



(AN EXPLORATION STAGE COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS

April 30, 2010

Auditors' Report

To the Shareholders of
Silvermex Resources Limited

We have audited the consolidated balance sheets of Silvermex Resources Limited as at April 30, 2010 and 2009 and the consolidated statements of operations and comprehensive loss, shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at April 30, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants
August 30, 2010

SILVERMEX RESOURCES LTD.
(An Exploration Stage Company)
CONSOLIDATED BALANCE SHEETS
For the years ended April 30, 2010 and 2009
(In Canadian dollars)

	<u>2010</u>	<u>2009</u>
<u>ASSETS</u>		
Current		
Cash	\$ 5,543,925	\$ 160,327
Amounts receivable	235,394	48,053
Prepaid expenses	43,973	74,640
	<u>5,823,292</u>	<u>283,020</u>
Prepaid property permits (Note 3)	16,630	-
Property, plant and equipment (Note 4)	1,267,895	82,690
Resource properties (Note 6)	4,510,883	6,377,971
	<u>\$ 11,618,700</u>	<u>\$ 6,743,681</u>
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
Current		
Accounts payable and accrued liabilities	\$ 231,689	\$ 34,899
Due to related parties (Note 7)	33,027	51,781
	<u>264,716</u>	<u>86,680</u>
Asset retirement obligations (Note 8)	189,055	-
Deferred acquisition costs (Note 5)	1,405,997	-
	<u>1,859,768</u>	<u>86,680</u>
Shareholders' equity		
Share capital (Note 9)	20,039,570	11,196,436
Share purchase warrants (Note 9)	1,877,257	1,376,933
Contributed surplus (Note 9)	1,757,518	1,069,692
Deficit	(13,915,413)	(6,986,060)
	<u>9,758,932</u>	<u>6,657,001</u>
	<u>\$ 11,618,700</u>	<u>\$ 6,743,681</u>

Nature of operations and going concern (Note 1)

Commitment (Note 13)

Subsequent events (Note 16)

The accompanying notes are an integral part of these consolidated financial statements

SILVERMEX RESOURCES LTD.

(An Exploration Stage Company)

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

For the years ended April 30, 2010 and 2009

(In Canadian dollars except for share amounts)

	2010	2009
GENERAL AND ADMINISTRATIVE EXPENSES		
Accounting and audit	\$ 104,000	\$ 90,389
Amortization	23,172	32,618
Bank charges and interest (Note 10)	24,507	113
Consulting	314,102	158,246
Financing fees	12,873	-
Foreign exchange loss (gain)	(124,905)	55,516
Investor relations	494,557	388,832
Legal	60,725	63,089
Miscellaneous exploration expenditures	30,673	9,086
Office and miscellaneous	383,360	54,630
Rent	51,933	43,974
Regulatory and filing fees	39,088	27,747
Salaries and wages	213,842	647,623
Stock-based compensation	1,010,371	119,546
Telephone	34,634	33,908
Travel	104,184	43,535
Write-off of resource property (Note 6)	4,156,759	1,533,765
	<u>(6,933,875)</u>	<u>(3,302,617)</u>
OTHER ITEMS		
Interest income	4,522	13,404
	<u>4,522</u>	<u>13,404</u>
Net loss and comprehensive loss for the year	<u>\$ (6,929,353)</u>	<u>\$ (3,289,213)</u>
Loss per share – basic and diluted	<u>\$ (0.12)</u>	<u>\$ (0.10)</u>
Weighted average number of shares outstanding	<u>59,750,070</u>	<u>34,425,651</u>

The accompanying notes are an integral part of these consolidated financial statements

SILVERMEX RESOURCES LTD.

(An Exploration Stage Company)

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended April 30, 2010 and 2009

(In Canadian dollars)

	2010	2009
CASH FLOWS FROM (TO) OPERATING ACTIVITIES		
Net loss for the year:	\$ (6,929,353)	\$ (3,289,213)
Items not affecting cash:		
Amortization	23,172	32,618
Stock-based compensation	1,010,371	119,546
Foreign exchange adjustment	(51,400)	-
Write-off of resource property	4,156,759	1,533,765
	<u>(1,790,451)</u>	<u>(1,603,284)</u>
Changes in non-cash working capital items:		
Amounts receivable	(187,341)	361,396
Prepaid expenses	14,037	20,130
Accounts payable and accrued liabilities	196,790	(149,166)
Due to related parties	(18,754)	46,531
Cash flows used in operating activities	<u>(1,785,719)</u>	<u>(1,324,393)</u>
CASH FLOWS FROM (TO) INVESTING ACTIVITIES		
Purchase of equipment	(1,243,589)	(3,094)
Disposition of equipment	35,212	9,655
Expenditures on resource properties	(922,219)	(1,811,616)
Cash flows to investing activities	<u>(2,130,596)</u>	<u>(1,805,055)</u>
CASH FLOWS FROM (TO) FINANCING ACTIVITIES		
Issuance of common shares	9,613,205	2,084,850
Share issue costs	(413,292)	(250,205)
Promissory notes	200,000	-
Repayment of promissory notes	(100,000)	-
Cash flows from financing activities	<u>9,299,913</u>	<u>1,834,645</u>
Decrease in cash during the year	5,383,598	1,294,803
Cash, beginning of year	160,327	1,455,130
Cash, end of year	\$5,543,925	\$ 160,327
Cash paid for income taxes	\$ -	\$ -
Cash paid for interest on promissory notes	\$ 18,000	\$ -
Non – cash activities		
Reissuance of shares issued on acquisition of resource property	\$ (1,088,000)	\$ -
Shares issued on acquisition of assets	\$ 350,000	\$ -
Shares issued on acquisition of resource property	\$ 459,000	\$ 30,750
Fair value of securities granted and issued	\$ 2,279,302	\$ 1,306,977
Fair value of securities returned to treasury	\$ -	\$ 75
Fair value of options and warrants exercised	\$ 1,232,073	\$ 152,750

The accompanying notes are an integral part of these consolidated financial statements

SILVERMEX RESOURCES LTD.

