

SILVERMEX RESOURCES LTD
(AN EXPLORATION STAGE COMPANY)
CONSOLIDATED FINANCIAL STATEMENTS
April 30, 2009

Auditors' report

To the Shareholders of
Silvermex Resources Limited

We have audited the consolidated balance sheets of Silvermex Resources Limited as at April 30, 2009 and 2008 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, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

(Signed) Deloitte & Touche LLP

Chartered Accountants
August 13, 2009

SILVERMEX RESOURCES LTD.
(An Exploration Stage Company)
CONSOLIDATED BALANCE SHEETS
As at April 30
(In Canadian dollars)

	2009	2008
<u>ASSETS</u>		
Current		
Cash	\$ 160,327	\$ 1,455,130
Amounts receivable	48,053	409,449
Prepaid expenses	74,640	94,770
	<u>283,020</u>	<u>1,959,349</u>
Equipment (Note 3)	82,690	121,869
Resource properties (Note 4)	6,377,971	6,069,370
	<u>\$ 6,743,681</u>	<u>\$ 8,150,588</u>
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
Current		
Accounts payable and accrued liabilities	\$ 34,899	\$ 184,065
Due to related parties (Note 5)	51,781	5,250
	<u>86,680</u>	<u>189,315</u>
Shareholders' equity		
Share capital (Note 6)	11,196,436	10,108,838
Warrants (Note 6)	1,376,933	727,248
Contributed surplus (Note 6)	1,069,692	822,034
Deficit	(6,986,060)	(3,696,847)
	<u>6,657,001</u>	<u>7,961,273</u>
	<u>\$ 6,743,681</u>	<u>\$ 8,150,588</u>

Nature of operations and going concern (Note 1)
Commitments (Note 9)
Subsequent events (Note 12)

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

(In Canadian dollars, except for share amounts)

	2009	2008
GENERAL AND ADMINISTRATIVE EXPENSES		
Accounting and audit (Note 5)	\$ 90,389	\$ 87,635
Amortization	32,618	31,477
Bank charges and interest	113	61,053
Consulting (Note 5)	158,246	245,226
Foreign exchange loss	55,516	33,005
Investor relations	388,832	480,574
Legal	63,089	77,198
Office and miscellaneous	54,630	130,032
Property investigation	9,086	-
Rent	43,974	42,511
Regulatory and filing fees	27,747	61,524
Salaries and wages	647,623	414,368
Stock-based compensation (Note 6)	119,546	552,730
Telephone	33,908	38,987
Travel	43,535	119,481
Write-off of resource properties	1,533,765	-
	<u>(3,302,617)</u>	<u>(2,375,801)</u>
OTHER ITEMS		
Interest income	13,404	11,465
Net loss and comprehensive loss for the year	\$ (3,289,213)	\$ (2,364,336)
Loss per share – basic and diluted	\$ (0.10)	\$ (0.10)
Weighted average number of shares outstanding	34,425,651	24,557,011

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

	2009	2008
CASH FLOWS FROM (TO) OPERATING ACTIVITIES		
Loss for the year	\$ (3,289,213)	\$ (2,364,336)
Items not affecting cash:		
Amortization	32,618	31,477
Stock-based compensation	119,546	552,730
Write-off of resource properties	1,533,765	-
	<u>(1,603,284)</u>	<u>(1,780,129)</u>
Changes in non-cash working capital items:		
Amounts receivable	361,396	(257,996)
Prepaid expenses	20,130	(54,179)
Accounts payable and accrued liabilities	(149,166)	60,238
Due to related parties	46,531	(42,760)
Cash flows used in operating activities	<u>(1,324,393)</u>	<u>(2,074,826)</u>
CASH FLOWS FROM (TO) INVESTING ACTIVITIES		
Purchase of equipment	(3,094)	(47,646)
Disposition of equipment	9,655	
Expenditures on resource properties	<u>(1,811,616)</u>	<u>(2,475,087)</u>
Cash flows to investing activities	<u>(1,805,055)</u>	<u>(2,522,733)</u>
CASH FLOWS FROM (TO) FINANCING ACTIVITIES		
Proceeds from promissory notes	-	365,000
Issuance of common shares	2,084,850	5,199,851
Share issue costs	(250,205)	(370,444)
Repayment of promissory notes	-	(365,000)
Cash flows from financing activities	<u>1,834,645</u>	<u>4,829,407</u>
Increase (decrease) in cash during the year	(1,294,803)	231,848
Cash, beginning of year	1,455,130	1,223,282
Cash, end of year	\$ 160,327	\$ 1,455,130
Cash paid during the year for income taxes	\$ -	\$ -
Cash paid during the year for interest	\$ -	\$ 36,500
Non – cash activities		
Shares issued on acquisition of resource property	\$ 30,750	\$ 1,433,625
Fair value of securities granted and issued	\$ 1,306,977	\$ 170,375
Fair value of securities returned to treasury	\$ 75	\$ -
Fair value of options exercised	\$ 152,750	\$ 97,787

