

ESPERANZA SILVER CORPORATION
(An Exploration-Stage Company)

Management's Discussion and Analysis

Nine Months Ended September 30, 2009

This discussion and analysis of financial position and results of operations is prepared as at November 16, 2009 and should be read in conjunction with the interim consolidated financial statements of Esperanza Silver Corporation (the "Company" or "Esperanza") for the nine months ended September 30, 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 disclosures 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. All dollar amounts included therein and in the following management's discussion and analysis ("MD&A") are in Canadian dollars except where noted.

FORWARD-LOOKING INFORMATION

This MD&A may contain "forward looking statements" that reflect the Company's current expectations and projections about its future results. When used in this MD&A, words such as "estimate", "intend", "expect", "anticipate" and similar expressions are intended to identify forward-looking statements, which, by their very nature, are not guarantees of the Company's future operational or financial performance, and are subject to risks and uncertainties and other factors that could cause Esperanza's actual results, performance, prospects or opportunities to differ materially from those expressed in, or implied by, these forward-looking statements.

Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this MD&A or as of the date otherwise specifically indicated herein. Due to risks and uncertainties identified elsewhere in this MD&A, actual results may differ materially from current expectations. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

DESCRIPTION OF BUSINESS

Esperanza Silver Corp. is dedicated to the development of its two advanced-stage projects: Cerro Jumil and San Luis. It has a joint-venture agreement on 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.

EXPLORATION REVIEW

Cerro Jumil, Mexico

In the third quarter the Company completed a Preliminary Economic Assessment (“PEA”) of its 100% owned Cerro Jumil property in Mexico. Refer to the news release on September 8, 2009 which can be found on www.sedar.com. The results of the PEA were encouraging and the Company has now commenced a drilling campaign designed to fill in blank areas within the defined ore zone and 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.

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 delivery 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 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 exploration and drilling permits.

Esperanza has completed a first phase of trenching and sampling over potential mineral zones. An application for drill permits is now being prepared.

RESULTS OF OPERATIONS

Three Months Ended September 30, 2009

The Company recorded a loss of \$562,378 for the three months ended September 30, 2009 (2008 - \$480,046). The loss for the current quarter was higher than for the prior comparative quarter due to increased costs for: administration and office, foreign exchange and other items, partially offset by lower stock-based compensation. Administration costs were slightly higher due to higher costs for the Vancouver office. The foreign exchange loss was higher in the current quarter due to the decline in the value of the Mexican peso in comparison to the Canadian dollar and the negative effect that had on the translated value of the Mexican subsidiary’s working capital. Other items were unfavorable due mainly

to the significantly lower interest income. Interest income was lower due to much lower interest rates in 2009 compared to 2008 and due to a lower amount of cash available for investment. Stock-based compensation was lower in the current quarter because there was a minimal increase in the expense for options granted in 2007 compared to the prior comparative quarter.

Nine Months Ended September 30, 2009

The Company recorded a loss of \$1,930,576 for the nine months ended September 30, 2009 (2008 – \$2,284,656). The decrease in the loss was due to much lower stock-based compensation and lower investor relations costs partially offset by higher exploration costs, a foreign exchange loss and lower interest income. Stock-based compensation was lower because the value per option granted in 2009 was considerably less than in the prior comparative period due to lower stock prices. Investor relations costs were lower in 2009 because management is 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 exploring and was spending less on searching for new projects. The foreign exchange loss was due to the decline of the Mexican peso against the Canadian dollar which resulted in a translation loss on the assets held by the Mexican subsidiary. Interest income was lower due to much lower interest rates in 2009 compared to 2008 and due to a lower amount of cash available for investment.

LIQUIDITY AND CAPITAL RESOURCES

The Company started 2009 with working capital of \$9,351,557 and had working capital of \$6,674,060 at September 30, 2009. The decrease in working capital of \$2,677,497 was due mainly to the investment in mineral properties of approximately \$1,287,900 and the loss for the period of \$1,930,576. Working capital includes a receivable from the Mexican government for value added tax of approximately \$348,000. 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 \$650,000 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.

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.

MANAGEMENT COMPENSATION

During the nine months ended September 30, 2009, Esperanza paid the following amounts as salaries to senior management: Bill Pincus, President - \$139,835, Steve Zuker, Vice-President - \$ 102,546, Bill Bond, Vice-President - \$102,546 and Paul Bartos, Vice-President - \$102,546. David Miles, the chief financial officer and Kim Casswell, the corporate secretary are employees of Seabord and received no management compensation from Esperanza. Esperanza's directors who are not part of management are paid directors' fees. For the nine months ended September 30, 2009 the following directors' fees were paid: George Elliott - \$17,000, Brian Bayley - \$16,625, Mike Halvorson - \$15,500 and Steve Ristorcelli - \$17,375.

