

ESPERANZA SILVER CORPORATION

(An Exploration-Stage Company)

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

March 31, 2010

NOTICE TO READER

The accompanying unaudited interim financial statements of Esperanza Silver Corporation for the three months ended March 31, 2010 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)

	March 31, 2010	December 31, 2009
ASSETS		
Current		
Cash and cash equivalents	\$ 9,623,062	\$ 5,584,553
Receivables	308,777	255,987
Prepaid expenses	52,114	17,739
	<u>9,983,953</u>	<u>5,858,279</u>
Equipment (Note 3)	40,319	49,076
Mineral properties (Note 4)	<u>14,093,762</u>	<u>13,363,266</u>
	<u>\$ 24,118,034</u>	<u>\$ 19,270,621</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	<u>\$ 296,024</u>	<u>\$ 260,135</u>
SHAREHOLDERS' EQUITY		
Share capital (Note 5)	38,595,922	34,960,559
Contributed surplus (Note 5)	7,761,522	5,961,586
Deficit	<u>(22,535,434)</u>	<u>(21,911,659)</u>
	<u>23,822,009</u>	<u>19,010,486</u>
	<u>\$ 24,118,034</u>	<u>\$ 19,270,621</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

(An Exploration-Stage Company)

Interim Consolidated Statements of Operations and Deficit

(Unaudited – Prepared by Management)

	Three months ended March 31,	
	2010	2009
OPERATING EXPENSES:		
Accounting and legal	\$ 51,618	\$ 23,269
Amortization	4,453	6,521
Administration and office	231,789	276,109
Directors' fees	21,500	23,500
Exploration expenses	184,197	122,610
Foreign exchange	2,737	29,767
Investor relations and shareholder information	94,464	58,263
Stock-based compensation	-	11,532
Transfer agent and regulatory fees	28,745	16,215
Travel and related costs	15,009	7,795
Loss before other items	(634,512)	(575,581)
OTHER ITEMS		
Interest income	10,737	62,040
	10,737	62,040
Net loss and comprehensive loss for the period	(623,775)	(513,541)
Deficit, beginning of period	(21,911,659)	(19,302,746)
Deficit, end of period	\$ (22,535,434)	\$ (19,816,287)
Basic and diluted loss per share	\$ (0.01)	\$ (0.01)
Weighted average number of shares outstanding	50,062,499	47,521,823

See accompanying notes to the interim consolidated financial statements.

ESPERANZA SILVER CORPORATION

(An Exploration-Stage Company)

Interim Consolidated Statements of Cash Flows

(Unaudited – Prepared by Management)

	Three months ended	
	March 31,	
	2010	2009
CASH FLOWS FROM (TO)		
OPERATIONS		
Net loss for the period	\$ (623,775)	\$ (513,541)
Items not affecting cash:		
Amortization	7,631	6,521
Stock-based compensation	-	11,532
Changes in non-cash working capital items:		
Receivables	(52,790)	483,737
Prepaid expenses	(34,375)	(12,148)
Accounts payable and accrued		
Liabilities	(65,784)	(40,848)
	(769,093)	(64,747)
INVESTING		
Mineral properties	(627,697)	(331,789)
	(627,697)	(331,789)
FINANCING		
Shares issued for cash	5,435,299	-
	5,435,299	-
Change in cash and cash equivalents in the period	4,038,509	(396,536)
Cash and cash equivalents, beginning of period	5,584,553	8,429,832
Cash and cash equivalents, end of period	\$ 9,623,062	\$ 8,033,296
Supplementary information:		
Cash interest received	\$ 10,737	\$ 18,730
Amortization capitalized to mineral properties	1,126	3,660

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)

March 31, 2010

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 three months ended March 31, 2010, are not necessarily indicative of the results that may be expected for the year ending December 31, 2010. 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, 2009. Certain comparative figures have been reclassified to conform to the financial presentation adopted for the current period.

New Accounting Pronouncements

Business Combinations and Related Sections

CICA Handbook Section 1582, "Business Combinations", Section 1601 "Consolidations" and Section 1602, "Non-Controlling Interests", replace Sections 1581, "Business Combinations" and 1600, "Consolidated Financial Statements" respectively and establish a new section for accounting for a non-controlling interest in a subsidiary. 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. Earlier adoption of these sections is permitted as of the beginning of a fiscal year. All three sections must be adopted concurrently. These new sections effectively bring Canadian GAAP into line with IFRS. The Company does not expect to adopt these new CICA Handbook sections prior to January 1, 2011. At that point, the Company will begin reporting its financial results under IFRS and therefore does not expect that these new Handbook sections will have any impact on the Company's financial statements in the interim period.

