

ESPERANZA SILVER CORPORATION

(An Exploration-Stage Company)

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

September 30, 2009

The accompanying unaudited interim financial statements of Esperanza Silver Corporation for the nine months ended September 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)

	September 30, 2009	December 31, 2008
ASSETS		
Current		
Cash and cash equivalents	\$ 6,412,871	\$ 8,429,832
Receivables	392,479	1,089,455
Prepaid expenses	25,950	21,578
	<u>6,831,300</u>	<u>9,540,865</u>
Equipment (Note 3)	29,490	77,415
Mineral properties (Note 4)	<u>12,941,123</u>	<u>11,632,343</u>
	<u>\$ 19,801,913</u>	<u>\$ 21,250,623</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 157,240	\$ 189,308
SHAREHOLDERS' EQUITY		
Share capital (Note 5)	34,892,905	34,611,921
Contributed surplus (Note 5)	5,985,090	5,752,140
Deficit	(21,233,322)	(19,302,746)
	<u>19,644,673</u>	<u>21,061,315</u>
	<u>\$ 19,801,913</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 September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
OPERATING EXPENSES:				
Accounting and legal	\$ 37,339	\$ 27,941	\$ 84,142	\$ 93,755
Amortization	5,715	6,690	18,652	18,870
Administration and office	220,639	185,101	741,118	748,149
Directors' fees	21,238	21,514	66,238	56,549
Exploration expenses	131,103	113,348	395,927	240,136
Foreign exchange	79,908	47,294	103,377	(17,666)
Investor relations and shareholder information	64,959	69,226	207,645	304,472
Stock-based compensation (Note 5 (e))	2,813	37,566	349,568	1,027,708
Transfer agent and regulatory fees	11,681	21,772	76,334	78,221
Travel and related costs	17	3,774	13,907	11,436
Loss before other items	(575,412)	(534,226)	(2,056,908)	(2,561,630)
OTHER ITEMS				
Interest income	13,034	79,180	131,448	301,974
Mineral property write-off		(25,000)	(5,116)	(25,000)
	13,034	54,180	126,332	276,974
Loss and comprehensive loss for the period	(562,378)	(480,046)	(1,930,576)	(2,284,656)
Deficit, beginning of period	(20,670,944)	(15,978,111)	(19,302,746)	(14,173,501)
Deficit, end of period	\$ (21,233,322)	\$ (16,458,157)	\$ (21,233,322)	\$ (16,458,157)
Basic and diluted loss per share	\$ (0.01)	\$ (0.01)	\$ (0.04)	\$ (0.05)
Weighted average number of shares outstanding	47,703,591	47,447,256	47,583,077	47,225,033

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 September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
CASH FLOWS FROM (TO)				
OPERATIONS				
Loss for the period	\$ (562,378)	\$ (480,046)	\$ (1,930,576)	\$ (2,284,656)
Items not affecting cash:				
Amortization	5,298	8,175	18,235	24,042
Stock-based compensation	2,813	37,566	349,568	1,027,708
Write-off of mineral properties		25,000	5,116	25,000
Changes in non-cash working capital items:				
Receivables	269,435	(139,156)	696,976	(529,588)
Prepaid expenses	8,771	8,902	(4,372)	3,347
Accounts payable and accrued Liabilities	(52,228)	18,664	(28,383)	(843,899)
	(328,289)	(520,895)	(893,436)	(2,578,046)
INVESTING				
Mineral properties	(500,425)	(844,194)	(1,287,891)	(3,836,829)
Equipment	-	(1,504)	-	(9,794)
	(500,425)	(845,698)	(1,287,891)	(3,846,623)
FINANCING				
Shares issued for cash	164,366	80,000	164,366	325,800
	164,366	80,000	164,366	325,800
Change in cash and cash equivalents in the period	(664,348)	(1,286,593)	(2,016,961)	(6,098,869)
Cash and cash equivalents, beginning of period	7,077,219	10,758,925	8,429,832	15,571,201
Cash and cash equivalents, end of period	\$ 6,412,871	\$ 9,472,332	\$ 6,412,871	\$ 9,472,332
Supplementary information:				
Cash interest received	\$ 223,515	\$ 6,867	\$ 264,409	\$ 230,102
Amortization capitalized to mineral properties	24,482	8,316	25,392	24,778
Shares issued for mineral property (Note 5 (b))	-	10,200	-	56,550

See accompanying notes to the interim consolidated financial statements.