(An Exploration Stage Company)

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

For the years ended April 30, 2010 and 2009

(In Canadian dollars)

	Number of common shares	Amount	Share purchase warrants	Contributed surplus	Deficit	Total shareholders' equity
Balance, April 30, 2008	29,387,251	\$ 10,108,838	\$ 727,248	\$ 822,034	\$ (3,696,847)	\$ 7,961,273
Issued:						
Private placements	18,735,000	966,855	906,645	-	-	1,873,500
Options exercised	225,000	278,750	-	(152,750)	-	126,000
Agent's warrants exercised	284,500	85,350	-	-	-	85,350
Property acquisition	75,000	30,750	-	-	-	30,750
Shares returned to treasury	(75,000)	(75)	-	75	-	-
Share issue costs	-	(274,032)	(256,960)	280,787	-	(250,205)
Stock-based compensation	-	-	-	119,546	-	119,546
Net loss for the year	-	-	-	-	(3,289,213)	(3,289,213)
Balance, April 30, 2009	48,631,751	11,196,436	1,376,933	1,069,692	(6,986,060)	6,657,001
Issued:						
Private placements (Notes 9b and c)	19,889,655	6,535,260	1,139,965	-	-	7,675,225
Agents' units (Note 9c)	460,000	178,612	28,388	-	-	207,000
Warrants exercised (Note 9e)	9,858,875	2,216,963	(644,982)	-	-	1,571,981
Agent's options exercised (Note 9f)	1,330,000	309,049	100,578	(276,627)	-	133,000
Options exercised (Note 9g)	1,250,000	643,465	-	(310,465)	-	333,000
Property acquisitions (Note 9d)	2,287,500	809,000	-	-	-	809,000
Re-issuance of property acquisition shares (Note 9a)	-	(1,088,000)	-	-	-	(1,088,000)
Share issue costs (Notes 9b and c)	-	(761,215)	(123,625)	264,547	-	(620,293)
Stock-based compensation	-	-	-	1,010,371	-	1,010,371
Net loss for the year	-	-	-	-	(6,929,353)	(6,929,353)
Balance, April 30, 2010	83,707,781	\$20,039,570	\$1,877,257	\$1,757,518	\$(13,915,413)	\$9,758,932

The accompanying notes are an integral part of these consolidated financial statements

SILVERMEX RESOURCES LTD.

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

April 30, 2010

(All amounts in Canadian dollars, except for share amounts)

1. NATURE OF OPERATIONS AND GOING CONCERN

Silvermex Resources Ltd. (the "Company") was incorporated on April 17, 2005 under the laws of the Province of British Columbia. The Company is in the business of acquiring, exploring and evaluating mineral resource properties in Mexico, through its wholly-owned subsidiaries, Minera Terra Plata, S.A. de C.V. ("Terra Plata") and Minera La Rastra S.A. de C.V. (Aurcana Mexico) (formerly called Aurcana de Mexico S.A. de C.V.). The Company is listed for trading on the TSX Venture Exchange ("Exchange"). The Company is in the exploration stage. The recovery of the Company's investment in its resource properties is dependent upon the discovery, development and sale of mineral products, and the ability to raise sufficient capital to finance these activities.

These consolidated financial statements have been prepared assuming the Company will continue as a going-concern. Although the Company has completed a private placement, it will still need to target sources of additional financing through alliances with financial, exploration and mining entities, or other business and financial transactions to assure continuation of the Company's exploration programs. There can be no assurance that the Company will be able to continue to raise funds, in which case the Company may be unable to meet its obligations. The net realizable value of the Company's assets may be materially less than the amounts recorded in these financial statements should the Company be unable to secure sufficient additional financing in the future and therefore be in a position to realize its assets and discharge its liabilities in the normal course of business.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These consolidated financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles ("GAAP"). The accounting principles used include:

Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant inter-company balances and transactions have been eliminated.

Cash and cash equivalents

Cash consists of highly liquid investments, such as term deposits with major financial institutions, having a maturity of three months or less at acquisition, that are readily convertible to contracted amounts of cash.

Property, Plant and Equipment

Property, plant and equipment is recorded at cost less accumulated amortization. Additions made during the year are amortized at one-half of the annual rate subsequent to being put into use. Amortization is provided annually over the estimated useful life using the following methods:

Computer equipment	45 - 55% declining balance method
Leasehold improvements	straight line over the term of the lease
Office furniture and equipment	10% - 20% declining balance method
Vehicles	25% declining balance method

The Company has not amortized exploration equipment and vehicles acquired from Aurcana Mexico (see Note 5) as they have not yet been put into use. Amortization will commence when the assets are put into use with amortization being included within deferred exploration costs where appropriate.

SILVERMEX RESOURCES LTD.

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

April 30, 2010

(All amounts in Canadian dollars, except for share amounts)

2. SIGNIFICANT ACCOUNTING POLICIES - (continued)

Resource properties

The Company capitalizes the cost of acquiring, maintaining, exploring and developing mineral properties until such time as the properties are placed into production, abandoned, sold or considered to be impaired in value. The cost of producing properties will be amortized on a unit of production basis and the costs of abandoned properties are written-off in the period in which the decision by management is made. Proceeds received on the sale of interests in mineral properties will be credited to the carrying value of the mineral properties, with any excess included in operations. Write-downs due to impairment in value will be charged to operations.

The Company is in the process of exploring its mineral properties and has not yet determined the extent of any resources. Management reviews the carrying value of mineral properties on a periodic basis and will recognize impairment in value based upon current exploration results, the prospect of further work being carried out by the Company, the assessment of future probability of profitable revenues from the property, or from the sale of the property. Amounts shown for properties represent costs incurred net of write-downs and recoveries.

Income taxes

Future income taxes are recorded using the asset and liability method. Using this method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. The Company provides a valuation allowance against the excess to the extent that it does not consider it more likely than not a future tax asset will be recovered. Future tax assets and liabilities are measured using the substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs.

Impairment of long-lived assets

An impairment loss is recognized for long-lived assets including resource properties and deferred expenditures, and equipment, when events or changes in circumstances cause its carrying value to exceed the total undiscounted future cash flows expected from its use and eventual disposition. The impairment loss is calculated by deducting the fair value, determined based on discounted cash flows, of the asset from its carrying value.

Commitments and contingencies

Liabilities for loss contingencies are recorded when it is probable that a liability has been incurred and the amount of the assessment and/or remediation can be reasonably estimated. When a reasonable estimation cannot be made, qualitative disclosure is provided in the notes to the financial statements. Contingent revenues, earnings or assets are not recognized until their realization is virtually assured.

Foreign currency translation

The subsidiaries' financial statements were prepared in Mexican pesos, and have been translated into Canadian dollars using the temporal method. Any conversion differences have been reported as exchange gains or losses in the statement of operations and comprehensive loss. The temporal method involves translating assets, liabilities, revenues and expenses in a manner that retains their basis of measurement in terms of the Canadian dollar, the parent company's measurement and reporting currency. Under this method:

- i) Monetary items are translated at the exchange rate in effect at the balance sheet date;
- ii) Non-monetary items, principally the resource properties, are translated at historical exchange rates; and
- iii) Revenue and expenses are translated at the average rates of exchange during the period, other than depletion and amortization which are translated at historical rates.

SILVERMEX RESOURCES LTD.

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

April 30, 2010

(All amounts in Canadian dollars, except for share amounts)

2. SIGNIFICANT ACCOUNTING POLICIES - (continued)

Use of estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the year. Actual results could differ from these estimates. Significant areas that involve estimates by management include valuation of stock based compensation, impairment of long lived assets, amount of any asset retirement obligation, the valuation allowance of future income tax assets and assets and liabilities acquired in acquisitions.

Loss per share

Basic loss per share is calculated using the weighted average number of shares outstanding during the year. The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on earnings per share is recognized on the use of the proceeds that could be obtained upon the exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the year.

