

ESPERANZA SILVER CORPORATION
(An Exploration-Stage Company)

Management's Discussion and Analysis

Year Ended December 31, 2008

This discussion and analysis of financial position and results of operations is prepared as at April 9, 2009 and should be read in conjunction with the audited consolidated financial statements of Esperanza Silver Corporation (the "Company" or "Esperanza") for the years ended December 31, 2008 and 2007 and the related notes thereto. Those consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. These documents and other information relevant to the Company's activities are available for viewing on SEDAR at www.sedar.com. All dollar amounts included therein and in the following management discussion and analysis ("MD&A") are in Canadian dollars except where noted.

This discussion contains forward-looking statements that involve risks and uncertainties. Such information, although considered to be reasonable by the Company's management at the time of preparation, may prove to be inaccurate and actual results may differ materially from those anticipated in the statements made.

Description of Business

Esperanza Silver Corp. is dedicated to the development of its two advanced-stage projects: Cerro Jumil and San Luis. It has entered into a joint-venture concerning its San Luis project in Peru and continues to hold 100% of the Cerro Jumil project in Mexico. This allows Esperanza to most effectively deploy its human and financial capital to further the project's development. Additionally the Company continues to identify and explore new precious metal projects in Mexico and Peru. Additional information is available at the Company's website at www.esperanzasilver.com.

Cerro Jumil, Mexico

The Company completed an initial resource estimate on the Cerro Jumil property which includes 642,000 gold-equivalent ounces in the measured and indicated categories and a further 442,000 gold equivalent ounces in the inferred category. The Company filed an NI 43-101 Technical Report on Cerro Jumil dated September 30, 2008 and issued a news release on October 1, 2008. Both of these documents are available for viewing on SEDAR at www.sedar.com. The deposit currently contains three contiguous zones – Southeast, Las Calabazas and West. The latter two may be extended by future drilling. Gold is found in all three areas while silver is concentrated in the West and Las Calabazas zones.

A Preliminary Economic Assessment is now being conducted for the property. Metallurgical testing of bulk-sample material is ongoing. Previous metallurgical testing has confirmed the amenability of Cerro Jumil gold mineralization to both conventional and heap-leach processing with recovery rates of up to 95% and 73% respectively. The new work will focus on the initial flow sheet development and optimization of various processing alternatives. Additionally preliminary mine design and scheduling is being investigated. Estimates of both operating and capital costs at a level of detail sufficient for the Preliminary Economic Assessment will also be conducted.

The Company has submitted a permit application for an infill drilling campaign designed to test a newly identified target immediately west of the Las Calabazas area, as well as the northern extension of the West Zone where high grade silver has been discovered.

Dean Turner, P. Geo., a Qualified Person as defined by National Instrument 43-101 and an independent consulting geologist, is responsible for the Cerro Jumil mineral resource estimate.

San Luis Project, Peru

The property is currently held 55% by Silver Standard Resources Inc. (“Silver Standard”) and 45% by the Company. On March 26, 2007, Silver Standard elected to exercise its option to earn up to 70% of the San Luis project in Peru by funding all activities necessary to complete a feasibility study. Silver Standard also became the operator of the project. Upon acceptance of a feasibility study recommending commercial production Silver Standard will have the option to increase its share to 80% by funding all pre-production capital.

The Company has been informed by Silver Standard Resources Inc. that a feasibility study is now underway and results are expected before the end of the first half of 2009.

On December 2, 2008, the Company issued a news release disclosing that the revised resource estimate for San Luis was 485,400 gold equivalent ounces. The news release and an NI 43-101 Technical Report on San Luis dated January 9, 2009 are available for viewing on SEDAR at www.sedar.com.

The mineral resource estimate was prepared by independent qualified persons Michael Lechner of Resource Modeling, Inc. and Donald Earnest of Resource Evaluation, Inc.