ESPERANZA SILVER CORPORATION

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Notes to the Interim Consolidated Statements

(Unaudited – Prepared by Management)

September 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 reserves 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 nine months ended September 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

	September 30, 2009		December 31, 2008
	Cost	Accumulated Amortization	Net Book Value
Equipment	\$ 188,644	\$ 159,154	\$ 29,490
			\$ 77,415

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4. MINERAL PROPERTIES

The continuity of expenditures on mineral properties is as follows:

	Mexico		Peru				Total Peru	Total
	Cerro Jumil	Guadalupe	Utcucocha	Sante Fe	San Luis	Other		
Balance, December 31, 2008	\$ 10,241,374	\$ -	\$ 207,726	\$ 24,093	\$ 880,566	\$ 278,584	\$ 1,390,969	\$ 11,632,343
Acquisition costs	-	403	107	6,541	-	6	7,057	7,057
Exploration and Development:								
Assays	11,332	1,576	1,768	7,726	-	40	11,110	22,442
Community programs	-	59	8	-	-	2,746	2,813	2,813
Consulting	258,253	2,630	62	1,060	3,364	7,508	14,624	272,877
Contract services	29,330	-	-	304	2,893	4,736	7,933	37,263
Environmental / permitting	60,975	-	-	-	-	6,179	6,179	67,154
Field costs	87,767	1,947	78	386	17,511	3,240	23,162	110,929
Freight	-	-	-	-	-	2,572	2,572	2,572
Office & administrative	-	364	177	10,104	-	994	11,639	11,639
Property tax	20,267	6,234	8,174	-	-	32,734	47,142	67,409
Salaries and benefits	153,752	44,511	19,239	37,036	21,035	64,671	186,492	340,244
PEA	203,921	-	-	-	-	-	-	203,921
Road and access costs	-	-	-	29,767	-	431	30,198	30,198
Travel	15,597	2,520	2,220	3,892	3,623	6,162	18,417	34,014
Vehicles	59,428	757	399	1,828	-	9,492	12,476	71,904
Warehouse rental	31,460	-	-	-	-	-	-	31,460
	932,082	61,001	32,232	98,644	48,426	141,511	381,814	1,313,896
Mineral property write-off						(5,116)	(5,116)	(5,116)
Balance, September 30, 2009	\$ 11,173,456	\$ 61,001	\$ 239,957	\$ 122,737	\$ 928,992	\$ 414,979	\$ 1,767,667	\$ 12,941,123

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Notes to the Interim Consolidated Statements

(Unaudited – Prepared by Management)

September 30, 2009

4. MINERAL PROPERTIES (continued)

	Mexico		Bolivia		Peru					Total
	Cerro Jumil	AT Properties	Atocha	Flor de Loto	Pucarana	San Luis	Utcucocha	Other	Total Peru	
Balance, December 31, 2007	\$ 7,868,012	\$ 367,271	\$ 25,000	\$ 210,301	\$ 154,777	\$ 821,246	\$ 25,010	\$ 94,977	\$ 1,306,311	\$ 9,566,594
Acquisition costs	-	95,707	-	-	-	-	-	-	-	95,707
Exploration and Development										
Assays	236,045	131,818	-	-	-	-	5,231	1,562	6,794	374,657
Community programs	46,118	-	-	7,495	270	-	862	4	8,632	54,750
Drilling	1,103,367	566,452	-	-	-	-	-	-	-	1,669,819
Environmental	36,156	-	-	-	-	-	-	-	-	36,156
Field costs	129,735	61,343	-	14,519	3,959	17,511	710	545	37,244	228,322
Geological Studies	479,376	255,091	-	43,957	49,660	25,825	99,631	19,173	238,246	972,714
Geophysics	-	1,909	-	-	-	-	-	-	-	1,909
Office & administrative	2,015	16,470	-	9,830	8,875	30	14,887	3,641	37,263	55,748
Property tax	24,735	15,396	-	-	-	-	135	-	135	40,266
Road and access costs	53,989	150,060	-	-	-	-	-	-	-	204,049
Travel	40,100	29,514	-	4,298	2,776	10,116	4,650	1,755	23,595	93,209
Vehicles	39,786	23,954	-	13,355	3,683	-	8,921	1,152	27,109	90,851
	2,191,423	1,347,714	-	93,454	69,224	53,482	135,028	27,832	379,020	3,918,157
Mineral property write-off			(25,000)							(25,000)
Balance, September 30, 2008	\$ 10,059,435	\$ 1,714,985	\$ -	\$ 303,755	\$ 224,001	\$ 874,729	\$ 160,037	\$ 122,809	\$ 1,685,331	\$ 13,459,751