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, 2008 and 2009

	Number of common shares	Amount	Warrants	Contributed Surplus	Deficit	Total Shareholders' Equity
Balance, April 30, 2007	22,651,501	\$ 4,645,643	\$ -	\$ 196,716	\$ (1,332,511)	\$ 3,509,848
Issued:						
Private placement (Note 6a)	2,197,500	1,777,470	420,030	-	-	2,197,500
Private placement (Note 6b)	2,906,000	2,598,782	307,218	-	-	2,906,000
Property acquisition (Note 6c)	1,162,500	1,433,625	-	-	-	1,433,625
Warrants exercised (Note 6d)	162,750	162,750	-	-	-	162,750
Agent's warrants exercised (Note 6d)	157,000	47,100	-	-	-	47,100
Options exercised (Note 6e)	150,000	84,000	-	-	-	84,000
Share issue costs (Notes 6a and b)	-	(738,319)	-	170,375	-	(567,944)
Fair value on stock options and agent's warrants exercised (Notes 6d and e)	-	97,787	-	(97,787)	-	-
Stock-based compensation	-	-	-	552,730	-	552,730
Net loss for the year	-	-	-	-	(2,364,336)	(2,364,336)
Balance, April 30, 2008	29,387,251	10,108,838	727,248	822,034	(3,696,847)	7,961,273
Issued:						
Private placements (Note 6j)	18,735,000	966,855	906,645	-	-	1,873,500
Options exercised (Note 6f)	225,000	278,750	-	(152,750)	-	126,000
Agent's warrants exercised (Note 6g)	284,500	85,350	-	-	-	85,350
Property acquisition (Note 6h)	75,000	30,750	-	-	-	30,750
Shares returned to treasury (Note 6i)	(75,000)	(75)	-	75	-	-
Share issue costs (Note 6j)	-	(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

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

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 subsidiary, Minera Terra Plata, S.A. de C.V ("Subsidiary"). 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 on a going-concern basis. However, the Company has incurred losses since inception of \$6,986,060 and the ability of the Company to continue as a going-concern depends upon its ability to continue to raise adequate financing and to develop profitable operations. The Company is facing an immediate cash shortfall but plans to (a) negotiate deferrals on some option payments; (b) obtain interim short term funding (Note 12(f)); and, (c) complete a second private placement in the autumn of 2009. Management will need to continue to target sources of additional financing through alliances with financial, exploration and mining entities, or other business and financial transactions which could assure continuation of the Company's operations and exploration programs. The Company is dependent upon its ability to generate such financing in order for it to meet its liabilities as they come due, and to continue its operations. 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 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 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 financial statements include the accounts of the Company and its wholly-owned subsidiary. All significant inter-company balances and transactions have been eliminated.

Cash and cash equivalents

Cash and cash equivalents are 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.

Equipment

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	20% straight line method
Office furniture and equipment	10% - 20% declining balance method
Vehicles	25% declining balance method

Property investigation expenses and administrative expenses

Property investigation expenses are the costs of investigating prospective property acquisitions; administrative expenses are the costs required to maintain the Company and allow it to carry on its other activities. Both of these expenses include salaries and wages, travel, consulting, accounting and legal fees, office rent and utilities, among others, and are included in the consolidated statement of operations and comprehensive loss.

2. SIGNIFICANT ACCOUNTING POLICIES - (continued)

Resource properties

The Company defers 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 amount of resources available. 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 enacted or 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.

2. SIGNIFICANT ACCOUNTING POLICIES - (continued)

Foreign currency translation

The subsidiary's 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.

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, and the valuation allowance of future income tax assets.

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. During the periods presented the Company has recorded losses: the impact of outstanding options and warrants disclosed in Note 6 is anti-dilutive and has therefore been excluded from the per share computations.

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. As at April 30, 2009, the Company has made no provision for site restoration costs or potential environmental liabilities as the ultimate liability is not currently material.

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.

2. SIGNIFICANT ACCOUNTING POLICIES - (continued)

Cost of maintaining resource properties

The Company does not accrue the estimated future costs of maintaining its resource properties in good standing.

Financial instruments and comprehensive income

The Company designated its cash as held-for-trading, which are measured at fair value. Amounts receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable, the vendor loan, and due to/from 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, 2009 and April 30, 2008.

