

ESPERANZA SILVER CORPORATION

(An Exploration-Stage Company)

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

June 30, 2009

The accompanying unaudited interim financial statements of Esperanza Silver Corporation for the six months ended June 30, 2009 have been prepared by management and approved by the Audit Committee and the Board of Directors of the Company. These financial statements have not been reviewed by the Company's external auditors.

ESPERANZA SILVER CORPORATION

(An Exploration-Stage Company)

Interim Consolidated Balance Sheets

(Unaudited – Prepared by Management)

	June 30, 2009	December 31, 2008
ASSETS		
Current		
Cash and cash equivalents	\$ 7,077,219	\$ 8,429,832
Receivables	661,914	1,089,455
Prepaid expenses	34,721	21,578
	<u>7,773,854</u>	<u>9,540,865</u>
Equipment (Note 3)	44,885	77,415
Mineral properties (Note 4)	<u>12,406,119</u>	<u>11,632,343</u>
	<u>\$ 20,224,858</u>	<u>\$ 21,250,623</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 184,986	\$ 189,308
SHAREHOLDERS' EQUITY		
Share capital (Note 5)	34,611,921	34,611,921
Contributed surplus (Note 5)	6,098,895	5,752,140
Deficit	(20,670,944)	(19,302,746)
	<u>20,039,872</u>	<u>21,061,315</u>
	<u>\$ 20,224,858</u>	<u>\$ 21,250,623</u>

Nature of operations (Note 1)

Contingencies and commitments (Note 10)

See accompanying notes to the interim consolidated financial statements.

Approved on behalf of the Board

"George Elliott" Director

"William J. Pincus" Director

ESPERANZA SILVER CORPORATION

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Interim Consolidated Statements of Operations and Deficit

(Unaudited – Prepared by Management)

	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
OPERATING EXPENSES:				
Accounting and legal	\$ 23,534	\$ 41,582	\$ 46,803	\$ 65,814
Amortization	6,416	6,461	12,937	12,180
Administration and office	244,370	230,647	520,479	563,048
Directors' fees	21,500	15,285	45,000	35,035
Exploration expenses	142,214	58,800	264,824	126,788
Foreign exchange	(6,298)	(67,041)	23,469	(64,960)
Investor relations and shareholder information	84,423	99,229	142,686	235,246
Stock-based compensation (Note 5 (e))	335,223	60,145	346,755	990,142
Transfer agent and regulatory fees	48,438	36,391	64,653	56,449
Travel and related costs	6,095	(20)	13,890	7,662
Loss before other items	(905,915)	(481,479)	(1,481,496)	(2,027,404)
OTHER ITEMS				
Interest income	56,374	85,434	118,414	222,794
Mineral property write-off	(5,116)	-	(5,116)	-
	51,258	85,344	113,298	222,794
Loss and comprehensive loss for the period	(854,657)	(396,045)	(1,368,198)	(1,804,610)
Deficit, beginning of period	(19,816,287)	(15,582,066)	(19,302,746)	(14,173,501)
Deficit, end of period	\$ (20,670,944)	\$(15,978,111)	\$(20,670,944)	\$(15,978,111)
Basic and diluted loss per share	\$ (0.02)	\$ (0.01)	\$ (0.03)	\$ (0.04)
Weighted average number of shares outstanding	47,521,821	47,263,925	47,521,821	47,108,406

See accompanying notes to the interim consolidated financial statements.

ESPERANZA SILVER CORPORATION

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Interim Consolidated Statements of Cash Flows

(Unaudited – Prepared by Management)

