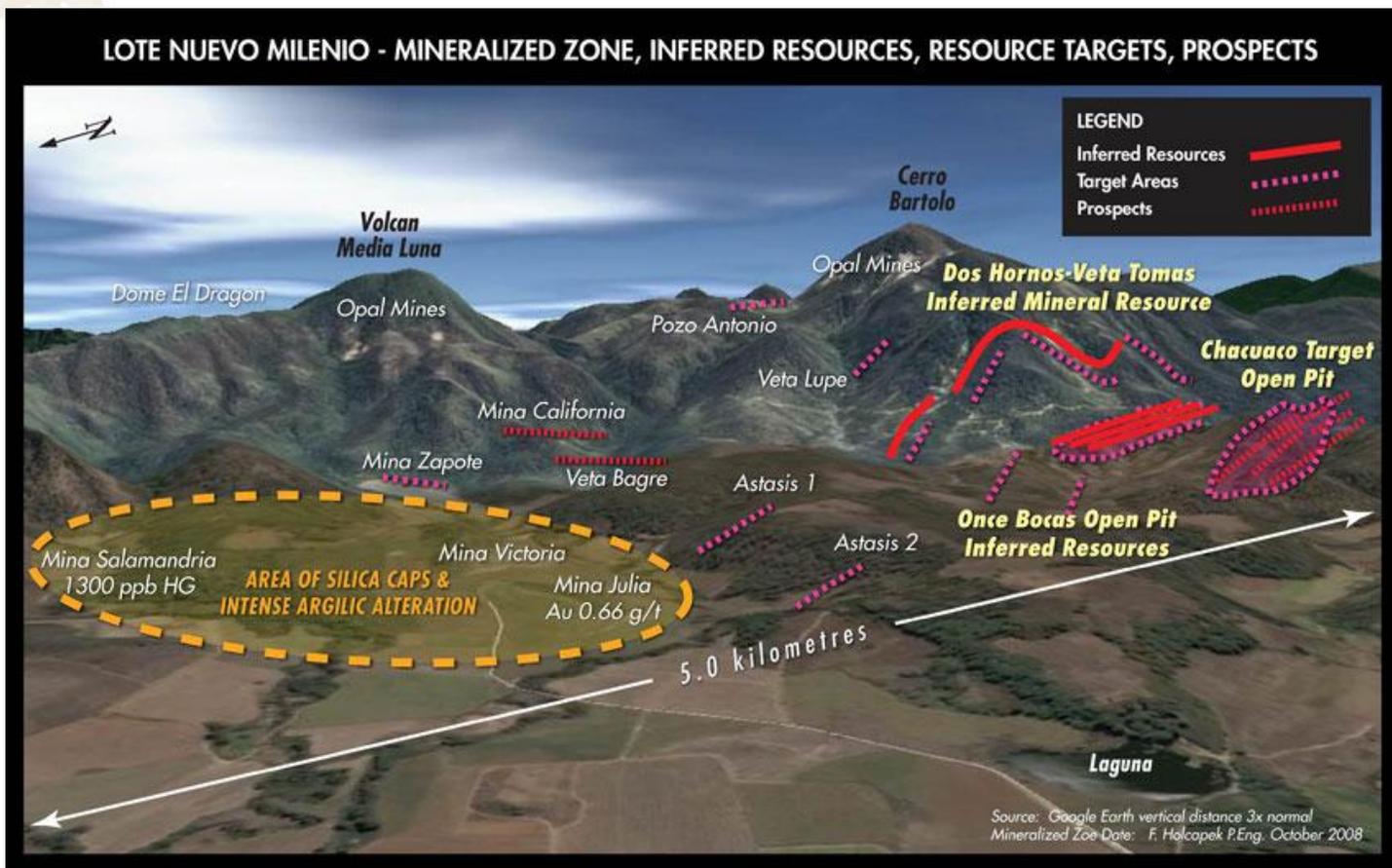


Source: Capital IQ & Haywood Securities



Last Research: August 9th, 2010

Nuevo Milenio Project, Nayarit State, Mexico



Source: Cream Minerals Ltd

Nuevo Milenio Project Resources

Zone	Width m	Tonnes	Au g/t	Ag g/t	Au oz	Ag oz	Ag-Eq oz
Dos Hornos (U/G)							
Dos Hornos Segment 1	4.7	1,173,902	1.57	174	59,400	6,552,239	10,370,810
Dos Hornos Segment 2	4.06	746,528	1.77	202	42,390	4,847,216	7,572,303
Veta Tomas	5.09	1,246,163	1.28	351	51,344	14,070,467	17,371,164
Once Bocas	2.42	1,921,163	1.92	253	118,348	15,602,013	23,210,085
Total		5,087,755	1.92	253	271,482	41,071,935	58,524,363

* December 2008 estimate based on 120 g/t to 150 g/t silver cut-off

** Ag-Eq grade based on Haywood's LT prices of US\$14/oz Ag and US\$900/oz Au

Source: Cream Minerals Ltd

Endeavour Silver Corp.