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

Changes in accounting policies

On April 1, 2008, the Company adopted the following new presentation and disclosure standards issued by the Canadian Institute of Chartered Accountants ("CICA"). There was no material impact on the Company's financial condition or operating results as a result of the adoption of these new standards:

- (a) Section 3862 – Financial Instruments – Disclosures, which replaces Section 3861 and provides expanded disclosure requirements that provide additional detail by financial asset and liability categories (Note 8).
- (b) Section 3863 – Financial Instruments – Presentation, to enhance financial statement users' understanding of the significance of financial instruments to an entity's financial position, performance and cash flows (Note 8).
- (c) Section 1535 – Capital Disclosures, which establishes standards for disclosing information about an entity's capital structure and how it is managed (Note 12). Under this standard, the Company is required to disclose the following:
 - qualitative information about its objectives, policies and processes for managing capital;
 - summary quantitative data about what it manages as capital;
 - whether during the period it complied with any externally imposed capital requirement to which it is subject; and
 - when the Company has not complied with such externally imposed capital requirements, the consequences of such non-compliance.
- (d) Section 1400 – General Standards of Financial Statement Presentation, to include requirements for management to assess and disclose an entity's ability to continue as a going concern (see Note 1).

New accounting standards

The CICA has issued new standards which may affect the financial disclosures and results of operations of the Company for interim and annual periods beginning on or after January 1, 2009. 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Section 3064 – Goodwill and Intangible Assets

This new standard 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 believes that adoption of this section will result in no material changes to the results of operations or financial position of the Company.

b) Section 1582 Business combinations, Section 1601 consolidated financial statements and Section 1602 non-controlling interests

These sections 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. These sections provide the Canadian equivalent to FASB Statements No. 141(R), Business Combinations and No. 160 Non-controlling Interests in Consolidated Financial Statements. 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.

c) Mining Exploration Costs

In March 2009 the CICA issued EIC-174, “Mining Exploration Costs” which provides guidance to mining enterprises related to the measurement of exploration costs and the conditions that a mining enterprise should consider when determining the need to perform an impairment review of such costs. The accounting treatments provided in EIC-174 have been applied in the preparation of these financial statements and did not have an impact on the valuation of exploration assets.

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. EQUIPMENT

	2009			2008		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Computer equipment	\$ 26,266	\$ 18,164	\$ 8,102	\$ 23,172	\$ 12,566	\$ 10,606
Leasehold improvements	10,524	5,893	4,631	10,524	3,789	6,735
Office furniture and equipment	49,536	19,319	30,217	49,536	12,464	37,072
Vehicles	77,242	37,502	39,740	86,897	19,441	67,456
	<u>\$ 163,568</u>	<u>\$ 80,878</u>	<u>\$ 82,690</u>	<u>\$ 170,129</u>	<u>\$ 48,260</u>	<u>\$ 121,869</u>

SILVERMEX RESOURCES LTD.
(An Exploration Stage Company)
Notes to the Consolidated Financial Statements
April 30, 2009

4. RESOURCE PROPERTIES

	2007	Additions	2008	Additions (Write offs)	2009
PEÑASCO QUEMADO PROJECT					
(Note 4a)					
<i>Acquisition and holding costs</i>					
Acquisition costs	\$ 678,635	\$ 196,178	\$ 874,813	\$ 210,385	\$ 1,085,198
Claim staking	19,380	-	19,380	-	19,380
Mining taxes	22,270	20,948	43,218	31,244	74,462
Surface rights and rights of way	38,031	17,112	55,143	17,501	72,644
	<u>758,316</u>	<u>234,238</u>	<u>992,554</u>	<u>259,130</u>	<u>1,251,684</u>
<i>Deferred exploration costs</i>					
Assaying	106,769	39,659	146,428	54,750	201,178
Camp and accommodation	41,959	16,542	58,501	11,897	70,398
Communications	1,211	2,086	3,297	1,605	4,902
Drafting, reporting and reproduction	12,513	278	12,791	792	13,583
Drilling	321,015	372,218	693,233	-	693,233
Engineering and feasibility	5,053	-	5,053	-	5,053
Equipment rental	11,906	-	11,906	-	11,906
Geophysics	-	110,517	110,517	40,231	150,748
Legal expenses	33,514	7,724	41,238	292	41,530
Miscellaneous exploration expenses	123,481	17,058	140,539	53,904	194,443
Salaries and consulting fees	339,057	370,337	709,394	120,157	829,551
Travel expenses	45,191	1,062	46,253	634	46,887
Trenching and road construction	40,108	13,620	53,728	3,484	57,212
	<u>1,081,777</u>	<u>951,101</u>	<u>2,032,878</u>	<u>287,746</u>	<u>2,320,624</u>
Total Peñasco Quemado Project	1,840,093	1,185,339	3,025,432	546,876	3,572,308
LOBOS PROJECT (Note 4b)					
<i>Acquisition and holding costs</i>					
Claim staking	7,257	-	7,257	1,618	8,875
Mining taxes	2,686	4,130	6,816	15,071	21,887
Surface rights and rights of way	-	-	-	7,028	7,028
	<u>9,943</u>	<u>4,130</u>	<u>14,073</u>	<u>23,717</u>	<u>37,790</u>
<i>Deferred exploration costs</i>					
Assaying	-	7,055	7,055	2,190	9,245
Camp and accommodation	94	2,770	2,864	-	2,864
Communications	-	353	353	-	353
Miscellaneous exploration expenses	5,234	1,436	6,670	158	6,828
Salaries and consulting fees	-	1,594	1,594	7,082	8,676
Travel expenses	-	130	130	-	130
	<u>5,328</u>	<u>13,338</u>	<u>18,666</u>	<u>9,430</u>	<u>29,167</u>
Total Lobos Project	15,271	17,468	32,739	33,147	65,886