AT Properties, Mexico

On August 20, 2007 the Company announced the acquisition of seven exploration properties in northern Mexico known collectively as the AT properties. Under the terms of the agreement Esperanza paid US\$30,000 and issued 20,000 common shares upon the signing of the definitive agreement for a four-year purchase option of the seven properties and paid a further US\$60,000 and issued an additional 65,000 shares as a result of starting drilling on six of the properties. Esperanza was committed to drill a minimum of 1,200 meters per property during the first 12 months.

In October, 2008, the Company terminated the option agreements with Exploraciones del Altiplano S.A. de C.V. and Compana Minera Terciario S.A. de C.V., on the seven AT Properties in Mexico. The Company wrote-off the accumulated capitalized costs for these properties in the fourth quarter of 2008 which amounted to \$1,814,649.

Flor de Loto Project, Peru

During 2008 no physical work has been conducted on the property. In December 2008, the Company decided to abandon the property and has no further obligations under the option agreement.

Pucarana, Peru

On March 5, 2007 the Company announced it had reached an agreement on the Pucarana, Peru mineral property with Canadian Shield Resources Inc. Pursuant to the agreement, Esperanza has an option to earn

a 51% interest by expending US\$650,000 over a two year period commencing upon receipt of drill permits, with a commitment to fund US\$200,000 in exploration expenditures in the first year. Esperanza also has the option to earn a subsequent 9% interest (for a total of 60%) by making additional exploration expenditures of US\$650,000 over a two year period. A cash payment of US\$30,000 was paid on signing of a definitive agreement and a second payment of US\$50,000 is due if Esperanza elects to exercise the right to earn the additional 9% interest. The expenditure commitments are contingent upon Esperanza receiving a drill permit. To date the Company has not received a drill permit and as a result the timing of exploration expenditures and cash payment commitments cannot be determined.

During 2007 and 2008 the Company initiated its exploration activities, identifying target areas for subsequent trenching and drilling and completed social baseline and hydrogeology studies. The Company is still negotiating an exploration agreement with the local community and has prepared an application for drilling permits.

Atocha Property, Bolivia

On December 23, 2003, the Company acquired a 100% indirect interest in the Atocha Project concessions, comprising approximately 7,250 hectares located in West Central Bolivia. During the year ended December 31, 2005 the Company wrote-down the carrying value of the Atocha property to \$25,000. The Company determined that it will not conduct any further exploration on this property and wrote-off the balance of capitalized costs in the quarter ended September 30, 2008.

Exploration Expenditures

In the year ended December 31, 2008, Esperanza capitalized the following expenditures on its exploration properties in Mexico and Peru:

MEXICO

	AT					Total
	Cerro Jumil	Properties	Fortuna	Galindo	Sabinal	
Acquisition costs	\$ -	\$ 95,706	\$ -	\$ -	\$ -	\$ 95,706
Assays	242,694	131,817	-	21,445	1,287	397,243
Community programs	46,118	-	-	-	-	46,118
Drilling	1,103,367	566,449	-	-	-	1,669,816
Environmental	54,851	-	-	-	-	54,851
Field costs	167,094	61,582	-	99	95	228,870
Geological studies	608,048	245,754	5,854	17,450	24,373	901,479
Geophysics	-	1,909	-	-	-	1,909
Office & administrative	1,666	16,150	-	94	3	17,913
Property tax	24,759	15,397	-	-	-	40,156
Road and access costs	53,989	150,004	-	-	-	203,993
Travel	46,094	27,338	-	3,909	6,133	83,474
Vehicles	55,258	23,954	-	-	-	79,212
Total 2008 Costs	\$ 2,403,938	\$ 1,336,060	\$ 5,854	\$ 42,997	\$ 31,891	\$ 3,820,740

PERU

	Flor De Lotto	Pucarana	San Luis	Utcucocha	Other	Total
Assays	\$ -	\$ -	\$ -	\$ 11,262	\$ 3,558	\$ 14,820
Community programs	7,692	271	-	861	4	8,828
Field costs	15,884	5,320	23,349	1,026	1,715	47,294
Geological studies	45,374	50,443	25,825	132,928	50,738	305,308
Office & administrative	10,046	8,922	30	17,843	7,031	43,872
Property tax	-	-	-	135	-	135
Travel	4,768	3,227	10,116	6,938	3,425	28,474
Vehicles	13,709	3,859	-	11,721	3,308	32,597
Total 2008 Costs	\$ 97,473	\$ 72,042	\$ 59,320	\$ 182,714	\$ 69,779	\$ 481,328