TSX:EDR

Price \$4.16

Rating: SECTOR PERFORM

Shares O/S (M) 64.1

MCap (C\$) (M) \$267

Target: \$4.30 Return: 3%

Endeavour Silver is an emerging silver/gold miner with two producing assets—the Guanaveci and Guanajuato mines in Mexico, and a prospective Mexican exploration portfolio. Production growth is anticipated through operational upgrades at both mines – longevity is dependant on exploration and resource growth in Mexico.

Investment Highlights

- Turnaround expertise. Demonstrates ability to acquire under-capitalized & under-explored Mexican silver assets, improve operating efficiencies and mine lives.
- A high Beta (β) and leverage to silver & gold.
- US\$21.4 M in cash, unhedged and effectively debt free. 100% unhedged and practically debt free (US\$7.9M convertible and redeemable debt).
- Fully funded silver/gold production growth potential. 3.3 M oz Ag production plus gold in 2010 (at a cash cost of US\$6.48 / oz after gold credits) to 4.0 M oz Ag plus gold in 2011 (at a cash cost of US\$6.61 / oz after gold credits).
- Under explored and untapped silver/gold production potential. Two mines starved by limited exploration - organic growth potential through aggressive exploration programs (CAPEX + Explr budget: US\$29.6 million in 2010 alone).
- Recently announced an offer to acquire Cream Minerals Ltd (CMA-V) for its Nuevo Milenio exploration property in Nayarit State, Mexico.

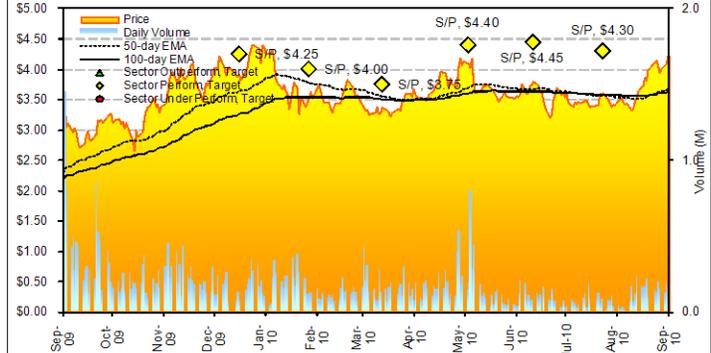
Operations:

- Guanaveci: Upgrading capacity to a 1,200 tpd ext rate in 2011. Ore supplied from the Povenir North and Povenir Dos mine, with Santa Cruz supplementing production in H2/10.
- Guanajuato: Mining from the Cebada (Cebada vein) and Bolañitos mines (Lucero & Bolañitos veins).

Catalysts:

- (1) Strong cash flow,
- (2) expansion at Guanaveci - Santa Cruz & Povenir Cuatro mines,
- (3) Resource growth at Guanaveci & Guanajuato growth through strategic acquisitions & exploration programs.

Endeavour Silver Corp. Chart



Financials

	2009	2010E	2011E	2012E	2013E	2014E
Commodity & Exchange Rate Forecasts						
Forecast Gold Price, US\$/oz		\$1,200	\$1,250	\$1,150	\$1,050	\$900
Forecast Silver Price, US\$/oz		\$18.50	\$19.25	\$17.75	\$16.15	\$14.00
Forecast Lead Price, US\$/lb		\$0.90	\$1.00	\$1.10	\$1.00	\$0.95
Forecast Zinc Price, US\$/lb		\$0.95	\$1.05	\$1.10	\$1.05	\$1.00
Forecast Nickel Price, US\$/lb		\$10.00	\$12.00	\$10.00	\$9.00	\$8.50
C\$/US\$ FX Rate		1.03	1.03	1.06	1.08	1.06