SILVERMEX RESOURCES LTD.
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Notes to the Consolidated Financial Statements
April 30, 2009

4. RESOURCE PROPERTIES – (continued)

	2007	Additions	2008	Additions (Write offs)	2009
CERRO DE PLATA PROJECT (Note 4c)					
<i>Acquisition and holding costs</i>					
Acquisition costs	62,339	124,435	186,774	-	186,774
Claim staking	6,441	4,563	11,004	-	11,004
Mining taxes	149	18,525	18,674	15,292	33,966
	<u>68,929</u>	<u>147,523</u>	<u>216,452</u>	<u>15,292</u>	<u>231,744</u>
<i>Deferred exploration costs</i>					
Assaying	5,739	40,673	46,412	(2,080)	44,332
Camp and accommodation	8,432	15,140	23,572	-	23,572
Communications	46	3,910	3,956	-	3,956
Drafting, reporting and reproduction	1,561	2,008	3,569	-	3,569
Drilling	33,611	295,701	329,312	-	329,312
Equipment rental	-	438	438	-	438
Field work	-	11,650	11,650	-	11,650
Geophysics	-	106,497	106,497	-	106,497
Legal expenses	1,830	22,112	23,942	-	23,942
Miscellaneous exploration expenses	17,999	60,222	78,221	-	78,221
Other	303	1,300	1,603	-	1,603
Salaries and consulting fees	63,833	246,407	310,240	947	311,187
Travel expenses	13,852	18,221	32,073	-	32,073
Trenching and road construction	-	117,116	117,116	-	117,116
Write-off of mineral property	-	-	-	(1,319,212)	(1,319,212)
	<u>147,206</u>	<u>941,395</u>	<u>1,088,601</u>	<u>(1,320,345)</u>	<u>(231,744)</u>
Total Cerro de Plata Project	216,135	1,088,918	1,305,053	(1,305,053)	-
LETY PROJECT (Note 4d)					
<i>Acquisition costs and holding costs</i>					
Acquisition costs	57,856	145,451	203,307	98,146	301,453
Claim staking	8,520	496	9,016	-	9,016
Mining taxes	-	3,989	3,989	4,634	8,623
	<u>66,376</u>	<u>149,936</u>	<u>216,312</u>	<u>102,780</u>	<u>319,092</u>
<i>Deferred exploration costs</i>					
Assaying	-	-	-	6,776	6,776
Camp and accommodation	-	2,646	2,646	3,728	6,374
Communications	-	264	264	201	465
Drafting, reporting and reproduction	-	166	166	-	166
Miscellaneous exploration expenses	-	7,977	7,977	2,232	10,209
Salaries and consulting fees	-	25,346	25,346	24,234	49,580
Travel expenses	-	335	335	-	335
	<u>-</u>	<u>36,734</u>	<u>36,734</u>	<u>37,170</u>	<u>73,904</u>
Total Lety Project	66,376	186,670	253,046	139,950	392,996

SILVERMEX RESOURCES LTD.
(An Exploration Stage Company)
Notes to the Consolidated Financial Statements
April 30, 2009