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4. MINERAL PROPERTIES (continued)

(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 recommending commercial production 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.

(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 up to US\$750 per ounce. 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 third quarter, Esperanza completed the first phase of trenching and sampling over potential mineral zones. An application for drill permits is now being prepared.

(c) Cerro Jumil, Mexico

The Company announced the results of its preliminary economic assessment on September 8, 2009 and has begun an additional drilling program in the fourth quarter. The Company has signed a drilling

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4. MINERAL PROPERTIES (continued)

contract with a commitment to drill a minimum of 3,000 meters. The cost is estimated to be approximately US\$300,000. The property is 100% owned by the Company subject to a 3% net smelter return royalty.

5. SHARE CAPITAL

(a) Authorized

An unlimited number of common shares without par value

(b) Issued and outstanding

	Number Of Shares	Stated Value	Contributed Surplus
Balance as at December 31, 2008	47,521,821	\$ 34,611,921	\$ 5,752,140
Shares issued for exercise of options	327,700	164,366	-
Reclassify contributed surplus on exercise of options	-	116,618	(116,618)
Stock-based compensation	-	-	349,568
Balance as at September 30, 2009	47,849,521	\$ 34,892,905	\$ 5,985,090

(c) Options

During the nine months ended September 30, 2009, the Company granted 997,500 stock options, 327,700 options were exercised and 1,317,500 stock options were cancelled or expired. As at September 30, 2009, stock options are outstanding enabling the holders to acquire up to 3,535,800 common shares with a weighted average exercise price of \$1.12 per share, as follows:

Grant Date	Number Outstanding	Exercise Price	Number Vested	Expiry Date
14-Jun-05	350,000	0.40	350,000	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
12-Sep-07	200,000	1.91	200,000	12-Sept-12
8-Feb-08	865,500	1.40	890,500	8-Feb-13
27-Feb-08	200,000	1.40	175,000	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	807,300	0.69	807,300	22-May-14
10-Jun-09	187,500	0.70	187,500	10-Jun-14
Balance, September 30, 2009	3,535,800	1.12	3,535,800	

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5. SHARE CAPITAL (continued)

(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.

(e) Stock-based compensation and contributed surplus

During the nine months ended September 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 \$23,816 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 nine months ended September 30, 2009 the Company paid \$144,900 (2008 - \$Nil) to Seabord Services Corp. ("Seabord"), a management company with two officers in common, for office space and administrative services. At September 30, 2009, the Company was indebted to Seabord in the amount \$Nil (2008 - \$Nil). At September 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.

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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 savings accounts or 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.

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 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 September 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	190,165	2,037,280
Receivables	6,500	5,109,522
Accounts payable and accrued liabilities	(45,542)	-
Net exposure	151,123	7,146,801

Based on the above net exposures as at September 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 \$74,000 in the loss from operations. At September 30, 2009, one US dollar equaled \$1.0861 Canadian dollars and one Mexican peso equaled \$0.0802 Canadian dollars.

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9. MANAGEMENT OF FINANCIAL RISK (continued)

(b) Credit Risk

The Company's cash and cash equivalents are mainly held through large Canadian or US financial institutions and at September 30, 2009 are mainly held in savings accounts 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.

(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 September 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\$ 190,000.