Income Statement

	2009	2010E	2011E	2012E	2013E	2014E
Net Revenue, \$M	50.8	78.0	95.9	98.3	88.6	76.7
Cost of Sales, \$M	(29.5)	(37.9)	(42.3)	(47.5)	(46.6)	(46.5)
Depreciation, \$M	(11.3)	(13.6)	(15.7)	(15.5)	(15.9)	(18.1)
Exploration, \$M	(2.4)	(5.6)	(1.0)	(1.0)	(1.0)	(1.0)
G&A, \$M	(4.4)	(5.0)	(5.2)	(5.2)	(5.2)	(5.2)
Interest, \$M	0.5	0.1	(0.0)	-	-	-
Stock Based Comp, \$M	(1.8)	(4.6)	(4.5)	(4.5)	(4.5)	(4.5)
Tax, \$M	(4.1)	(8.0)	(11.7)	(11.0)	(8.1)	(3.8)
Net Income, \$M	(1.9)	2.3	15.4	13.7	7.3	(2.3)

Balance Sheet

	2009	2010E	2011E	2012E	2013E	2014E
Cash \$M	26.7	14.7	39.5	62.8	80.8	95.8
Long-term Debt, \$M	10.3	0.2	-	-	-	-

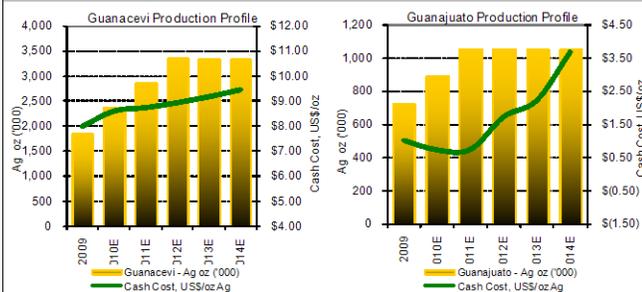
Cash Flow

	2009	2010E	2011E	2012E	2013E	2014E
Op. CF (before W/C), \$M	15.3	24.5	35.6	33.7	27.7	20.3
Financing CF, \$M	30.0	1.2	(0.0)	-	-	-
Investing CF, \$M	(19.1)	(29.7)	(10.6)	(10.4)	(9.8)	(5.3)
Free CF, \$M	(4.8)	(13.3)	25.0	23.3	18.0	15.0
Free CF per share	(0.11)	(0.21)	0.36	0.32	0.24	0.18
EPS	(0.04)	0.03	0.21	0.19	0.10	(0.03)
P/E	NMF	123.1x	19.5x	22.5x	43.6x	NMF
Target Price/EPS	NMF	127.3x	20.2x	23.2x	45.1x	NMF
CFFOPS	\$0.27	\$0.38	\$0.51	\$0.46	\$0.37	\$0.25
P/CFFOPS	15.4x	10.9x	8.1x	9.1x	11.3x	16.9x
Target Price/CFFOPS	15.9x	11.3x	8.4x	9.4x	11.7x	17.5x

* All figures presented in US dollars unless noted. Spot Exchange Rate (C\$/US\$): 1.03

Production Profile

	2009	2010E	2011E	2012E	2013E	2014E
Guanaveci - Au oz ('000)	4.9	5.3	5.7	6.7	6.2	6.2
Guanaveci - Ag oz ('000)	1,870	2,396	2,872	3,371	3,346	3,345
Guanaveci - Ag-Eq oz ('000)	-	2,737	3,242	3,804	3,749	3,744
Cash Cost, US\$/oz Ag	\$7.99	\$8.61	\$8.74	\$8.94	\$9.18	\$9.46
Guanajuato - Au oz ('000)	8.4	10.2	10.5	10.5	10.5	10.5
Guanajuato - Ag oz ('000)	728	890	1,058	1,058	1,058	1,059
Guanajuato - Ag-Eq oz ('000)	-	1,554	1,738	1,736	1,738	1,734
Cash Cost, US\$/oz Ag	\$1.01	\$0.73	\$0.74	\$1.73	\$2.22	\$3.68
Company Total - Au oz ('000)	13.3	15.5	16.2	17.2	16.7	16.7
Company Total - Ag oz ('000)	2,599	3,286	3,931	4,429	4,404	4,405
Company Total - Ag-Eq oz ('000)	-	4,291	4,980	5,540	5,488	5,477
Total Cash Cost, US\$/oz Ag	\$6.04	\$6.47	\$6.99	\$7.22	\$7.51	\$8.07