Asset retirement obligations

The Company will recognize contractual, statutory and legal obligations associated with the retirement of mining properties when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a liability for asset retirement obligations will be recognized at its fair value in the period in which it is incurred. Upon initial recognition of the liability, the corresponding asset retirement cost will be added to the carrying amount of that asset and the cost will be amortized as an expense over the economic life of the related asset, once production of that asset commences. Following the initial recognition of the asset retirement obligation, the carrying amount of the liability could be increased for the passage of time, and adjusted for changes to the amount or timing of the underlying cash flows to settle the obligation.

Stock-based compensation

The Company accounts for options granted under its fixed stock option plan using the fair value based method of accounting for stock-based compensation. Accordingly, the fair value of the options at the date of the grant is charged to operations, with an offsetting credit to contributed surplus, on a straight-line basis over the vesting period. If and when the stock options are ultimately exercised, the applicable amounts of contributed surplus are transferred to share capital.

Financial instruments and comprehensive income

The Company designated its cash as held-for-trading, which is measured at fair value. Amounts receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities, and amounts due to related parties are classified as other financial liabilities. The Company had neither available-for-sale, nor held-to-maturity instruments during the years ended April 30, 2010 and April 30, 2009.

Transaction costs directly attributable to the acquisition or issue of financial instruments are recognized in net income (loss) in the period incurred.

SILVERMEX RESOURCES LTD.

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

April 30, 2010

(All amounts in Canadian dollars, except for share amounts)

2. SIGNIFICANT ACCOUNTING POLICIES - (continued)

Changes in accounting policies

a) Goodwill and intangible assets

CICA section 3064 replaces the former CICA 3062 – Goodwill and other intangible assets and establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. CICA 3064 is effective for interim and annual financial statements for years beginning on or after January 1, 2009. The Company adopted this section effective May 1, 2009. There was no material change to the results of operations or financial position of the Company.

b) Credit risk and the fair value of financial assets and financial liabilities

In January 2009 the CICA issued EIC-173, “Credit Risk and the Fair Value of Financial Assets and Financial Liabilities” which requires the Company to consider its own credit risk as well as the credit risk of its counterparties when determining the fair value of financial assets and liabilities, including derivative instruments. The accounting treatments provided in EIC-173 have been applied in the preparation of these financial statements and as required have been applied retrospectively without restatement of prior periods. The adoption of this standard did not have a material impact on the valuation of financial assets or liabilities.

c) Financial instruments – disclosure

In June 2009, the CICA amended Section 3862, “Financial Instruments Disclosures”, to include enhanced disclosure on the liquidity risk of financial instruments and new disclosures on fair value measurements of financial instruments. The amendments are effective for annual financial statements for fiscal years ending after March 31, 2010, with early adoption permitted. The Company has applied these amendments to its 2010 annual consolidated financial statements. There was no material change to the results of operations or financial position of the Company.

d) Financial instruments – recognition and measurement

In August 2009, the CICA amended Section 3855, “Financial Instruments – Recognition and Measurement”. This Section has been amended to add guidance concerning the assessment of embedded derivatives upon reclassification of a financial asset out of the held-for-trading category. These amendments apply to reclassifications made on or after July 1, 2009. Earlier adoption is permitted. Also, this Section has been amended to:

- change the categories into which a debt instrument is required or permitted to be classified;
- change the impairment model for held-to-maturity financial assets to the incurred credit loss model of impaired loans, Section 3025; and
- require the reversal of previously recognized impairment losses on available-for-sale financial assets in specified circumstances.

New accounting pronouncements

CICA has issued new standards which may affect the financial disclosures and results of operations of the Company. The Company will adopt the requirements on the date specified in each respective section and is considering the impact this will have on the consolidated financial statements.

a) Business combinations, consolidated financial statements and non-controlling interests

CICA sections 1582, 1601 and 1602 replace the former CICA 1581, Business Combinations and CICA 1600, Consolidated Financial Statements and establish a new section for accounting for a non-controlling interest in a subsidiary. CICA 1582 is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. CICA 1601 and CICA 1602 apply to interim and annual consolidated financial statements relating to years beginning on or after January 1, 2011.

SILVERMEX RESOURCES LTD.**(An Exploration Stage Company)****Notes to the Consolidated Financial Statements****April 30, 2010**

(All amounts in Canadian dollars, except for share amounts)

2. SIGNIFICANT ACCOUNTING POLICIES - (continued)**b) Comprehensive revaluation of assets and liabilities**

In August 2009, the CICA amended Section 1625, Comprehensive revaluation of assets and liabilities. This section has been amended as a result of issuing Business combinations, Section 1582, Consolidated financial statements, Section 1601, and Non-controlling interests, Section 1602, in January 2009. The amendments apply prospectively to comprehensive revaluations of assets and liabilities occurring in fiscal years beginning on or after January 1, 2011. Earlier adoption is permitted as of the beginning of a fiscal year. If the Company adopts this section for a fiscal year beginning before January 1, 2011, it also adopts Section 1582. The adoption of this standard is not expected to have a material impact on the Company's results of operations or its financial position.

c) International Financial Reporting Standards ("IFRS")

In February 2008, the Canadian Accounting Standards Board confirmed that publicly accountable enterprises will be required to adopt IFRS for fiscal years beginning on or after January 1, 2011, with earlier adoption permitted. Accordingly, the conversion to IFRS will be applicable to the Company's reporting no later than in the first quarter of 2011, with restatement of comparative information presented. The conversion to IFRS will impact the Company's accounting policies, information technology and data systems, internal control over financial reporting, and disclosure controls and procedures. The transition may also impact business activities, such as foreign currency activities, certain contractual arrangements, capital requirements and compensation arrangements. The Company is currently evaluating the future impact of IFRS on its financial statements and will continue to invest in training and additional resources to ensure a timely conversion.

3. PREPAID PROPERTY PERMITS

On March 15, 2008, Aurcana Mexico signed an agreement with the Ejido La Rastra which permitted Aurcana Mexico to occupy the Rosario property for twenty years. The annual rent payable has been negotiated for the first five years of the agreement.

4. EQUIPMENT

	2010			2009		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
Land	\$ 899,417	\$ -	\$ 899,417	\$ -	\$ -	\$ -
Computer equipment	20,537	16,643	3,894	26,266	18,164	8,102
Leasehold improvements	10,586	530	10,056	10,524	5,893	4,631
Exploration equipment	313,515	-	313,515	-	-	-
Office furniture and equipment	52,294	23,332	28,962	49,536	19,319	30,217
Vehicles	12,051	-	12,051	77,242	37,502	39,740
	<u>\$1,308,400</u>	<u>\$ 40,505</u>	<u>\$1,267,895</u>	<u>\$ 163,568</u>	<u>\$ 80,878</u>	<u>\$ 82,690</u>

During the year ended April 30, 2010, Minera Terra Plata sold its furniture, equipment, and vehicle at its book value of \$35,212.

SILVERMEX RESOURCES LTD.