In the year ended December 31, 2007, Esperanza capitalized the following expenditures on its exploration properties in Mexico and Peru:

MEXICO

	Cerro Julim	AT Properties	Total
Acquisition costs	\$ 32,800	\$ 94,960	\$ 127,760
Assays	213,085	44,626	257,711
Communications	25,048	-	25,048
Drilling	2,200,860	105,641	2,306,501
Field costs	227,685	2,848	230,533
Geological studies	688,987	48,856	737,843
Geophysics	4,569	995	5,564
Office & administrative	58,126	33,404	91,530
Property tax	29,345	16,816	46,161
Roads and access	161,683	10,888	172,571
Travel	98,772	7,281	106,053
Vehicles	98,052	1,099	99,151
Total 2007 Costs	\$ 3,839,012	\$ 367,414	\$ 4,206,426

PERU

	Flor de Loto	Pucarana	San Luis	Utcucocha	Other	Total
Acquisition costs	\$ 5,616	\$ 33,195	\$ -	\$ 4,714	\$ -	\$ 43,525
Assays	657	308	60,953	792	8,850	71,560
Communications	14	4	6,419	2	1	6,440
Drilling	-	-	875,916	-	-	875,916
Field costs	436	19,135	91,987	918	2,348	114,824
Geological studies	34,019	82,471	198,790	13,260	58,514	387,054
Office & administrative	12,814	617	33,972	2,669	14,094	64,166
Property tax	13,038	-	-	113	196	13,347
Site supervision	-	-	47,808	-	-	47,808
Travel	2,136	11,231	37,290	1,896	7,726	60,279
Vehicles	3,244	7,816	102,591	646	3,246	117,543
Total 2007 Costs	71,974	154,777	1,455,726	25,010	94,975	1,802,462
Recoveries	-	-	(1,290,410)	-	-	(1,290,410)
Net 2007 Costs	\$ 71,974	\$ 154,777	\$ 165,316	\$ 25,010	\$ 94,975	\$ 512,052

Results of Operations**Year Ended December 31, 2008**

The Company recorded a loss of \$5,129,245 for the year ended December 31, 2008 (2007 - \$2,839,379). The loss was much higher than in the prior year due to the write-off of capitalized mineral properties in the amount of \$2,236,319. There were a number of other offsetting variances. Higher expenses for consulting fees, directors' fees, investor relations and office and sundry were substantially offset by lower costs for stock-based compensation, foreign exchange and transfer agent and regulatory fees. At year-end the Company wrote off mineral property costs of \$1,814,649 in Mexico, \$396,670 in Peru and \$25,000 in Bolivia, whereas there were no write-offs in the prior year. Consulting fees were higher in 2008 mainly due to the higher US exchange rate in the last half of the year compared to 2007. Most of the consulting fees are denominated in US dollars. The Company began paying directors' fees in 2008 and therefore there were no comparable expenses in 2007. Investor relations expenses were higher in 2008 because the Company increased its level of investor relations activities. Office costs have increased over 2007 because the new Denver office has been operating for all of 2008 compared to operating for only one quarter in 2007. Stock-based compensation costs were lower in 2008 because a lower amount of options were granted during the year and they were granted at significantly lower prices than in 2007 which reduced the value per option. Foreign exchange was lower in 2008 due to the strengthening of the US dollar against the Canadian dollar during the year. The Company's operations are funded in US dollars. Transfer agent and regulatory fees were lower in 2008 because there was no private placement, as there was in 2007 and because TSX Venture exchanges annual fees were lower in 2008 due to the Company's lower stock price.