Trading Statistics (C\$); Capital Structure

52 Week High/Low	\$4.57 / \$2.62	Average Daily Vol (M)	0.18	
Ownership (M)	Shares O/S, M	% O/S	Major Shareholder (%)	
Institutional	11.58	18%	Royce & Associates, LLC	3%
Management & Insiders	1.53	2%	Van Eck Associates Corporation	2%
			AGF Management Ltd.	2%
Last Financing				
26-Oct-09	\$3.9 million	Private placement	1.3M units @ \$3 incl. 0.5 warr @ \$3.60	
Shares O/S - Basic, F.D.	64.1		81.0	
(C\$) (M)	Av Strike	Basic	ITM	Proceeds
Cash & Equiv				\$22
Options	\$1.84 - \$4.89	5.94	5.90	\$16
Warrants	\$1.51 - \$3.6	10.88	10.88	\$27
Total Cash & ITM		16.82	16.78	\$65
Market Cap				\$267

Corporate NAV Summary

Per Share	Interest	NAV10%		NAV8%		NAV6%	
		CSM	C\$/share	CSM	C\$/share	CSM	C\$/share
Project NAV							
Guanajuato	100%	41	\$0.52	43	\$0.54	45	\$0.56
Guanaveci	100%	81	\$0.97	87	\$1.04	94	\$1.12
Project NAV		122	\$1.49	130	\$1.58	139	\$1.68
Corporate Adjustments		(29)	(\$0.36)	(31)	(\$0.39)	(33)	(\$0.42)
Cash and equivalents *		15	\$0.22	15	\$0.22	15	\$0.22
ITM Cash *		45	\$0.22	45	\$0.22	45	\$0.22
Debt *		0	\$0.00	0	\$0.00	0	\$0.00
Corporate NAV (excl ITM Cash)		(14)	(\$0.15)	(16)	(\$0.17)	(18)	(\$0.20)
Corp + Proj NAV	1.00x	109	\$1.35	115	\$1.41	121	\$1.48

* Based on 2010 exit shares outstanding 68 M

Peer Group Comparables (Haywood Securities estimates)

Company	Ticker	Close	Project	Corp. Adj.	Total	P/PNAV	Discount
Alamos Gold Inc.	TSX:AGI	C\$16.91	C\$10.96	C\$1.10	C\$12.06	1.6x	3%
Semfab, Inc.	TSX:SMF	C\$9.28	C\$3.00	C\$0.30	C\$3.30	3.1x	3% - 15%
CGA Mining Limited	TSX:CGA	C\$2.83	C\$2.25	C\$0.00	C\$2.25	1.3x	3%
Andean Resources Ltd.	TSX:AND	C\$6.31	C\$3.36	C\$0.14	C\$3.50	1.8x	3%
Detour Gold Corporation	TSX:DGC	C\$29.13	C\$16.41	C\$3.55	C\$19.97	1.8x	5%
Endeavour Silver Corp.	TSX:EDR	C\$4.16	C\$1.68	(C\$0.17)	C\$1.41	2.6x	8%

Metal Inventory - Model Mineable, Reserve, and Resource

Modeled Reserves & Resources	Ownership	Tonnes (M)	Au (g/t)	Ag (g/t)	Au (Moz)	Ag (Moz)	
Guanajuato	100%	1.07	2.03	207	0.07	7.1	
Guanaveci	100%	3.51	0.59	346	0.07	39.1	
Total		4.58	0.93	314	0.14	46.2	
Reserve & Resource Inventory	Ownership	Tonnes (M)	Au (g/t)	Ag (g/t)	Pb (%)	Zn (%)	Cu (%)
Guanajuato	100%	2.03	1.99	209	0.09%	0.09%	
Guanaveci	100%	4.92	0.48	275	0.36%	0.36%	
El Cometa (Paral)	100%	1.46	1.46	54	3.11%	3.11%	0.22%
Total		8.40					

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Source: Haywood Securities, Bloomberg, Capital IQ, Company Reports



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	TSX:AND	Andean Resources Limited			X	X		X		
	TSX:CGA	CGA Mining Ltd.			X	X				
	TSX:DGC	Detour Gold Corporation			X	X				
	TSX:EDR	Endeavour Silver Corp.			X		X			
	TSX:SMF	SEMAFO Inc.			X	X				
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Risk Profile Parameters – Mining and Minerals Sector

Forecast Risk: High – Haywood forecasts are below guidance. The Company has a history of missing targets and/or Haywood expects guidance to be lowered. Limited hedging increases commodity leverage. Forecasts reflect higher commodity prices or production relative to guidance. Moderate – Haywood forecasts are generally in line with guidance. The Company has a history of meeting or exceeding guidance. Forecasts are consistent with current commodity pricing and production guidance. Hedging is in line with peers. Low – Haywood forecasts exceed guidance. The Company has a history of meeting or exceeding guidance. Forecasts allow for modestly lower commodity pricing or production levels. Commodity hedging lowers volatility relative to peers.