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Notes to the Interim Consolidated Statements

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March 31, 2010

3. EQUIPMENT

	March 31, 2010		December 31, 2009
	Cost	Accumulated Amortization	Net Book Value
Equipment	\$ 188,644	\$ 148,325	\$ 40,319
			\$ 49,076

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4. MINERAL PROPERTIES

The continuity of expenditures on mineral properties is as follows:

	Mexico	Peru					Total Peru	Total
	Cerro Jumil	Pucarana	Sante Fe	San Luis	Sayrirosa	Other		
Balance, December 31, 2009	\$ 11,593,557	\$ 343,382	\$ 127,252	\$ 912,755	\$ 11,660	\$ 374,659	\$ 1,769,709	\$ 13,363,266
Acquisition costs	-	-	-	-	-	289	289	289
Exploration and Development:								
Assays	105,996	-	118	-	2,015	315	2,448	108,444
Community programs	-	2,381	-	-	-	-	2,381	2,381
Consulting	70,947	-	22	-	-	-	22	70,969
Drilling	294,641	-	-	-	-	-	-	294,641
Environmental / permitting	8,150	-	-	-	-	-	-	8,150
Field costs	36,437	150	93	-	6	-	249	36,686
Office & administrative	-	362	-	-	-	-	362	362
Property tax	20,178	2,337	-	-	1,724	-	4,061	24,239
Salaries and benefits	77,068	14,265	11,216	2,625	2,164	2,936	33,206	110,274
PEA	404	-	-	-	-	-	-	404
Road and access costs	43,396	-	-	-	-	-	-	43,396
Travel	6,089	1,149	225	1,162	5	1	2,542	8,631
Vehicles	18,969	2,486	175	-	-	-	2,661	21,630
	682,275	23,130	11,849	3,787	5,914	3,541	48,221	730,496
Balance, March 31, 2010	\$ 12,275,832	\$ 366,512	\$ 139,101	\$ 916,542	\$ 17,574	\$ 378,201	\$ 1,817,930	\$ 14,093,762

ESPERANZA SILVER CORPORATION

(An Exploration-Stage Company)

Notes to the Interim Consolidated Statements

(Unaudited – Prepared by Management)

March 31, 2010

4. MINERAL PROPERTIES (continued)

	Mexico		Peru				Total Peru	Total
	Cerro Jumil	Guadalupe	Pucarana	Sante Fe	San Luis	Other		
Balance, December 31, 2008	\$ 10,241,374	\$ -	\$ 226,819	\$ 24,093	\$ 868,820	\$ 259,490	\$ 1,379,222	\$ 11,620,596
Acquisition costs	-	399	-	532	-	-	931	931
Exploration and Development:								
Assays	11,332	1,061	-	944	-	1,641	3,646	14,978
Consulting	102,495	517	42	57	3,364	-	3,980	106,475
Environmental / permitting	21,922	-	-	-	-	-	-	21,922
Field costs	36,698	656	-	-	755	56	1,467	38,165
Office & administrative	-	175	-	9,433	-	327	9,935	9,935
Property tax	9,609	6,172	3,079	-	-	-	9,251	18,860
Salaries and benefits	61,654	19,443	1,965	4,351	12,868	13,915	52,542	114,196
Road and access costs	-	-	431	-	-	-	431	431
Travel	6,677	747	-	17	3,623	1,070	5,457	12,134
Vehicles	26,135	203	-	-	-	160	363	26,498
	276,522	29,373	5,517	15,334	20,610	17,169	88,003	364,525
Balance, March 31, 2009	\$ 10,517,896	\$ 29,373	\$ 232,336	\$ 39,427	\$ 889,430	\$ 276,659	\$ 1,467,225	\$ 11,985,121

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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 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% by funding all activities required to complete a feasibility study recommending commercial production and it may further increase its ownership to 80% by funding all development activities necessary to place the property into production. Silver Standard is currently in the process of preparing a feasibility study (refer to Note 11).

(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.