Three Months Ended December 31, 2008

The Company recorded a loss of \$2,844,589 for the three months ended December 31, 2008 (2007 - \$484,024). The increase in the loss was due to mineral property write-offs, higher exploration expense

and lower interest income partially offset by lower stock-based compensation. The Company wrote off capitalized mineral property expenditures for all of the properties it held in Mexico except for Cerro Jumil and also wrote off capitalized exploration costs on five properties in Peru. There were no mineral property write-offs in 2007. Exploration expense was higher in the quarter ended December 31, 2008 because the Company was conducting a higher level of mineral property examinations in 2008 than in 2007. Stock-based compensation was lower because the Company's stock price was much lower at December 31, 2008 than at the same date in the prior year. The lower stock price resulted in significantly lower accruals for stock-based compensation in 2008 than for 2007. Interest income was lower in the quarter ended December 31, 2008 compared to the prior year due to the lower amount of cash available to invest.

Liquidity and Capital Resources

The Company started 2008 with working capital of \$15,037,240 and had working capital of \$9,351,557 at December 31, 2008. The decrease in working capital of \$5,685,683 was due mainly to the investment in mineral properties of approximately \$5,048,000 and the loss from operations, partially offset by cash received on the exercise of stock options. Most of the expenditures on mineral properties were incurred completing a drilling program and field work on the Cerro Jumil property in Mexico and field work done on the AT Properties in Mexico. Working capital includes a receivable from the Mexican government for value added tax in the amount of \$975,000. The Company is in the process of filing claims for this outstanding balance and expects that the full amount will be recoverable. Esperanza is dependent on raising funds through the issuance of shares and attracting joint venture partners in order to finance further property acquisitions and to explore and develop its mineral properties. Esperanza currently has sufficient working capital to fund its exploration and administrative expenditures for the next twelve months.

Off-Balance Sheet Arrangements

There are no off-balance sheet arrangements or obligations that are not disclosed in the financial statements.

Quarterly Information

	2008	2008	2008	2008
Quarter Ended	Dec. 31	Sept. 30	Jun. 30	Mar. 31
Operating expenditures	\$ 703,980	\$ 534,226	\$ 481,479	\$1,545,925
Loss for the period	(2,844,589)	(480,046)	(396,045)	(1,408,565)
Loss per share (basic and diluted)	(0.06)	(0.01)	(0.01)	(0.03)

	2007	2007	2007	2007
Quarter Ended	Dec. 31	Sept. 30	Jun. 30	Mar. 31
Operating expenditures	\$ 659,475	\$ 760,409	\$1,303,518	\$ 768,421
Loss for the period	(484,024)	(573,778)	(1,102,944)	(678,633)
Loss per share (basic and diluted)	(0.01)	(0.01)	(0.02)	(0.02)

2008

For the quarter ended December 31, 2008, operating expenditures were higher than in the prior quarter due to higher exploration expenses as a result of allocating more resources to finding new properties as opposed to working on projects already owned or under option agreements. The loss for the quarter ended December 31, 2008 was much higher than in the prior quarter because Esperanza wrote off a significant amount of capitalized mineral property costs in Mexico and Peru whereas in the prior quarter there was only a minor write-off pertaining to the Atocha property.

For the quarter ended September 30, 2008, operating expenditures were higher than in the prior quarter due to: an unfavourable foreign exchange variance and higher exploration expenses partially offset by lower investor relations and lower stock-based compensation costs. The unfavourable exchange variance was mainly due to the weakening of the Mexican peso against the Canadian dollar in the quarter, whereas the peso strengthened against the Canadian dollar in the prior quarter. Exploration expenses were higher than in the prior quarter due to an increase in regional exploration in Peru. Investor relations costs were lower in the current quarter due to attending fewer trade shows. Lower stock-based compensation costs in the current quarter were the result of the Company's lower share price which reduced the values generated by the Black-Scholes option pricing model.

For the quarter ended June 30, 2008, operating expenditures were significantly lower than in the prior quarter due to: lower stock-based compensation, consulting and investor relations costs and a favourable foreign exchange variance. Stock-based compensation was lower because there were no grants in the current quarter whereas there were 1,100,500 options granted in the previous quarter. Consulting costs were lower because bonuses were awarded in the prior quarter and none in the current quarter. Investor relations costs were lower mainly due to the seasonality of trade shows. The favourable foreign exchange variance was due to the strengthening of the Mexican peso against the Canadian dollar in the current quarter.

