

**ESPERANZA SILVER CORPORATION**  
**(An Exploration-Stage Company)**

**Management's Discussion and Analysis**

**Three Months Ended March 31, 2009**

This discussion and analysis of financial position and results of operations is prepared as at May 13, 2009 and should be read in conjunction with the interim consolidated financial statements of Esperanza Silver Corporation (the "Company" or "Esperanza") for the three months ended March 31, 2009 and the related notes thereto. Those interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial statements and as result, do not contain all disclosure required under generally accepted accounting principles for annual financial statements. Therefore readers may want to refer to the Company's December 31, 2008 and 2007 annual audited consolidated financial statements and the accompanying notes. These documents and other information with respect to the Company's activities are available for viewing on SEDAR at [www.sedar.com](http://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](http://www.esperanzasilver.com).

### **Cerro Jumil, Mexico**

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. Drilling is anticipated to begin in the third quarter of 2009. On May 11, 2009, the Company announced that it has begun a preliminary economic assessment study of its Cerro Jumil property. Study results are anticipated by the third quarter of 2009.

### **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.

### **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. There has been a minimal amount of work done on the property in the current quarter.

### **Exploration Expenditures**

In the three months ended March 31, 2009, Esperanza capitalized the following expenditures on its exploration properties in Mexico and Peru:

#### **MEXICO**

	<b>Cerro Jumil</b>
Assays	\$ 11,332
Consulting	102,495
Environmental / permitting	21,922
Field costs	36,698
Property tax	9,609
Salaries and benefits	61,654
Travel	6,677
Vehicles	26,135
	\$ 276,522

**PERU**

	<b>Guadalupe</b>	<b>Utcucocha</b>	<b>Sante Fe</b>	<b>San Luis</b>	<b>Other</b>	<b>Total</b>
Acquisition costs	\$ 399	\$ -	\$ 532	\$ -	\$ -	\$ 931
Assays	1,061	1,641	944	-	42	3,646
Consulting	517	-	57	3,364	-	3,980
Field costs	656	56	-	6,592	-	7,304
Office & administrative	175	-	9,433	-	327	9,935
Property tax	6,172	-	-	-	3,079	9,251
Salaries and benefits	19,443	10,223	4,351	12,868	5,657	52,542
Road and access costs	-	-	-	-	431	431
Travel	747	1,070	17	3,623	-	5,457
Vehicles	203	160	-	-	-	363
<b>Total 2009 Costs</b>	<b>\$ 29,373</b>	<b>\$ 13,150</b>	<b>\$ 15,334</b>	<b>\$ 26,447</b>	<b>\$ 9,536</b>	<b>\$ 93,840</b>

In the three months ended March 31, 2008, Esperanza capitalized the following expenditures on its exploration properties in Mexico and Peru:

**MEXICO**

	<b>Cerro Jumil</b>	<b>AT Properties</b>	<b>Total</b>
Acquisition costs	\$ -	\$ 44,762	\$ 44,762
Assays	149,252	32,717	181,969
Community programs	14,088	-	14,088
Drilling	296,460	207,156	503,616
Field costs	38,068	15,146	53,214
Consulting and salaries	67,975	55,108	123,083
Geophysics	-	1,909	1,909
Office & administrative	100,393	26,633	126,284
Property tax	5,274	15,397	20,671
Roads and access	40,145	66,525	106,670
Travel	6,840	10,096	16,936
Vehicles	16,623	6,616	23,239
	<b>\$ 735,120</b>	<b>\$ 482,063</b>	<b>\$ 4,206,426</b>

## PERU

	<b>Flor de</b>					
	<b>Loto</b>	<b>Pucarana</b>	<b>San Luis</b>	<b>Utcucocha</b>	<b>Other</b>	<b>Total</b>
Assays	\$ -	\$ -	\$ -	\$ 1,979	\$ 412	\$ 2,391
Community programs	53	182	-	-	-	235
Field costs	1,836	1,305	5,837	-	35	9,013
Consulting and salaries	11,945	44,093	10,844	27,209	5,710	99,801
Office Administrative	2,702	-	-	4,567	2,765	10,034
Property tax	-	-	-	136	-	136
Travel	516	1,923	(925)	701	-	2,215
Vehicles	1,113	2,423	-	1,940	-	5,476
	\$ 18,165	\$ 49,926	\$ 15,756	\$ 36,532	\$ 8,922	\$ 129,301

## Results of Operations

### Three Months Ended March 31, 2009

The Company recorded a loss of \$513,541 for the three months ended March 31, 2009 (2008 – \$1,408,565). The decrease in the loss was due to much lower stock-based compensation, lower administration costs and lower investor relations costs partially offset by higher exploration costs and lower interest income. Stock-based compensation was lower because no new options were granted in 2009. Administration costs were lower because no executive bonuses were paid in 2009. Investor relations costs were lower in 2009 because management was trying to conserve the Company's cash and reduced these types of expenditures. Exploration costs were higher in 2009 because the Company was spending more time generating new projects whereas in the prior year the Company had a significant number of projects that it was already developing. Interest income was lower because there was less cash to invest than in 2008.

## Liquidity and Capital Resources

The Company started 2009 with working capital of \$9,351,557 and had working capital of \$8,495,203 at March 31, 2009. The decrease in working capital of \$856,354 was due mainly to the investment in mineral properties of approximately \$331,800 and the loss for the period of \$513,541. Working capital includes a receivable from the Mexican government for value added tax in the amount of \$379,000. The Company is in the process of filing claims for this outstanding balance and expects that the full amount will be recoverable. Since year-end the Company has received over \$600,000 of value added tax refunds from the Mexican government. 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

	<b>2009</b>	<b>2008</b>	<b>2008</b>	<b>2008</b>
<b>Quarter Ended</b>	<b>Mar. 31</b>	<b>Dec. 31</b>	<b>Sept. 30</b>	<b>Jun. 30</b>
Operating expenditures	\$ (575,581)	\$ 703,980	\$ 534,226	\$ 481,479
Loss for the period	(513,541)	(2,844,589)	(480,046)	(396,045)
Loss per share (basic and diluted)	(0.01)	(0.06)	(0.01)	(0.01)

	<b>2008</b>	<b>2007</b>	<b>2007</b>	<b>2007</b>
<b>Quarter Ended</b>	<b>Mar. 31</b>	<b>Dec. 31</b>	<b>Sept. 30</b>	<b>Jun. 30</b>
Operating expenditures	\$1,545,925	\$ 659,475	\$ 760,409	\$1,303,518
Loss for the period	(1,408,565)	(484,024)	(573,778)	(1,102,944)
Loss per share (basic and diluted)	(0.03)	(0.01)	(0.01)	(0.02)

### 2009

For the quarter ended March 31, 2009, operating expenditures were lower than in the previous quarter mainly due to lower exploration costs. Exploration expenditures are costs directed towards new project generation and there was a lower level of activity for these types of expenditures in the first quarter of 2009. The loss for the first quarter was much less than for the previous quarter because in the fourth quarter there was a mineral property write-off of \$2,236,319 and there was no corresponding write-off in the first quarter.

### 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.

## **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 May 13, 2009 there were 47,521,821 common shares issued and outstanding. There were also 3,918,500 stock options outstanding with exercise prices ranging between \$0.40 and \$3.70 per share. Of the options outstanding 3,600,999 have vested.