	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
CASH FLOWS FROM (TO)				
OPERATIONS				
Loss for the period	\$ (854,657)	\$ (396,045)	\$ (1,368,198)	\$ (1,804,610)
Items not affecting cash:				
Amortization	6,416	10,148	12,937	15,867
Stock-based compensation	335,223	60,145	346,755	990,142
Write-off of mineral properties	5,116	-	5,116	-
Changes in non-cash working capital items:				
Receivables	(56,196)	(159,851)	427,541	(390,432)
Prepaid expenses	(995)	(2,482)	(13,143)	(5,555)
Accounts payable and accrued liabilities	64,693	(139,978)	23,845	(862,563)
	(500,400)	(628,063)	(565,147)	(2,057,151)
INVESTING				
Mineral properties	(455,677)	(1,684,630)	(787,466)	(2,992,635)
Equipment	-	(8,290)	-	(8,290)
	(455,677)	(1,692,920)	(787,466)	(3,000,925)
FINANCING				
Shares issued for cash	-	-	-	245,800
	-	-	-	245,800
Change in cash and cash equivalents in the period	(956,077)	(2,320,983)	(1,352,613)	(4,812,276)
Cash and cash equivalents, beginning of period	8,033,296	13,079,908	8,429,832	15,571,201
Cash and cash equivalents, end of period	\$ 7,077,219	\$ 10,758,925	\$ 7,077,219	\$ 10,758,925
Supplementary information:				
Cash interest received	\$ 22,164	\$ 85,434	\$ 40,894	\$ 223,234
Amortization capitalized to mineral properties	910	8,479	910	16,462
Shares issued for mineral property (Note 5 (b))	-	16,350	-	46,350

See accompanying notes to the interim consolidated financial statements.

ESPERANZA SILVER CORPORATION

(An Exploration-Stage Company)

Notes to the Interim Consolidated Statements

(Unaudited – Prepared by Management)

June 30, 2009

1. NATURE OF OPERATIONS

Esperanza Silver Corporation's (the "Company" or "Esperanza") principal business activities include the acquisition and exploration of resource properties. The Company is in the process of exploring its mineral properties and has not yet determined whether they contain resources that are economically recoverable. The recoverability of amounts shown for mineral properties is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete their exploration and development, confirmation of the Company's interest in the underlying claims and leases, and future profitable production or proceeds from the disposition of the mineral properties.

2. BASIS OF PRESENTATION

These unaudited interim financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial statements. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, the accompanying financial information reflects all adjustments, consisting primarily of normal recurring adjustments, which are, in the opinion of management, necessary for a fair presentation of results for the interim periods. Operating results for the six months ended June 30, 2009, are not necessarily indicative of the results that may be expected for the year ending December 31, 2009. These interim consolidated financial statements follow the same accounting policies as the annual consolidated financial statements of the Company for the year ended December 31, 2008. Certain comparative figures have been reclassified to conform to the financial presentation adopted for the current period.

Recent Accounting Pronouncements

Business Combinations and Related Sections

CICA Handbook Section 1582, "Business Combinations" and Section 1601, "Non-Controlling Interests", replace Sections 1581 and 1600 respectively. The new standards revise guidance on the determination of the carrying amount of assets acquired and liabilities assumed, goodwill and accounting for non-controlling interests at the time of a business combination. These standards are effective January 1, 2011 prospectively, with early adoption permitted. Esperanza is assessing the impact of these new standards on its consolidated financial statements.

3. EQUIPMENT

	June 30, 2009		December 31, 2008
	Cost	Accumulated Amortization	Net Book Value
Equipment	\$ 188,644	\$ 143,759	\$ 44,885
			\$ 77,415

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4. MINERAL PROPERTIES

The continuity of expenditures on mineral properties is as follows:

	Mexico	Peru	Total
Balance, December 31, 2008	\$ 10,241,374	\$ 1,390,969	\$ 11,632,343
Acquisition Costs	-	1,293	1,293
Exploration and Development:			
Assays	11,332	10,622	21,954
Community Programs	-	2,162	2,162
Consulting	178,207	6,469	184,676
Contract Services	2,771	7,629	10,400
Environmental /permitting	39,691	2,861	42,552
Field costs	57,897	13,464	71,361
Office and administrative	-	10,641	10,641
Property tax and license fees	11,756	46,902	58,658
Road and access costs	-	431	431
Salaries and benefits	99,217	141,716	240,933
Travel and related costs	8,291	11,409	19,700
Vehicle costs	41,612	5,873	47,485
Freight	-	2,572	2,572
Preliminary economic assessment	64,074	-	64,074
	514,848	264,044	778,892
Mineral property write - off	-	(5,116)	(5116)
Balance June 30, 2009	\$ 10,756,222	\$ 1,649,898	\$12,406,119

(a) San Luis, Peru

During the year ended December 31, 2005, the Company announced the acquisition of the San Luis project via claim-staking, with Silver Standard Resources Inc. ("Silver Standard"), a company that had a director in common until February, 2008. The Company and Silver Standard formed a 50%-50% joint-venture for the San Luis project. Under the terms of the agreement, Silver Standard has increased its ownership to 55% by funding the first US\$500,000 of exploration expenditures subsequent to the acquisition of the property. Silver Standard has subsequently elected to increase its ownership to 70 percent by funding all activities required to complete a feasibility study and it may further increase its ownership to 80 percent by funding all development activities necessary to place the property into production. Silver Standard is currently in the process of preparing a feasibility study.