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4. MINERAL PROPERTIES (continued)

(c) Cerro Jumil, Mexico

The Company began an additional drilling program on the property in the fourth quarter of 2009 and had a commitment with a drilling company to drill 3,000 meters. The Company has now completed that drilling commitment. 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, 2009	47,934,521	\$ 34,960,559	\$ 5,961,586
Shares issued on private placements	4,500,000	3,706,250	1,918,750
Less: share issuance costs	-	(166,720)	(85,886)
Shares issued for exercise of options	114,500	62,905	-
Reclassify contributed surplus on exercise of options	-	32,928	(32,928)
Balance as at March 31, 2010	52,549,021	\$ 38,595,922	\$ 7,761,522

On February 16, 2010, the Company completed a private placement of 4,000,000 units at a price of \$1.25 per unit for gross proceeds of \$5,000,000. Each unit consists of one common share ("Share") and one non-transferable common share purchase warrant ("Warrant") to purchase another share for \$1.75 which expires on February 16, 2012. If, after the expiry of all Canadian resale restrictions, the closing price of Esperanza's common shares on the TSX Venture Exchange is \$2.20 or greater for a period of 20 consecutive days, the Company may accelerate the expiry of the Warrants, to 21 trading days after giving notice thereof. All Shares, Warrants and any Shares issued upon exercise of the Warrants, are subject to a regulatory hold period expiring on June 17, 2010. Finder's fees were payable in cash to Haywood Securities Inc. (\$22,981), Global Resource Investments Inc. (\$193,750) and Lincoln Peck Financial Inc. (\$6,250) in consideration of their efforts in locating investors. On March 4, 2010, the Company completed a second private placement of 500,000 units with the same terms as the first private placement, for total proceeds of \$625,000. The 500,000 non-transferable common share purchase warrants issued as part of this private placement expire on March 4, 2012.

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5. SHARE CAPITAL (continued)

(c) Options

As at March 31, 2010, there were stock options outstanding enabling the holders to acquire up to 3,332,300 common shares with a weighted average exercise price of \$1.16 per share, as follows:

Grant Date	Number Outstanding	Exercise Price	Number Vested	Expiry Date
14-Jun-05	250,000	0.40	250,000	14-Jun-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	861,500	1.40	861,500	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	720,300	0.69	720,300	22-May-14
10-Jun-09	180,000	0.70	180,000	10-Jun-14
Balance, March 31, 2010	3,332,300	1.16	3,332,300	

(d) Share Purchase Warrants

As at March 31, 2010 there were 4,000,000 common share purchase warrants outstanding with an exercise price of \$1.75 per share which expire on February 16, 2012 and 500,000 common share purchase warrants with an exercise price of \$1.75 per share which expire on March 4, 2012.

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 three months ended March 31, 2010 the Company paid \$49,200 (2009 - \$49,500) to Seabord Services Corp. ("Seabord"), a management company with two officers in common, for administrative services which include: a chief financial officer, a corporate secretary, accounting staff and office space. At March 31, 2010, the Company was indebted to Seabord in the amount \$ 2,310 (2009 - \$Nil). At March 31, 2010, Esperanza had a deposit for future services with Seabord amounting to \$10,000 which was 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 and administrative 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 local currencies. The risk is that there could be a significant change in the exchange rate of the Canadian dollar relative to the US dollar, the Mexican peso and the Peruvian sole. A significant change in these rates could have an adverse 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 March 31, 2010, the Company is exposed to currency risk through the following assets and liabilities denominated in US dollars and Mexican pesos and Peruvian soles:

	US\$	Mexican Pesos	Peruvian Soles
Cash and cash equivalents	376,600	93,500	7,000
Receivables	6,500	3,184,500	377,600
Accounts payable and accrued liabilities	176,700	3,298	121,300
Net exposure	206,400	3,274,700	263,300

Canadian dollar equivalent	210,400	269,000	95,600
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ESPERANZA SILVER CORPORATION

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Notes to the Interim Consolidated Statements

(Unaudited – Prepared by Management)

March 31, 2010

9. MANAGEMENT OF FINANCIAL RISK (continued)

Based on the above net exposures as at March 31, 2010 and assuming that all other variables remain constant, a 10% change in the value of the Canadian dollar against the above foreign currencies would result in an increase / decrease of approximately \$ 57,500 the loss from operations.

(b) Credit Risk

The Company's cash and cash equivalents are mainly held through large Canadian or US financial institutions and at March 31, 2010 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 March 31, 2010, 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\$ 157,800. Of this amount, US\$51,700 is due in 2010, US\$67,900 is due in 2011 and US\$38,200 is due in 2012.

11. SUBSEQUENT EVENT

On May 10, 2010 Silver Standard reported that its board of directors had approved the San Luis Feasibility Study for submission to the San Luis joint venture. The joint venture will meet to consider and approve the Feasibility Study in no sooner than three months and no later than six months. Providing that the Feasibility Study is satisfactory and all contractual requirements are met, Esperanza's interest in the project would decrease from 45% to 30%. The Company is currently reviewing the study.