In the first quarter of 2008 operating expenditures increased significantly over the prior quarter due to higher costs for stock-based compensation, consulting fees and investor relations. Stock-based

compensation was higher due to the granting of over one million stock options that were fully vested compared to the prior quarter when no options were granted and there were only accruals for previously granted stock options. Consulting fees were higher than in the prior quarter due to additional consultants being hired and due to bonus payments. Investor relations costs were higher due to higher activity at trade shows and due to increased use of other media for investor relations compared to the prior quarter.

2007

For the quarter ended December 31, 2007, operating costs were lower than for the prior quarter due to lower stock-based compensation expense. The loss for the period was lower than the prior quarter for the same reason.

Operating expenditures were lower in the third quarter than in the second quarter of 2007 due to lower stock-based compensation expense, property examination costs and a lower foreign exchange loss. Property examination costs were lower as a result of lower activity as several new properties were acquired. The foreign exchange loss was higher in the second quarter because the US dollar weakened by 10 cents against the Canadian dollar compared to only 5 cents in the third quarter.

In the second quarter of 2007 both operating expenses and the loss were higher than in the prior quarter due to increased stock-based compensation.

Selected Annual Financial Information

	December 31, 2008	December 31, 2007	December 31, 2006
Operating Expenses	\$ 3,265,610	\$ 3,491,824	\$ 1,727,889
Net Loss	(5,129,245)	(2,839,379)	(1,572,623)
Loss per Share – Basis and Diluted	(0.11)	(0.06)	(0.04)
Capitalized Minerals Property Costs	5,048,383	3,859,162	2,617,592
Total Assets	21,250,623	25,817,957	10,209,823

Cash Flows (Used In):

Operating	\$ (2,408,992)	\$ (720,945)	\$ (1,735,607)
Investing	(5,058,177)	(3,974,597)	(2,643,991)
Financing	325,800	16,174,455	4,990,872
Net Increase (Decrease) in Cash	\$ (7,141,369)	\$ 11,478,913	\$ 611,274

In 2008 Esperanza had lower operating expenses due to lower stock-based compensation and a favourable variance on foreign exchange. Stock-based compensation was lower than in 2007 mainly because the value per option was significantly lower because the weighted average exercise price declined from \$3.27 in 2007 to \$1.34 in 2008. The foreign exchange variance was favourable because the Company invested about \$3.9 million in mineral properties in 2007 and during 2007 the US dollar weakened significantly against the Canadian dollar and Esperanza incurred a significant loss on translation of the accounts of its Mexican subsidiary as a result. These favourable variances were partially offset by higher office and rent costs as a result of moving the Denver personnel into better office space. The Company also began paying directors' fees in 2008 which partially offset the lower costs for stock-base compensation and foreign exchange. The net loss in 2008 was higher than for 2007 as a result of writing off a number of properties in Mexico and Peru and due to lower interest income because there was less cash to invest than in the prior year.

Cash used in operations in 2008 was well above 2007 because the IVA receivable in Mexico increased significantly and the Company used working capital to reduce the accounts payable balance during the year whereas in 2007 Esperanza collected on amounts due from its JV partner and reduced the cash outflow as a result of increasing accounts payable during the year. In addition the Company generated less interest on invested cash in 2008 than in 2007. Investing activity was higher in 2008 because in 2007 the Company received a significant cash contribution for development activities from its joint venture partner in Peru. In 2008, Esperanza was incurring the bulk of its development costs in Mexico and there was no contribution during the year from a joint venture partner. Cash from financing activities was much lower in 2008 because the Company did not do a private placement compared to 2007 when the Company raised over \$16 million from a private placement and the exercise of warrants.