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4. MINERAL PROPERTIES (continued)

(b) Pucarana, Peru

In May 2007, the Company announced that it had finalized an earn-in agreement whereby it can earn up to a 60% interest in Canadian Shield's Pucarana Gold Property ("Pucarana"), located in southern Peru. The Company has the right to earn a 60% interest in Pucarana by expending US\$1,300,000 over a four year period commencing upon receipt of a drill permit (the "Effective Date"), and by making payments of US\$80,000 to Gallant Minerals Peru Ltd. S.A. (Canadian Shield's Peruvian subsidiary). The Company must make the following expenditures: US\$200,000 prior to the first anniversary of the Effective Date; US\$450,000 prior to the second anniversary of the Effective Date; US\$325,000 prior to the third anniversary of the Effective Date; and US\$325,000 prior to the fourth anniversary of the Effective Date. The Company must also make the following cash payments: US\$30,000 upon signing the agreement (paid) and US\$50,000 upon exercising the option to earn an additional 9% interest. The work commitments for the first twelve months from the Effective Date and the first payment are a firm commitment and all additional work commitments and payments are at the sole discretion of the Company. Upon the Company earning either its 51% interest, or 60% interest if it so elects, the two companies will form a joint venture in which all future expenditures shall be made on a pro rated basis, with standard dilution formulas applied if either party elects not to participate in funding further exploration expenses. In the event either party is diluted to a joint venture interest of 10% or less, that interest will be converted to a 2% NSR with the right of the other party to purchase each 0.5% interest in the NSR for US\$500,000. If the price of gold exceeds US\$500, the purchase price for the NSR increases proportionately to the price of gold. The Company has not received a drill permit at this time and therefore the Effective Date of the agreement has not been determined. During the second quarter of 2009, Esperanza reached agreement with the local community for full access during exploration. During the third quarter, Esperanza received prospecting permits and began field work.

(c) Cerro Jumil, Mexico

On May 11, 2009, the Company announced that it has begun a preliminary economic assessment study of its Cerro Jumil gold project in Morelos, Mexico.

5. SHARE CAPITAL

(a) Authorized

An unlimited number of common shares without par value

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Notes to the Interim Consolidated Statements

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5. SHARE CAPITAL (continued)

(b) Issued and outstanding

	Number Of Shares	Stated Value	Contributed Surplus
Balance as of December 31, 2008	47,521,821	\$ 34,611,921	\$ 5,752,140
Stock-based compensation	-	-	346,755
Balance as at June 30, 2009	47,521,821	\$ 34,611,921	\$ 6,098,895

(c) Options

During the six months ended June 30, 2009, the Company granted 997,500 stock options and 1,252,500 stock options were cancelled or expired. As at June 30, 2009, stock options are outstanding enabling the holders to acquire up to 3,928,500 common shares with a weighted average exercise price of \$1.10 per share, as follows:

Grant Date	Number Outstanding	Exercise Price	Number Vested	Expiry Date
9-Sep-04	250,000	0.53	250,000	9-Sep-09
14-Jun-05	425,000	0.40	425,000	14-Jun-10
5-Jul-05	5,000	0.355	5,000	5-Jul-10
23-Sep-05	75,000	0.65	75,000	23-Sept-10
18-May-06	735,500	1.56	735,500	18-May-11
8-Jan-07	25,000	3.70	25,000	8-Jan-12
18-Apr-07	15,000	3.48	15,000	18-Apr-12
12-Sep-07	200,000	1.91	133,333	12-Sept-12
8-Feb-08	890,500	1.40	890,500	8-Feb-13
27-Feb-08	200,000	1.40	200,000	27-Feb-13
20-Aug-08	10,000	0.73	10,000	20-Aug-13
6-Oct-08	100,000	0.69	100,000	6-Oct-13
22-May-09	810,000	0.69	810,000	22-May-14
10-Jun-09	187,500	0.70	187,500	10-Jun-14
Balance, June 30, 2009	3,928,500	1.10	3,861,833	

(d) Warrants

On February 8, 2009, 2,055,000 share purchase warrants with an exercise price of \$4.35 expired unexercised. There are currently no outstanding share purchase warrants.