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

April 30, 2010

(All amounts in Canadian dollars, except for share amounts)

5. AURCANA ACQUISITION

On November 30, 2009, the Company acquired all of the issued and outstanding shares of Aurcana Mexico from Aurcana Corporation (“Aurcana”). Aurcana Mexico holds the rights to the Rosario property. The acquisition was treated as an acquisition of assets. The Company has retained an independent appraiser to provide the estimated fair value of property, plant and equipment acquired. This appraisal is not complete at April 30, 2010 or at the date of release of these financial statements. When the appraisal is completed the Company will finalize the allocation of the purchase price between property, plant and equipment, and resource properties.

The preliminary purchase price allocation for 100% of the Aurcana Mexico shares is as follows:

Consideration (in terms of the agreement):

Completed:

Cash less equipment sold to Aurcana	122,157
Personnel payments	17,836
Reimbursement of operating expenses	85,000
Common shares – issued (Note 9d)	350,000
	<u>574,993</u>

Accrued:

Future cash payments	1,057,400
Common shares to be issued	400,000
Total purchase price	<u>\$ 2,032,393</u>

Assets and liabilities acquired:

Cash	\$ 726
Other current assets	287,980
Prepaid property permits	13,664
Property, plant and equipment	1,311,717
Resource properties	1,766,693
Current liabilities	(21,239)
IMMSA loan assumed	(1,243,939)
Asset retirement obligation	(83,209)
	<u>\$2,032,393</u>

The agreement provides for the following:

Payments made and shares issued: 1,250,000 common shares issued to Aurcana (Note 9d); \$250,000 to Aurcana less \$127,843 for certain equipment sold to Aurcana by November 30, 2009 (paid); \$85,000 to Aurcana for operating expenses incurred commencing August 1, 2009 (paid); \$17,836 as personnel payments (paid); US\$1,098,393 (\$1,191,555) to Industrial Minera Mexico, S.A. de C.V. (“IMMSA”) (paid);

Payments to be made (including contingent) and shares to be issued:

A further 1,000,000 shares to be issued upon the earlier of October 9, 2011 (accrued as \$470,000 as of April 30, 2010 as deferred acquisition costs) or the commencement of production; US\$500,000 to Aurcana upon the earlier of April 9, 2012 (\$528,700 accrued as deferred acquisition costs) or six months after the commencement of commercial production; a further US\$500,000 by October 9, 2012 (\$528,700 accrued as deferred acquisition costs); US\$500,000 to Aurcana or 500,000 shares at the option of Aurcana within 18 months following the commencement of commercial production; US\$500,000 to Aurcana or 500,000 shares at the option of Aurcana within 24 months following the commencement of commercial production; and, US\$500,000 to Aurcana within 30 months following commencement of commercial production or 500,000 shares at the option of Aurcana. An NSR is also payable.

As of April 30, 2010, the common shares issued to Aurcana had been placed in escrow (Note 9).

SILVERMEX RESOURCES LTD.**(An Exploration Stage Company)****Notes to the Consolidated Financial Statements****April 30, 2010**

(All amounts in Canadian dollars, except for share amounts)

6. RESOURCE PROPERTIES

	2008	Additions (Write offs)	2009	Additions (Write offs)	2010
PEÑASCO QUEMADO PROJECT (Note 6a)					
<i>Acquisition and holding costs</i>					
Acquisition costs	\$ 874,813	\$ 210,385	\$ 1,085,198	\$ -	\$ 1,085,198
Claim staking	19,380	-	19,380	-	19,380
Mining taxes	43,218	31,244	74,462	26,278	100,740
Surface rights and rights of way	55,143	17,501	72,644	-	72,644
	<u>992,554</u>	<u>259,130</u>	<u>1,251,684</u>	<u>26,278</u>	<u>1,277,962</u>
<i>Deferred exploration costs</i>					
Assaying	146,428	54,750	201,178	1,318	202,496
Camp and accommodation	58,501	11,897	70,398	1,383	71,781
Communications	3,297	1,605	4,902	-	4,902
Drafting, reporting and reproduction	12,791	792	13,583	-	13,583
Drilling	693,233	-	693,233	-	693,233
Engineering and feasibility	5,053	-	5,053	-	5,053
Equipment rental	11,906	-	11,906	-	11,906
Geophysics	110,517	40,231	150,748	-	150,748
Legal expenses	41,238	292	41,530	-	41,530
Miscellaneous exploration expenses	140,539	53,904	194,443	2,357	196,800
Salaries and consulting fees	709,394	120,157	829,551	56,362	885,913
Travel expenses	46,253	634	46,887	252	47,139
Trenching and road construction	53,728	3,484	57,212	-	57,212
	<u>2,032,878</u>	<u>287,746</u>	<u>2,320,624</u>	<u>61,672</u>	<u>2,382,296</u>
Write-off of property	-	-	-	(3,660,258)	(3,660,258)
Total Peñasco Quemado Project	3,025,432	546,876	3,572,308	(3,572,308)	-
LOBOS PROJECT (Note 6b)					
<i>Acquisition and holding costs</i>					
Claim staking	7,257	1,618	8,875	-	8,875
Mining taxes	6,816	15,071	21,887	31,339	53,226
Surface rights and rights of way	-	7,028	7,028	-	7,028
	<u>14,073</u>	<u>23,717</u>	<u>37,790</u>	<u>31,339</u>	<u>69,129</u>
<i>Deferred exploration costs</i>					
Assaying	7,055	2,190	9,245	-	9,245
Camp and accommodation	2,864	-	2,864	-	2,864
Communications	353	-	353	-	353
Miscellaneous exploration expenses	6,670	158	6,828	-	6,828
Salaries and consulting fees	1,594	7,082	8,676	8,215	16,891
Travel expenses	130	-	130	-	130
	<u>18,666</u>	<u>9,430</u>	<u>28,096</u>	<u>8,215</u>	<u>36,311</u>
Total Lobos Project	32,739	33,147	65,886	39,554	105,440
CERRO DE PLATA PROJECT					
<i>Acquisition and holding costs</i>	216,452	15,292	231,744	-	231,744
<i>Deferred exploration costs</i>	1,088,601	(1,320,345)	(231,744)	-	(231,744)
Total Cerro de Plata Project	1,305,053	(1,305,053)	-	-	-
EL RAYO PROJECT					
<i>Acquisition and holding costs</i>	45,502	10,122	55,624	-	55,624
<i>Deferred exploration costs</i>	17,152	(72,776)	(55,624)	-	(55,624)
Total El Rayo Project	62,654	(62,654)	-	-	-

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6. RESOURCE PROPERTIES – (continued)