In 2007, Esperanza incurred significantly higher operating expenses than in 2006 due to higher costs for: stock-based compensation, exploration expenses, consulting fees, investor relations and a higher foreign exchange loss. The net loss for 2007 was higher than the loss for 2006 for the same reasons except that the higher operating expenses were partially offset by increased interest income due to interest earned on much higher balances of cash and cash equivalents on hand as a result of the February, 2007 private placement. Capitalized mineral property costs were higher than in 2006 due to a significant drilling program on the Cerro Jumil property. Total assets were much higher in 2007 due to the February private placement plus cash proceeds from the exercise of a significant amount of warrants and stock options during the year.

New Accounting Policies

Capital Disclosures

The Company has adopted CICA Handbook Section 1535, Capital Disclosures, which establishes standards for disclosing information about the Company's capital and how it is managed. Under this standard the Company must disclose the following, based on the information provided internally to the Company's key management personnel:

- (a) qualitative information about its objectives, policies and processes for managing capital;
- (b) summary quantitative data about what it manages as capital;
- (c) whether during the period it complied with any externally imposed capital requirement to which it is subject;
- (d) when the company has not complied with such externally imposed capital requirements, the consequences of such non-compliance.

Financial Instruments Disclosures

CICA Handbook Section 3862, Financial Instruments – Disclosures, requires entities to provide disclosure of quantitative and qualitative information in their financial statements that enable users to evaluate (a) the significance of financial instruments for the company's financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the company is exposed during the period and at the balance sheet date, and management's objectives, policies and procedures for managing such risks.

The Company will be required to disclose the measurement basis or bases used, and the criteria used to determine classification for different types of instruments. The Section requires specific disclosures to be made, including the criteria for:

- (a) designating financial assets and liabilities as held for trading;
- (b) designating financial assets as available-for-sale; and
- (c) determining when impairment is recorded against the related financial asset or when an allowance account is used.

General Standards on Financial Statements

CICA Handbook Section 1400, General Standards on Financial Statements Presentation, has been amended to include requirements to assess and disclose a company's ability to continue as a going concern.

Recent Accounting Pronouncements

Convergence with International Financial Reporting Standards

A Decision of the CICA Accounting Standards Board (the "AcSB") will require the Company to report under International Financial Reporting Standards in fiscal 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. The Company has completed a scoping study which identifies the mandatory and optional exemptions from retrospective application of IFRS accounting policies and provides a comparison of the Company's current accounting policies with those prescribed under IFRS. The Company is reviewing and assessing this information but has not determined the impact on the consolidated financial statements at this time.

Risks and Uncertainties

The business of mineral deposit exploration and extraction involves a high degree of risk. Few properties that are explored ultimately become producing mines. At present, none of the Company's properties has a known commercial ore deposit. The main operating risks include: securing adequate funding to maintain and advance exploration properties; ensuring ownership of and access to mineral properties by confirmation that claims and leases are in good standing and obtaining permits for drilling and other exploration activities.

The market prices for silver, gold and other metals can be volatile and there is no assurance that a profitable market will exist for a production decision to be made or for the ultimate sale of the metals even if commercial quantities of precious and other metals are discovered.

Esperanza is currently earning an interest in certain of its properties through option agreements and acquisition of title to the properties is only completed when the option conditions have been met. These conditions generally include making property payments, incurring exploration expenditures on the properties and can include the satisfactory completion of pre-feasibility studies. If the Company does not satisfactorily complete these option conditions in the time frame laid out in the option agreements, the Company's title to the related property will not vest and the Company will have to write-off the previously capitalized costs related to that property.

The Company is operating in countries that currently have varied political environments. Changing political situations may affect the manner in which the Company operates. The Company's equity financings are sourced in Canadian dollars but for the most part it incurs its expenditures in local currencies or in US dollars. At this time there are no currency hedges in place. Some work is carried out

through independent consultants and the Company requires that all consultants carry their own insurance to cover any potential liabilities as a result of their work on a project.

Outstanding Share Data

As at April 9, 2009 there were 47,521,821 common shares issued and outstanding. There were also 4,183,500 stock options outstanding with exercise prices ranging between \$0.40 and \$3.70 per share. Of the options outstanding 3,789,332 have vested.