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5. SHARE CAPITAL (continued)

(e) Stock-based compensation and contributed surplus

During the six months ended June 30, 2009, the Company granted 997,500 stock options to directors, officers and consultants with a weighted average exercise price of \$0.69 and expiry dates of May 22, 2014 and June 10, 2014. The fair value of these options has been measured using a Black-Scholes option pricing model, with following weighted average assumptions: an expected dividend yield of 0%, an expected stock price volatility of 71%, a risk free interest rate of 1.02% and an expected life of 3 years. The options were all fully vested on the grant dates. The Company recorded stock-based compensation of \$325,752 for these options with the offsetting amount being credited to contributed surplus. The Company also accrued stock-based compensation of \$21,003 with the corresponding offset to contributed surplus for options that were granted in 2007.

6. SEGMENTED INFORMATION

The Company operates in a single reportable operating segment, being exploration and development of mineral properties.

7. RELATED PARTY TRANSACTIONS

During the six months ended June 30, 2009 the Company paid \$99,000 (2008 - \$Nil) to Seabord Services Corp. ("Seabord"), a management company with an officer in common, for office space and administrative services. At June 30, 2009, the Company was indebted to Seabord in the amount \$Nil (2008 - \$Nil). At June 30, 2009, Esperanza had deposits for future services with Seabord amounting to \$10,000 which were included in prepaid expenses. These transactions were in the normal course of operations and are measured at the exchange amount which is the amount established and agreed to by the related parties. All balances due to related parties are included in accounts payable and accrued liabilities.

8. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral properties. Esperanza relies mainly on equity issuances to raise new capital and on entering into joint venture agreements on certain properties which enables it to conserve capital and to reduce risk. In the management of capital, the Company includes the components of shareholders' equity as well as cash. The Company prepares annual estimates of exploration expenditures and monitors actual expenditures compared to the estimates to ensure that there is sufficient capital on hand to meet ongoing obligations. The Company's investment policy is to invest its cash in highly liquid short-term deposits with terms of one year or less and which can be liquidated after thirty days without interest penalty. The Company currently has sufficient capital to fund its exploration programs and to cover its administrative costs for the next twelve months.

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9. MANAGEMENT OF FINANCIAL RISK

The Company's financial instruments are exposed to certain financial risks, which include currency risk, credit risk, liquidity risk and interest rate risk.

(a) Currency Risk

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company operates in Canada, the United States, Mexico and Peru. The Company funds cash calls to its subsidiary companies outside of Canada in US dollars and a portion of its expenditures are also in the other local currencies. The greatest risk is the exchange rate of the Canadian dollar relative to the US dollar and the Mexican peso and a significant change in these rates could have an effect on the Company's results of operations, financial position or cash flows. The Company has not hedged its exposure to currency fluctuations. As at June 30, 2009, the Company is exposed to currency risk through the following assets and liabilities denominated in US dollars and Mexican pesos:

	US\$	Pesos
Cash and cash equivalents	133,255	3,972,529
Receivables	6,500	5,353,411
Accounts payable and accrued liabilities	(13,318)	(4,969)
Net exposure	126,436	9,320,971

Based on the above net exposures as at June 30, 2009 and assuming that all other variables remain constant, a 10% change in the value of the Canadian dollar against the US dollar and Mexican peso would result in an increase / decrease of approximately \$96,200 in the loss from operations. At June 30, 2009, one US dollar equaled \$1.156 Canadian dollars and one Mexican peso equaled \$0.0876 Canadian dollars.

(b) Credit Risk

The Company's cash and cash equivalents are mainly held through large Canadian or US financial institutions and at June 30, 2009 are mainly held in guaranteed investment certificates and accordingly credit risk is minimized. The Company's receivables are mainly VAT receivable from the Mexican government.

(c) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital resources as outlined in note 8.

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9. MANAGEMENT OF FINANCIAL RISK (continued)

(d) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. The Company's cash is held mainly in term deposits and therefore there is currently minimal interest rate risk.

10. CONTINGENCIES AND COMMITMENTS

At June 30, 2009, the Company had a commitment on an office lease in Denver which expires June 30, 2012. The estimated total rent payable on the remaining portion of the lease is US\$211,800.