	2008	Additions (Write offs)	2009	Additions (Write offs)	2010
LETY PROJECT (Note 6c)					
<i>Acquisition costs and holding costs</i>					
Acquisition costs	203,307	98,146	301,453	73,448	374,901
Claim staking	9,016	-	9,016	-	9,016
Mining taxes	3,989	4,634	8,623	4,588	13,211
	<u>216,312</u>	<u>102,780</u>	<u>319,092</u>	<u>78,036</u>	<u>397,128</u>
<i>Deferred exploration costs</i>					
Assaying	-	6,776	6,776	836	7,612
Camp and accommodation	2,646	3,728	6,374	-	6,374
Communications	264	201	465	-	465
Miscellaneous exploration expenses	8,478	2,231	10,709	108	10,817
Salaries and consulting fees	25,346	24,234	49,580	24,525	74,105
	<u>36,734</u>	<u>37,170</u>	<u>73,904</u>	<u>25,469</u>	<u>99,373</u>
Write-off of property	-	-	-	(496,501)	(496,501)
Total Lety Project	253,046	139,950	392,996	(392,996)	-
SAN MARCIAL PROJECT (Note 6d)					
<i>Acquisition and holding costs</i>					
Acquisition costs	1,280,000	-	1,280,000	(638,000)	642,000
Claim staking	-	-	-	11,353	11,353
Mining taxes	7,041	14,917	21,958	12,942	34,900
Surface rights and rights of way	-	9,520	9,520	43	9,563
	<u>1,287,041</u>	<u>24,437</u>	<u>1,311,478</u>	<u>(613,662)</u>	<u>697,816</u>
<i>Deferred exploration costs</i>					
Assaying	119	14,447	14,566	20,204	34,770
Camp and accommodation	3,276	10,480	13,756	2,263	16,019
Communications	191	914	1,105	29	1,134
Drafting, reporting and reproduction	-	1,309	1,311	-	1,311
Drilling	-	374,886	374,886	42,173	417,059
Field work	7,422	16,806	24,228	88,552	112,780
Geophysics	-	29,127	29,127	9,404	38,531
Geological	11,494	-	11,494	5,400	16,894
Miscellaneous exploration expenses	40,219	63,036	103,253	9,574	112,827
Salaries and consulting fees	5,000	207,380	212,380	76,656	289,036
Travel expenses	1,498	2,269	3,767	4,577	8,344
Trenching and road construction	15,426	67,556	82,982	51,105	134,087
	<u>84,645</u>	<u>788,210</u>	<u>872,855</u>	<u>309,937</u>	<u>1,182,792</u>
Total San Marcial Project	1,371,686	812,647	2,184,333	(303,725)	1,880,608
LA FRAZADA PROJECT					
<i>Acquisition and holding costs</i>					
Acquisition costs	-	21,157	21,157	-	21,157
Mining taxes	-	369	369	269	638
		<u>21,526</u>	<u>21,526</u>	<u>269</u>	<u>21,795</u>
<i>Deferred exploration costs</i>					
Assaying	-	9,837	9,837	165	10,002
Camp and accommodation	-	13,517	13,517	778	14,295
Communications	-	606	606	35	641
Drafting, reporting and reproduction	-	183	183	-	183
Geophysics	-	21,181	21,181	1,767	22,948
Miscellaneous exploration expenses	-	11,259	11,259	4,804	16,063
Salaries and consulting fees	1,671	60,974	62,645	17,856	80,501
Travel expenses	-	1,005	1,005	-	1,005
	<u>-</u>	<u>118,562</u>	<u>120,233</u>	<u>25,405</u>	<u>145,638</u>
Total La Frazada Project	1,671	140,088	141,759	25,674	167,433

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6. RESOURCE PROPERTIES – (continued)

	2008	Additions (Write offs)	2009	Additions (Write offs)	2010
ROSARIO PROJECT (Note 5 and Note 6e)					
<i>Acquisition and holding costs</i>					
Acquisition costs	-	-	-	1,656,301	1,656,301
ARO	-	-	-	189,055	189,055
Mining taxes	-	-	-	73,830	73,830
	-	-	-	1,919,186	1,919,186
<i>Deferred exploration costs</i>					
Assaying	-	-	-	1,016	1,016
Camp and accommodation	-	-	-	12,832	12,832
Drafting, reporting and reproduction	-	-	-	6,410	6,410
Electrical	-	-	-	8,543	8,543
Miscellaneous exploration expenses	-	-	-	46,769	46,769
Mining services	-	-	-	228,447	228,447
Salaries and consulting fees	-	-	-	86,656	86,656
Trenching	-	-	-	18,304	18,304
	-	-	-	408,977	408,977
Total Rosario Project	-	-	-	2,328,163	2,328,163
OTHER PROJECTS					
<i>Deferred exploration costs</i>					
Geophysics	16,137	-	16,137	-	16,137
Field work	232	3,600	3,832	8,553	12,385
Reports and maps	720	-	720	-	720
Total Other Projects	17,089	3,600	20,689	8,553	29,242
Total Property Expenditures	\$ 6,069,370	\$ 308,601	\$ 6,377,971	\$ (1,867,085)	\$ 4,510,886

a) Peñasco Quemado Project, Tubutama, Sonora, Mexico

The Company acquired a 100% interest in the Peñasco Quemado Project by paying a total of US\$600,000 and issuing 500,000 common shares over a four year period. In July 2010 the Company decided to abandon the property, resulting in all expenditures on this property being written off in the year ended April 30, 2010.

b) Lobos Project, Caborca/Pitiquito, Sonora, Mexico.

In January 2006 the Company staked one concession and received a property title issued by the Mexican General Mining Bureau.

c) Lety Project, Santa Maria del Oro, Durango, Mexico

In May 2007, the Company entered an option agreement to acquire a 100% interest in the Lety Project. During the year ended April 30, 2007, the Company staked a 5,000 hectare claim fully surrounding the Lety property and has included it in the project. In the year ended April 30, 2010, the Company abandoned the property, resulting in all expenditures on this property being written off.

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6. RESOURCE PROPERTIES – (continued)

d) San Marcial Project, Sinaloa, Mexico

In October 2007, the Company executed a term sheet and on March 19, 2009 finalized the formal agreement with Silver Standard to earn a 100% interest in the San Marcial Project. Under this agreement, the Company can acquire a 100% interest by issuing 3,000,000 common shares in three stages by February 1, 2011. The first 1,000,000 shares were originally issued at a price of \$1.28, however, they were subsequently returned to treasury during the period to be re-issued at a deemed price of \$0.75 as required under the agreement (Note 9a). All subsequent shares issuances will be valued based on the market price of the shares of the Company at the time of issue (Note 9d). The Company must also pay US\$15 million (less the deemed value of the 3,000,000 common shares issued) in either cash or shares at the election of Silver Standard, by February 1, 2012. The Company must also expend US\$1 million on exploration by February 1, 2011, and the Company is obligated to pay Silver Standard US\$100,000 per month commencing after commercial production. These payments will be credited against the purchase price. There is also a 3% net smelter return on the property, and the Company is also obligated to pay US\$100,000 to International American Resources Inc. as a production payment. Subsequently, the agreement was amended (Note 16).

e) Rosario Project, Sinaloa, Mexico

On November 30, 2009, the Company acquired all of the issued and outstanding shares of Aurcana Mexico from Aurcana. Aurcana Mexico holds the rights to, amongst others, the Rosario, San Juan and Plomosas concessions (cumulatively referred to as Rosario) (Note 5).