4. RESOURCE PROPERTIES – (continued)

	2007	Additions	2008	Additions (Write offs)	2009
EL RAYO PROJECT (Note 4e)					
<i>Acquisition and holding costs</i>					
Acquisition costs	17,177	20,156	37,333	7,410	44,743
Claim staking	5,606	-	5,606	-	5,606
Mining taxes	-	2,563	2,563	2,712	5,275
	<u>22,783</u>	<u>22,719</u>	<u>45,502</u>	<u>10,122</u>	<u>55,624</u>
<i>Deferred exploration costs</i>					
Assaying	-	1,720	1,720	29,888	31,608
Camp and accommodation	-	153	153	2,772	2,925
Communications	-	140	140	396	536
Drilling	-	-	-	69,472	69,472
Legal expenses	-	181	181	-	181
Miscellaneous exploration expenses	-	1,971	1,971	2,400	4,371
Salaries and consulting fees	-	1,315	1,315	30,331	31,646
Trenching and road construction	-	11,672	11,672	6,518	18,190
Write-off of mineral property	-	-	-	(214,553)	(214,553)
	<u>-</u>	<u>17,152</u>	<u>17,152</u>	<u>(72,776)</u>	<u>(55,624)</u>
Total El Rayo Project	22,783	39,871	62,654	(62,654)	-
SAN MARCIAL PROJECT (Note 4f)					
<i>Acquisition and holding costs</i>					
Acquisition costs	-	1,280,000	1,280,000	-	1,280,000
Mining taxes	-	7,041	7,041	14,917	21,958
Surface rights and rights of way	-	-	-	9,520	9,520
	<u>-</u>	<u>1,287,041</u>	<u>1,287,041</u>	<u>24,437</u>	<u>1,311,478</u>
<i>Deferred exploration costs</i>					
Assaying	-	119	119	14,447	14,566
Camp and accommodation	-	3,276	3,276	10,480	13,756
Communications	-	191	191	914	1,105
Drafting, reporting and reproduction	-	-	-	1,309	1,311
Drilling	-	-	-	374,886	374,886
Field work	-	7,422	7,422	16,806	24,228
Geophysics	-	-	-	29,127	29,127
Geological	-	11,494	11,494	-	11,494
Miscellaneous exploration expenses	-	40,219	40,219	63,036	103,253
Salaries and consulting fees	-	5,000	5,000	207,380	212,380
Travel expenses	-	1,498	1,498	2,269	3,767
Trenching and road construction	-	15,426	15,426	67,556	82,982
	<u>-</u>	<u>84,645</u>	<u>84,645</u>	<u>788,210</u>	<u>872,855</u>
Total San Marcial Project	-	1,371,686	1,371,686	812,647	2,184,333

SILVERMEX RESOURCES LTD.
(An Exploration Stage Company)
Notes to the Consolidated Financial Statements
April 30, 2009

4. RESOURCE PROPERTIES – (continued)

	2007	Additions	2008	Additions (Write offs)	, 2009
LA FRAZADA PROJECT (Note 4g)					
<i>Acquisition and holding costs</i>					
Acquisition costs	-	-	-	21,157	21,157
Mining taxes	-	-	-	369	369
				21,526	21,526
<i>Deferred exploration costs</i>					
Assaying	-	-	-	9,837	9,837
Camp and accommodation	-	-	-	13,517	13,517
Communications	-	-	-	606	606
Drafting, reporting and reproduction	-	-	-	183	183
Geophysics	-	-	-	21,181	21,181
Miscellaneous exploration expenses	-	-	-	11,259	11,259
Salaries and consulting fees	-	1,671	1,671	60,974	62,645
Travel expenses	-	-	-	1,005	1,005
	-	-	-	118,562	120,233
Total La Frazada Project	-	1,671	1,671	140,088	141,759
OTHER PROJECTS (Note 4g)					
<i>Deferred exploration costs</i>					
Geophysics	-	16,137	16,137	-	16,137
Field work	-	232	232	3,600	3,832
Reports and maps	-	720	720	-	720
Total Other Projects	-	17,089	17,089	3,600	20,689
Total Property Expenditures	\$ 2,160,658	\$ 3,908,712	\$ 6,069,370	\$ 308,601	\$ 6,377,971

(a) Peñasco Quemado Project, Tubutama, Sonora, Mexico

In April 2009, the Company fulfilled its contractual obligations under the option agreement transferred to the Company on May 26, 2005 and has 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.

On April 28, 2005, the Company entered into a funding agreement (“Funding Agreement”) with Silver Standard Resources Inc. (“Silver Standard”), which granted Silver Standard an option to enter into a joint venture with respect to the project upon notification by the Company that it has prepared a resource estimate that meets or exceeds an aggregate of 30 million ounces of silver in the measured, indicated and inferred mineral resource categories. Upon such notification, Silver Standard may elect to enter into a joint venture by expending the greater of double the expenditures incurred to that date by the Company or US\$1,000,000. Upon the formation of the joint venture, Silver Standard would acquire a 51% interest and would be the operator of the project. Silver Standard would also be responsible for reimbursing the Company for all property payments made to that date. Silver Standard may increase its interest to 70% by paying all costs required to complete a feasibility study.

The Funding Agreement contains a right of first offer provision whereby Silver Standard has a right of first refusal on the Company’s interest in the project. The Funding Agreement also contains a dilution provision which provides that in the event either party’s interest is diluted below 10%, it shall relinquish its participating interest to the other party in return for a 1% net smelter return.