Financial Risk: High – The business plan is not fully funded, but requires debt and/or equity financing. The exploration program is funded for two years or less. This categorization does not predict whether the additional funds will be raised. Moderate – The development plan is fully funded, with the exploration program funded for three years or more. The Company's debt is rated below investment grade. Low – The Company is fully funded. Its debt is rated investment grade and/or the Company has a history of profitability or dividend payments in each of the last three years.

Valuation Risk: High – The current valuation is at the high end of historic levels and/or at a premium to peers. The valuation reflects considerable exploration success and/or commodity appreciation. Where applicable, the current capitalization exceeds the DCF evaluation by more than 50%. Moderate – The current valuation is within historic ranges and generally consistent with peers. The valuation reflects reasonable exploration success and/or commodity appreciation. Where applicable, the current capitalization exceeds the DCF valuation by 15% to 50%. Low – The current valuation is at the low end of historic ranges and at a discount to peer valuations. The valuation reflects limited new exploration success and no



commodity appreciation. Where applicable, the current capitalization exceeds the DCF valuation by less than 15% or falls below the current market value.

Political Risk: High – Currently no industry activity or infrastructure exists. Government opposition is significant. Obtaining permits is challenging. Moderate – Industry activity or infrastructure is minimal. Government at national, regional, and local levels is indifferent. Obtaining permits is relatively straightforward. Low – Industry activity and infrastructure exist. Government is supportive. Obtaining permits is facilitated.

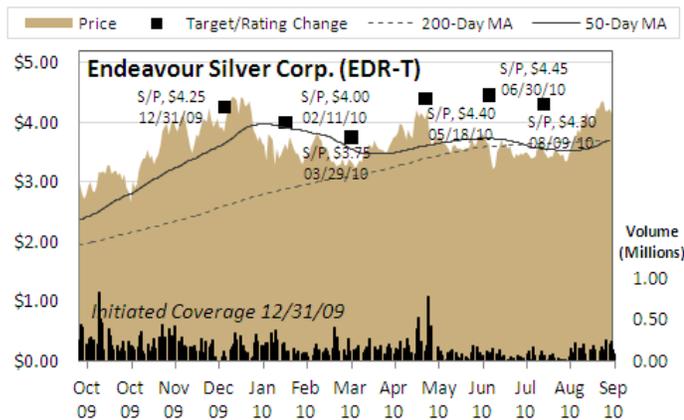
Distribution of Ratings (as of September 27, 2010)

Haywood’s current rating structure (outlined above) does not correlate to the 3-tiered BUY, HOLD, SELL structure required by the FINRA. Our ratings of Sector Outperform, Sector Perform and Sector Underperform most closely correspond to Buy, Hold/Neutral and Sell respectively however, as described above, our assigned ratings take into account the relevant sector.

	Distribution of Ratings		IB Clients (TTM)
	%	#	
S/O	53.0%	80	76.9%
S/P	4.0%	6	11.5%
S/U	1.3%	2	0.0%
T	2.6%	4	3.8%
UR (S/O)	6.0%	9	3.8%
UR (S/P)	3.3%	5	0.0%
UR (S/U)	0.7%	1	0.0%
dropped (TTM)	29.1%	44	3.8%

Price Chart, Rating and Price Target History (as of September 27, 2010)

Haywood’s current rating structure (outlined above) does not correlate to the 3-tiered BUY, HOLD, SELL structure required by the FINRA. Our ratings of Sector Outperform, Sector Perform and Sector Underperform most closely correspond to Buy, Hold/Neutral and Sell respectively however, as described above, our assigned ratings take into account the relevant sector.



S/O: Sector Outperform; S/P: Sector Perform; S/U: Sector Underperform; T: Tender; U/R: Under Review
 Source: Capital IQ and Haywood Securities