7. RELATED PARTY TRANSACTIONS

During the year ended April 30, 2010, the Company:

- a) Incurred \$91,709 for consulting services, including services related to resource property development (2009 - \$45,385) provided by a former director.
- b) Advanced \$22,791 (2009 - \$405,000) to a nominee company incorporated in Mexico. These funds were used to pay the salaries of the employees of one of the Company's subsidiaries in Mexico. As of April 30, 2010, \$Nil (April 30, 2009 - \$8,022) was advanced to this company.
- c) Paid \$109,566 (2009 - \$226,018) to a company previously related by common directors and common officers for shared office premises and expenses. As of April 30, 2010, \$77,127 (April 30, 2009 - \$26,675) owed to this company was included in accounts payable.
- d) Incurred \$62,500 of consulting fees (2009 - \$190,000) to a company controlled by its chief executive officer. As of April 30, 2010, \$Nil (April 30, 2009 - \$2,500) was owed to this company.
- e) Incurred \$34,000 of consulting fees (2009 - \$Nil) to a former officer. As of April 30, 2010, \$Nil (April 30, 2009 - \$Nil) was owed to this officer.
- f) Sold furniture, equipment, and vehicles at book value (of \$35,212) to a company previously related by common directors and officers.
- g) Incurred \$157,785 of consulting fees (2009 - \$Nil) to its former president.
- h) Incurred \$78,131 of consulting fees (2009 - \$Nil) to its president. As of April 30, 2010, \$15,000 (April 30, 2009 - \$Nil) was owed to this officer.
- i) Received an overpayment of \$18,027 for share subscriptions from a director and officer. As of April 30, 2010, \$18,027 was owed to this director and officer.

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7. RELATED PARTY TRANSACTIONS - (continued)

The transactions with related parties were in the normal course of operations and were measured at the exchange value which represented the amount of consideration established and agreed to by the parties.

8. ASSET RETIREMENT OBLIGATIONS

	2010
Initial recognition	83,209
Change in estimate	105,846
Balance, end of the year	189,055

During the year ended April 30, 2010, the Company assessed its asset retirement obligation estimate based on independent technical reports. The total undiscounted amount of estimated cash flows required to settle the retirement obligations is US\$231,000 (2009-US\$Nil). The asset retirement obligations consist of reclamation, rehabilitation and post-closure follow up on the Company's San Marcial and Rosario properties. The Company anticipates that spending related to the asset retirement obligation will occur over a period the may extend through to 2030. The credit adjusted risk free rate at which the current amount has been discounted is 6.7%, where required. The discount rate was determined by reference to rates used by companies with similar risk profiles.

9. SHARE CAPITAL AND CONTRIBUTED SURPLUS

The authorized share capital of the Corporation consists of an unlimited number of common shares.

- During the year ended April 30, 2008, the Company issued 1,000,000 shares at \$1.28 per share on the acquisition of the San Marcial Property. During the current year certain of the original terms were amended which resulted in the cancellation of the original share certificate and the reissuance of 1,000,000 shares at \$0.192 per share, being the trading price on the date of issuance(Note 6d). For purposes of the acquisition agreement the shares were issued at a deemed value of \$0.75 per share.
- The Company closed a non-brokered private placement for gross proceeds of \$774,180. The private placement consisted of 4,554,000 units at a price of \$0.17 per unit. Each unit consists of one common share and one non-transferable share purchase warrant. Each whole warrant entitles the holder to purchase one common share of the Company at a price of \$0.20 before September 11, 2010. A fair value of \$193,545 was assigned to these warrants. The assumptions used to determine the fair value of the warrants are consistent with those disclosed under "Stock-based Compensation" below. Finders' fees of \$15,558 were paid.
- The Company closed its private placement of 15,335,655 units at a price of \$0.45 per unit for gross proceeds of \$6,901,045. Each unit consists of one common share and one share purchase warrant. Each warrant entitles the holder to purchase a common share at a price of \$0.65 per share until February 12, 2012. A fair value of \$946,420 as assigned to these warrants.

The Company paid \$320,783 in finders' fees, issued 360,000 agent compensation units and 100,000 corporate finance units, both with the same terms as the units and 1,003,244 agents' options exercisable into units at a price of \$0.45 until February 12, 2012. A fair value of \$264,545 was recognized on the agent's options, \$22,217 was assigned to the warrants issued on agent's compensation units, and \$6,171 was assigned to the warrants issued on corporate finance units. The assumptions used to determine the fair value of the warrants are consistent with those disclosed under "Stock-based Compensation" below.

- 1,250,000 common shares were issued on the acquisition of Aurcana Mexico (Notes 5 and 6e). These shares were valued at \$350,000. 37,500 common shares valued at \$9,000 were issued as a finder's fee for the acquisition of the Lety project (Note 6c). 1,000,000 common shares were issued on the acquisition of San Marcial property and valued at \$450,000. (Note 6d).

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9. SHARE CAPITAL AND CONTRIBUTED SURPLUS - (continued)

- e) 9,858,875 warrants at a price ranging from \$0.15 to \$0.20 were exercised for total proceeds of \$1,571,981. A fair value at the date of the issue of \$644,982 was transferred to share capital.
- f) 1,330,000 agent's options at \$0.10 were exercised for total proceeds of \$133,000. A fair value of \$276,627 was recognized on these options and \$100,578 transferred to share capital was assigned to the warrants issued with the agent's options (Note 9e).
- g) 200,000 options at a price of \$0.30 and 1,050,000 options at a price of \$0.26 were exercised for total proceeds of \$333,000. A fair value at the date of the grant of \$310,465 was transferred to share capital.

Warrants

Warrant transactions and the number of warrants outstanding are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Outstanding, April 30, 2008	4,088,500	\$ 1.10
Issued	9,367,500	0.15
Exercised	(284,500)	0.30
Expired	(3,804,000)	1.16
Outstanding, April 30, 2009	9,367,500	0.15
Issued	21,014,655	0.54
Exercised (Note 9e)	(9,858,875)	0.16
Outstanding, April 30, 2010	20,523,280	\$ 0.54

Warrants outstanding at April 30, 2010 are as follows:

Number of Warrants	Exercise Price	Expiry Date
2,036,625	\$ 0.15	July 30, 2010*
2,691,000	\$ 0.20	September 11, 2010**
15,795,655	\$ 0.65	February 12, 2012
20,523,280		

* Subsequently, all these warrants were exercised (Note 16)

** Subsequently, 274,000 of these warrants were exercised (Note 16)

The valuation parameters used are as disclosed in stock-based compensation.

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9. SHARE CAPITAL AND CONTRIBUTED SURPLUS - (continued)**Options**

The Company has an incentive stock option plan in place under which it is authorized to grant options to executive officers, directors, employees and consultants. The Company at no time may have more than 10% of the outstanding issued common shares reserved for incentive stock options granted to any one individual. Options granted under the plan will have a term not to exceed five years, have an exercise price not less than the Discounted Market Price as defined by the TSX Corporate Finance Manual and may be subject to vesting terms as determined by the board of directors. Options granted to consultants performing investor relations activities vest over a period of twelve months.