During the year ended April 30, 2006, the Company staked another three exploration concessions (9,180 hectares) and received property titles issued by the Mexican General Mining Bureau. These concessions are located in Tubutama and Atil in Sonora, Mexico and have been included in the Peñasco Quemado Project. These concessions are not part of the Funding Agreement with Silver Standard.

4. RESOURCE PROPERTIES – (continued)

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

In January 2006, the Company staked one concession (2,830 hectares) and received a property title issued by the Mexican General Mining Bureau.

(c) Cerro de Plata Project, Sonora, Mexico

On October 20, 2006, the Company entered into an option agreement to acquire up to a 100% interest in the 10,000 hectare mining concession. In consideration for this interest, the Company will pay a total of US\$400,000 and issue 600,000 common shares as follows:

- i) US\$ 20,000 on signing (paid) and 50,000 common shares on Exchange acceptance (issued);
- ii) US\$ 20,000 six months after Exchange acceptance (paid);
- iii) US\$ 25,000 and 100,000 common shares on or before January 3, 2008 (paid and issued) (Note 6c);
- iv) US\$ 30,000 and 100,000 common shares on or before September 3, 2009;
- v) US\$ 30,000 and 100,000 common shares on or before May 3, 2010;
- vi) US\$ 275,000 and 250,000 common shares (provided that the feasibility study is acceptable) on or before May 3, 2011.

Prior to May 3, 2011, the Company may exercise its option to purchase the concession by paying the optionor a total of US\$400,000 and issuing 500,000 shares, less payments made and shares already issued. Subsequent to the year end, the Company decided to abandon the property which has resulted in all expenditures on this property being written-off in the current year.

(d) Lety Project, Santa Maria del Oro, Durango, Mexico

In May 2007, the Company signed an option agreement, amended on February 25, 2008 and January 14, 2009, to acquire a 100% interest in the Lety Project. In consideration for this interest, the Company will pay a total of US\$250,000 (US\$180,000 paid) and issue 250,000 shares over a two year option period:

- i) US\$ 50,000 on signing (paid);
- ii) US\$ 50,000 by November 17, 2007 (paid);
- iii) US\$ 50,000 by May 17, 2008 (paid);
- iv) US\$ 10,000 by November 17, 2008 (paid);
- v) US\$ 20,000 on or before February 28, 2009 (paid);
- vi) US\$ 20,000 on or before July 28, 2009*;
- vii) US\$ 50,000 and 250,000 common shares on December 28, 2009.

* This agreement was amended subsequently (Note 12e).

The vendor will also receive an additional 250,000 shares or US\$1,000,000, at the owner's option, on or before the earlier of commencement of production of the project or five years as of the date of signing of the option agreement, whichever comes first.

The Company will pay a finder's fee of 250,000 shares to an arm's length third party. 25,000 shares were issued on August 21, 2007 (Note 6c), and six future releases of 37,500 shares (112,500 shares issued, Notes 6c and h) each are to be made every six months thereafter.

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.

4. RESOURCE PROPERTIES - (continued)

(e) El Rayo Project, Magdalena de Keno, Sonora, Mexico

On May 28, 2007, the Company entered into an option agreement, amended on March 19, 2009, for the El Rayo Project. In consideration for its interest, the Company will pay US\$315,000 over five years as follows:

- i) US\$ 15,000 on signing (paid);
- ii) US\$ 20,000 by November 28, 2007 (paid);
- iii) US\$ 25,000 by November 28, 2009 (US\$6,000 paid)
- iv) US\$ 30,000 by May 28, 2010;
- v) US\$ 35,000 by November 28, 2010
- vi) US\$ 40,000 by May 28, 2011;
- vii) US\$ 45,000 by November 28, 2011;
- viii) US\$ 50,000 by May 28, 2012;
- ix) US\$ 55,000 by November 28, 2012.

The Company will also issue 250,000 shares for every 10,000,000 ounces of measured and indicated silver mineral resources (estimated in accordance with Canadian Institute of Mines definitions).

During the year ended April 30, 2007, the Company staked a 2,203 hectare claim surrounding the El Rayo and El Viento properties. Subsequent to the year end, the Company decided to abandon the property which has resulted in all expenditures on this property being written-off in the current year.

(f) 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 issued on October 15, 2007 (Note 6c) and valued at \$1.28 (Note 12(d)); all the subsequent issuances will be valued based on the market price of the shares of the Company at the time of the issuance. The Company must also pay US\$15 million (less the deemed value of the 3 million 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. The Company is also obligated to pay Silver Standard US\$100,000 per month commencing after commercial production has begun. 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.

(g) La Frazada Project, Nayarit, Mexico

On August 20, 2008, the Company staked the La Frazada Project for US\$20,000.