QUARTERLY INFORMATION

	2009	2009	2008	2008
Quarter Ended	Sept. 30	June 30	Mar. 31	Dec. 31
Operating expenses	\$ 575,412	\$ 905,915	\$ 575,581	\$ 703,980
Loss for the period	(562,378)	(854,657)	(513,541)	(2,844,589)
Loss per share (basic and diluted)	(0.01)	(0.02)	(0.01)	(0.06)

	2008	2008	2007	2007
Quarter Ended	Sept. 30	Jun. 30	Mar. 31	Dec. 31
Operating expenditures	\$ 534,226	\$ 481,479	\$ 1,545,925	\$ 659,475
Loss for the period	(480,046)	(396,045)	(1,408,565)	(484,024)
Loss per share (basic and diluted)	(0.01)	(0.01)	(0.03)	(0.01)

2009

For the quarter ended September 30, 2009 both operating expenses and the loss for the quarter were lower than for the prior quarter because stock-based compensation was significantly lower.

For the quarter ended June 30, 2009, both operating expenses and the loss for the period were higher than for the prior quarter because stock-based compensation expense was significantly higher.

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.

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.

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. For the balance of 2009 the Company will be selecting the exemptions it will make for the transition to IFRS and will be documenting its new accounting policies under IFRS.

RISKS AND UNCERTAINTIES

Mineral Property Exploration and Mining Risks

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: ensuring ownership of and access to mineral properties by confirmation that option agreements, claims and leases are in good standing and obtaining permits for drilling and other exploration activities.

Esperanza is currently earning an interest in one of its properties through an option agreement and acquisition of title to the properties is only completed when the option conditions have been met. These conditions generally include making property payments and incurring exploration expenditures on the properties. 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 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.

Financing and Share Price Fluctuation Risks

Esperanza has limited financial resources, has no source of operating cash flow and has no assurance that additional funding will be available to it for further exploration and development of its projects. Further exploration and development of one or more of the Company's projects may be dependent upon the Company's ability to obtain financing through equity or debt financing or other means. Failure to obtain this financing could result in delay or indefinite postponement of further exploration and development of its projects which could result in the loss of one or more of its properties.

Recently, the securities markets have experienced a high degree of price and volume volatility, and the market price of securities of many companies, particularly those considered to be development stage companies such as Esperanza, have experienced wide fluctuations in share prices which have not necessarily been related to their operating performance, underlying asset values or prospects. There can be no assurance that these kinds of share price fluctuations will not occur in the future, and if they do occur, how severe the impact may be on Esperanza's ability to raise additional funds through equity issues.

Political and Currency Risks

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. Therefore a weakening of the Canadian dollar against the US dollar, Mexican peso or Peruvian sol could have an adverse impact on the amount of exploration conducted.

Insured and Uninsured Risks

In the course of exploration, development and production of mineral properties, the Company is subject to a number of risks and hazards in general, including adverse environmental conditions, operational accidents, labor disputes, unusual or unexpected geological conditions, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods, and earthquakes. Such occurrences could result in the damage to the Company's property or facilities and equipment, personal injury or death, environmental damage to properties of the Company or others, delays, monetary losses and possible legal liability.

Although the Company may maintain insurance to protect against certain risks in such amounts as it considers reasonable, its insurance may not cover all the potential risks associated with its operations. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums or for other reasons. Should such liabilities arise, they could reduce or eliminate future profitability and result in increased costs, have a material adverse effect on the Company's results and a decline in the value of the securities of the Company.

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.

Environmental Risks and Hazards

The activities of the Company are subject to environmental regulations issued and enforced by government agencies. Environmental legislation is evolving in a manner that will require stricter standards and enforcement and involve increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects, and a heightened degree of responsibility for companies and their officers, directors and employees. There can be no assurance that future changes in environmental regulation, if any, will not adversely affect Esperanza's operations. Environmental hazards may exist on properties in which the Company holds interests which are unknown to the Company at present.

Competition

The Company will compete with many companies and individuals that have substantially greater financial and technical resources than the Company for the acquisition and development of its projects as well as for the recruitment and retention of qualified employees.

OUTSTANDING SHARE DATA

As at November 16, 2009 there were 47,849,521 common shares issued and outstanding. There were also 3,531,800 stock options outstanding with exercise prices ranging between \$0.36 and \$1.91 per share. All of the outstanding options have vested.