Stock options outstanding at April 30, 2010 are as follows:

Number of Options	Number of Options Exercisable	Exercise Price	Expiry Date
100,000	100,000	\$ 0.25	November 12, 2010
500,000	500,000	\$ 0.30	July 31, 2011
1,750,000	1,750,000	\$ 0.26	February 9, 2014
1,350,000	337,500	\$ 0.34	December 4, 2014
3,700,000	2,687,500		

Stock option transactions and the number of stock options outstanding are summarized as follows:

	Shares	Weighted Average Exercise Price
Outstanding, April 30, 2008	1,875,000	\$ 0.60
Exercised	(225,000)	0.56
Granted	100,000	0.25
Outstanding, April 30, 2009	1,750,000	0.59
Expired	(1,200,000)	0.72
Exercised (Note 9g)	(1,250,000)	0.27
Granted	4,400,000	0.29
Outstanding, April 30, 2010	3,700,000	\$ 0.29

Subsequently, 4,150,000 stock options at various prices were granted (Note 16)

Agents' options

	Number of Options	Weighted Average Exercise Price	Expiry Date
Outstanding, April 30, 2008	192,880	\$ 1.00	
Issued	1,350,000	0.10	July 30, 2010
Expired	(192,880)	1.00	
Outstanding, April 30, 2009	1,350,000	0.10	
Issued (Note 9c)	1,003,244	0.45	February 12, 2012
Exercised (Note 9f)	(1,330,000)	0.10	
Outstanding, April 30, 2010	1,023,244	\$ 0.44	

Subsequently, 20,000 agent's options and the attached warrants were exercised (Note 16)

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9. SHARE CAPITAL AND CONTRIBUTED SURPLUS - (continued)**Stock-based compensation**

The Company recognizes compensation expense for all stock options granted using the fair value based method of accounting. The fair value of stock options granted is recognized in income on a straight line basis over the vesting period. The total fair value of stock options vested during the fiscal 2010 was \$1,010,371 (2009 - \$119,546).

The following assumptions were used for the Black-Scholes valuation of stock options and agents' compensation options vested during 2010 and 2009:

	2010	2009
Risk-free interest rate	1.84 – 2.40%	1.25 – 1.73%
Expected life of options	1.5 - 5 years	1.5 – 2 years
Annualized volatility	50% - 145%	100 - 133%
Dividend rate	0.00%	0.00%

Escrow

1,000,000 shares were placed in escrow in accordance with the escrow agreement dated November 30, 2009. These shares are to be released at a rate of 25% every three months, commencing three months from issuance. The release calculation is based on the full amount of 2,000,000 shares which will have been issued and escrowed to Aurcana over time.). 500,000 shares were released in fiscal 2010, leaving a balance of 500,000 shares held in escrow.

10. PROMISSORY NOTES

On June 12, 2009, the Company wrote two promissory notes for \$100,000 each. A bonus of 10% is payable on each promissory note. The principal amounts and the bonuses had a conversion privilege equal to the terms and price of the financing which closed on September 11, 2009. A holder of one of the promissory notes elected to convert \$100,000 of the promissory note and \$2,000 of the bonus into 600,000 shares in the private placement. The remaining promissory note for \$100,000 and \$18,000 in bonuses related to both promissory notes were repaid as of April 30, 2010.

SILVERMEX RESOURCES LTD.**(An Exploration Stage Company)****Notes to the Consolidated Financial Statements****April 30, 2010**

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11. INCOME TAXES

a) Recent changes

In late 2009, the Mexican government enacted tax reform legislation that included a 2% increase in corporate taxes that increased the rate from 28% to 30%. Also, included in this tax reform was the introduction of a minimum flat tax levied at the rate of 17.5% on the cash flows of Mexican corporations. A company doing business in Mexico must pay the greater of the general income tax or the flat tax.

b) Reconciliation

The Canadian statutory federal income tax rate for the year ended April 30, 2010 was 28.5% (2009 – 30.5%). A reconciliation of income tax recovery at statutory rates compared to reported income tax recovery is as follows:

	2010	2009
Loss for the year	\$ (6,929,353)	\$ (3,290,882)
Expected income tax recovery	\$ (1,974,866)	\$ (1,003,719)
Effect of tax rates in foreign jurisdiction	(53,597)	36,612
Non-deductible expenses	299,123	40,621
Rate changes to future statutory rates	(31,062)	236,421
Valuation allowance	1,760,402	690,065
Total income tax provision	\$ -	\$ -

The significant components of the Company's future income tax assets and liabilities at April 30, 2010 are as follows:

	2010	2009
Future income tax assets:		
Non-capital loss carry forwards	\$ 2,727,226	\$ 1,289,262
Share issue costs	303,022	202,569
Tax value of resource properties in excess of carrying value	1,024,418	429,921
Tax value of capital assets in excess of carrying value	21,536	-
Other	5,340	-
Future income tax assets	4,081,542	1,921,752
Valuation allowance	(4,081,542)	(1,921,752)
Net future income tax assets	-	-

SILVERMEX RESOURCES LTD.**(An Exploration Stage Company)****Notes to the Consolidated Financial Statements****April 30, 2010**

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11. INCOME TAXES - (continued)

The Company has the following non-capital losses available for deduction against future taxable income in Canada and Mexico:

Expiry	Canada	Mexico
2015	\$	\$ 8,920
2016	102,873	106,018
2017	975,573	846,238
2018	-	297,588
2019	-	1,731,506
2020	-	142,310
2028	1,850,259	-
2029	1,621,340	-
2030	2,599,765	-
	<u>\$ 7,149,810</u>	<u>\$ 3,132,580</u>

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**Categories of Financial Assets and Liabilities**

In accordance with Canadian generally accepted accounting principles, financial instruments are classified into one of the five following categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets and other financial liabilities. Cash and cash equivalents are designated as held-for-trading and their carrying value approximates fair value as they are cash or they are readily convertible to cash in the normal course. Amounts receivable and amounts due from related parties are classified as loans and receivables. Their carrying value approximates fair value due to their limited time to maturity and ability to convert them to cash in the normal course. Accounts payable and accrued liabilities, and other long term debt are classified as other financial liabilities.

Amended CICA section 3862 establishes a fair value hierarchy that reflects the significance of inputs used in making fair value measurements as follows:

Level 1- quoted prices in active markets for identical assets or liabilities;

Level 2- inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. from derived prices); and

Level 3- inputs for the asset or liability that are not based upon observable market data.

At April 30, 2010, the following table sets forth the levels in the fair value hierarchy into which the Company's financial assets and liabilities are measured and recognized in the balance sheet. Assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

	Level 1
Cash and cash equivalents	\$ 5,543,925

The Company has determined the estimated fair values of its financial instruments based upon appropriate valuation methodologies. At April 30, 2010, there were no financial assets or liabilities measured and recognized in the balance sheet at fair value that would be categorized as Level 2 and 3 in the fair value hierarchy above.

SILVERMEX RESOURCES LTD.**(An Exploration Stage Company)****Notes to the Consolidated Financial Statements****April 30, 2010**

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12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT– (continued)**b) Risk Management**

The Company's operations consist of the acquisition and exploration of mineral resource properties in Mexico. The Company examines the various financial risks to which it is exposed and assesses the impact and likelihood of occurrence. These risks may include credit risk, liquidity risk, currency risk, interest rate risk and other risks. Where material, these risks are reviewed and monitored by the Board of Directors.