5. RELATED PARTY TRANSACTIONS

- a) The Company incurred \$45,385 for consulting services, including services related to resource property development (2008 - \$123,846 of consulting fees) to two directors and officers of the Company.
- b) The Company advanced \$405,000 (2008 - \$408,000) to a nominee company incorporated in Mexico. These funds were used to pay the salaries of the Company's employees in Mexico. As of April 30, 2009, \$8,022 was advanced to this company.
- c) In fiscal 2009, \$226,018 (2008 - \$79,820) was charged by companies related by common directors and common officers for shared office premises. As of April 30, 2009, \$27,675 (April 30, 2008 - \$Nil) was owed to these companies.
- d) The Company paid \$51,500 (2008 - \$61,500) for accounting services provided by a private company of which a director of the Company was a vice-president. As of April 30, 2009, \$Nil (April 30, 2008 - \$5,520) was owed to this company.

5. RELATED PARTY TRANSACTIONS - (continued)

- e) On August 20, 2008, the Company acquired the La Frazada Project for US\$20,000 from a company related by common directors and common officers (Note 4g). The company had staked the project as the Company's agent. As of April 30, 2009, US\$20,000 was owed to this company.
- f) The Company incurred \$190,000 of consulting fees (2008 - \$116,000) to a company controlled by its corporate secretary. As of April 30, 2009, \$2,500 (April 30, 2008 - \$Nil) was prepaid to this company.

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.

6. SHARE CAPITAL AND CONTRIBUTED SURPLUS

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

- a) On November 15, 2007, the Company closed a brokered private placement of 2,000,000 units at a price of \$1.00 per unit for gross proceeds of \$2,000,000. Each unit consisted of one common share and one half non-transferable share purchase warrant. Each whole warrant entitled the holder to purchase one additional common share at a price of \$1.25 per share until November 15, 2008. The agent's compensation consisted of a total of 197,500 units (160,000 agent's commission units and 37,500 corporate finance units) under the same terms as the units, and 160,000 agent's warrants exercisable into one common share at a price of \$1.00 up to November 15, 2008. The fair value of \$87,490 was recognized on the agent's warrants and \$420,030 was assigned to the warrants. All the warrants and agent's warrants expired.
- b) On April 4, 2008, the Company closed a brokered private placement of 2,411,000 units at a price of \$1.00 per unit for gross proceeds of \$2,411,000 and its non-brokered private placement of 495,000 units for gross proceeds of \$495,000. Each unit consisted of one common share and one half non-transferable share purchase warrant. Each whole warrant is exercisable into one common share at a price of \$1.25 until April 4, 2009.

The Company paid an agents' fee of \$192,880 and corporate finance fee of \$25,000 in cash and issued 192,880 brokers' options. Each brokers' option was exercisable into a unit with the same terms as the private placement units until April 4, 2009. The fair value of \$82,885 was recognized on the broker's options and \$307,218 was assigned to the warrants. All the warrants and broker's options expired.

- c) In fiscal 2008, the Company issued 62,500 common shares valued at \$75,625 as a finder's fee for the acquisition of the Lety project, 1,000,000 common shares with a fair value of \$1,280,000 were issued on the San Marcial property acquisition, and 100,000 shares with a fair value of \$78,000 were issued on the Cerro de Plata property acquisition (Note 4).
- d) In fiscal 2008, 162,750 warrants and 157,000 agent's warrants were exercised for total proceeds of \$47,100 and fair value of \$19,439 was recognized on these exercised warrants.
- e) In fiscal 2008, 150,000 stock options at a price of \$0.56 were exercised for gross proceeds of \$84,000. The fair value of the options at the date of the grant of \$78,348 was transferred from contributed surplus on the exercise of these options.
- f) In fiscal 2009, 225,000 stock options at a price of \$0.56 were exercised for gross proceeds of \$126,000. The fair value of the options at the date of the grant of \$117,522 was recognized and transferred from contributed surplus on the exercise of these options.
- g) In fiscal 2009, 284,500 agent's warrants were exercised for total proceeds of \$85,350 and fair value of \$35,228 was recognized on these exercised warrants.

SILVERMEX RESOURCES LTD.
(An Exploration Stage Company)
Notes to the Consolidated Financial Statements
April 30, 2009

6. SHARE CAPITAL AND CONTRIBUTED SURPLUS - (continued)

- h) In fiscal 2009, the Company issued 75,000 common shares valued at \$30,750 as a finder's fee for the acquisition of the Lety project (Note 4).
- i) On February 10, 2009, the Company cancelled 75,000 escrowed shares at a price of \$0.001 per share. The stock value of \$75 was transferred to contributed surplus.
- j) In fiscal 2009, the Company closed a private placement financing totaling \$1,837,500 in two tranches. The first brokered tranche, closed on January 30, 2009, consisted of 15,000,000 units for gross proceeds of \$1,500,000. The second non-brokered tranche, closed on February 2, 2009, consisted of 3,635,000 units for gross proceeds of \$363,500. Each unit has a price of \$0.10 per unit and consists of one common share and one-half of one share purchase warrant. Each whole warrant entitles the holder to purchase an additional common share until July 30, 2010 at a price of \$0.15 per share.