(i) Credit risk

Counterparty credit risk is the risk that the financial benefits of contracts with a specific counterparty will be lost if a counterparty defaults on its obligations under the contract. This includes any cash amounts owed to the Company by those counterparties, less any amounts owed to the counterparty by the Company where a legal right of set-off exists and also includes the fair values of contracts with individual counterparties which are recorded in the financial statements. The Company's credit risk is predominantly limited to the recovery of IVA from the Mexican tax authorities. The Company expects to recover the outstanding amounts in full.

(a) Trade credit risk

The Company is in the exploration stage and has not yet commenced commercial production or sales. Therefore, the Company is not exposed to significant credit risk and overall the Company's credit risk has not changed significantly from the prior year.

(b) Cash and cash equivalents

In order to manage credit and liquidity risk the Company invests only in highly rated investment grade instruments that have maturities of three months or less. Limits are also established based on the type of investment, the counterparty and the credit rating.

(c) Derivative financial instruments

The Company has no derivative financial instruments. It may in the future enter into derivative financial instruments and in order to manage credit risk, it will only enter into derivative financial instruments with highly rated investment grade counterparties.

(ii) Liquidity risk

The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements and its exploration and development plans. The Company has the following cash commitments related to its properties for the following three fiscal years:

	For the year ended April 30 (1)		
	2011	2012	2013
Property payments:			
San Marcial (2)(3)	-	13,800,000	-
Acquisition payment:			
Aurcana Mexico	-	500,000	500,000

(1) All amounts are denominated are in US dollars

(2) Maximum amount payable as Silver Standard may elect to be paid in shares; and, this payment is reduced by deemed value of 3,000,000 shares issued. This was subsequently amended (Note 16).

(3) The Company also has an exploration commitment of \$1,000,000 on the San Marcial property. The Company believes that it has substantially satisfied this commitment as of April 30, 2010.

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12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT– (continued)

(iii) Interest rate risk

The Company's interest revenue earned on cash and on short term investments is exposed to interest rate risk. The Company does not enter into derivative contracts to manage this risk, and the Company's exposure to interest rate is very low as the Company has limited short term investments.

(iv) Fair value disclosures

The carrying values of cash and cash equivalents, amounts receivable, accounts payable and accrued liabilities, and deferred acquisition costs approximate their fair value based on their short term nature.

(v) Currency risk

The Company's functional currency is the Canadian dollar and therefore the Company's net loss and other comprehensive loss are impacted by fluctuations in the value of foreign currencies in relation to the Canadian dollar. The Company's foreign currency exposures comprise cash and cash equivalents and accounts payable and accrued liabilities denominated in Mexican pesos and United States dollars. The Company's options to acquire properties in Mexico may result in option payments by the Company denominated in Mexican pesos or in United States dollars. The Company does not use any derivative instruments to reduce its exposure to fluctuations in foreign exchange rates. Appreciation in the Mexican peso against the Canadian dollar will increase the cost of operations in Mexico. A decrease in the United States dollar against the Canadian dollar will result in a book loss to the extent funds are held in United States dollars. The Company is also exposed to inflation risk in Mexico.

The sensitivity of the Company's net loss and other comprehensive loss for the year ended April 30, 2010, due to changes in the exchange rate for the Mexican peso in relation to the Canadian dollar is summarized in the following table expressed as an increase in the net loss and comprehensive loss for each 10% appreciation in the Canadian dollar:

Net loss and other comprehensive loss	\$	5,751
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A 10% depreciation of the Mexican peso against the Canadian dollar would have a similar decrease in net loss.

A 10% appreciation in the US dollar in relation to the Canadian dollar would have increased the Company's net loss and comprehensive loss for the year ended April 30, 2010, by:

Net loss and other comprehensive loss	\$	17,407
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A 10% depreciation of the US dollar against the Canadian dollar would have a similar decrease in net loss.

13. COMMITMENT

On April 1, 2010, the Company entered into an agreement with Perforaciones Corebeil SA de CV for the provision of drilling services. The contract was for an amount of approximately US\$400,000. As at April 30, 2010, drilling had not commenced and \$Nil was included in accounts payable and accrued liabilities.

Subsequently, drilling has been completed and the contract has been paid in full.

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14. SEGMENTED INFORMATION

The Company primarily operates in one reportable operating segment, being the acquisition, exploration and evaluation of mineral properties. However, the Company operates in two geographical segments, Canada and Mexico. Geographic information is as follows:

	Total Assets	Equipment	Resource Properties	Other Assets
2010				
Canada	\$5,614,936	\$ 33,161	\$ -	\$5,581,775
Mexico	6,003,764	1,234,734	4,510,883	258,147
	<u>\$11,618,700</u>	<u>\$ 1,267,895</u>	<u>\$ 4,510,883</u>	<u>\$5,839,922</u>
	Total Assets	Equipment	Resource Properties	Other Assets
2009				
Canada	\$ 110,895	\$ 34,413	\$ -	\$ 76,482
Mexico	6,631,117	48,277	6,376,302	206,537
	<u>\$ 6,742,012</u>	<u>\$ 82,690</u>	<u>\$ 6,376,302</u>	<u>\$ 283,020</u>

15. MANAGEMENT OF CAPITAL RISK

The Company manages its cash and cash equivalents, common shares, stock options and warrants as capital (Note 9). 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 and to maintain a flexible capital structure which optimizes the cost of capital at an acceptable risk.

The Company manages its capital structure and makes adjustments to it in light of changes in economic condition and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets, or adjust the amount of cash and cash equivalents.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

In order to maximize ongoing development efforts, the Company does not pay out dividends. The Company's investment policy is to invest its short-term excess cash in highly liquid short-term interest-bearing investments with maturities 90 days or less from the original date of acquisition, selected with regards to the expected timing of expenditures from continuing operations. The Company is assessing financing alternatives for its exploration plans and operations throughout its operating period. The Company is not subject to externally imposed financing restrictions.

16. SUBSEQUENT EVENTS

- a) 2,036,625 warrants at \$0.15 and 924,000 warrants at \$0.20 were exercised for proceeds of \$490,294.
- b) 20,000 agents' options at \$0.10 and the 10,000 warrants attached at \$0.15 were exercised for proceeds of \$3,500.
- c) 2,650,000 stock options at a price of \$0.41 and 1,500,000 stock options at a price of \$0.32 were granted to directors, employees and consultants of the Company for a period of five years.

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16. SUBSEQUENT EVENTS – (continued)

- d) The Company announced that its agreement with Silver Standard for the acquisition of the San Marcial Property has been amended as follows: the payment due February 1, 2012 has been revised from (a) \$13,750,000, payable in cash or shares at the option of Silver Standard, less the value of the 1,000,000 shares to be issued to Silver Standard in February 2011 to (b) \$6,000,000 payable in cash or shares at the option of Silver Standard and a 1% NSR capped at \$13,750,000 less \$6,000,000 and the value of the 1,000,000 shares to be issued to Silver Standard in February 2011.