The Agent's compensation consisted of \$135,000 in cash, 100,000 corporate finance units with the same terms as the units, and 1,350,000 agent's options exercisable into units at a price of \$0.10 until July 30, 2010. In addition, the agent received a corporate finance fee of \$25,000 and a work fee of \$5,000. A fair value of \$280,787 was recognized on the agent's options, \$901,782 was assigned to the warrants, and \$4,863 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. Finders' fees of \$21,550 were paid.

Warrants

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

	Number of Warrants	Weighted Average Exercise Price
Outstanding, April 30, 2007	1,696,500	\$ 0.80
Granted	2,711,750	1.24
Exercised	(319,750)	0.66
Outstanding, April 30, 2008	4,088,500	1.10
Exercised	(284,500)	0.30
Expired	(3,804,000)	1.16
Issued	9,367,500	0.15
Outstanding, April 30, 2009	9,367,500	\$ 0.15

Warrants outstanding at April 30, 2009 are as follows:

Number of Warrants	Exercise Price	Expiry Date
7,550,000	\$ 0.15	July 30, 2010
1,817,500	\$ 0.15	July 30, 2010
9,367,500		

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

	Shares	Weighted Average Exercise Price
Outstanding, April 30, 2007	2,025,000	\$ 0.60
Exercised	(150,000)	0.56
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

Stock options outstanding at April 30, 2009 are as follows:

Number of Options	Number of Options Exercisable	Exercise Price	Expiry Date
100,000	25,000	\$ 0.25	November 12, 2010
1,000,000	1,000,000	\$ 0.30	July 31, 2011
550,000	550,000	\$ 1.11	April 12, 2012
100,000	100,000	\$ 0.90	April 12, 2012
1,750,000	1,675,000		

Agents' options

	Number of Options	Weighted Average Exercise Price	Expiry Date
Outstanding, April 30, 2007	-	\$ -	-
Issued (Note 6b)	192,880	1.00	April 4, 2009
Outstanding, April 30, 2008	192,880	1.00	
Expired	(192,880)	1.00	
Issued (Note 6j)	1,350,000	0.10	July 30, 2010
Outstanding, April 30, 2009	1,350,000	\$ 0.10	

6. 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 2009 was \$119,546 (2008 - \$552,730).

The following assumptions were used for the Black-Scholes valuation of stock options and agents' compensation options granted during 2009 and 2008:

	2009	2008
Risk-free interest rate	1.25 – 1.73%	2.73 - 3.76
Expected life of options	1.5 - 2 years	1 - 5 years
Annualized volatility	100 – 133%	79-81%
Dividend rate	0.00%	0.00%

Escrow

6,000,000 shares were placed in escrow in accordance with the escrow agreement dated February 17, 2006. 5,100,000 shares had been released from escrow as at April 30, 2009, leaving a balance of 900,000 common shares held in escrow. The remaining 900,000 shares held in escrow were released on July 31, 2009.

7. INCOME TAXES

The Canadian statutory federal income tax rate for the year ended April 30, 2009 was 30.5% (2008 – 31.5%). A reconciliation of income tax recovery at statutory rates compared to reported income tax recovery is as follows:

	2009	2008
Loss for the year	\$ (3,290,882)	\$ (2,364,336)
Expected income tax recovery	\$ (1,003,719)	\$ (746,397)
Effect of tax rates in foreign jurisdiction	36,612	5,405
Non-deductible expenses	40,621	183,336
Rate changes to future statutory rates	236,421	116,122
Valuation allowance	690,065	441,534
Total income tax provision	\$ -	\$ -

The significant components of the Company's future income tax assets and liabilities at April 30, 2008 are as follows:

	2009	2008
Future income tax assets:		
Non-capital loss carry forwards	\$ 1,289,262	\$ 1,004,418
Share issue costs	202,569	233,483
Tax value of resource properties in excess of carrying value	429,921	-
Future income tax assets	1,921,752	1,237,901
Valuation allowance	(1,921,752)	(1,237,901)
Net future income tax assets	-	-

SILVERMEX RESOURCES LTD.
(An Exploration Stage Company)
Notes to the Consolidated Financial Statements
April 30, 2009

7. 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
2016	\$ 102,873	\$ -
2017	975,573	5,066
2018	-	107,881
2019	-	179,468
2020	-	172,283
2028	1,850,259	-
2029	1,621,340	-
	<u>\$ 4,550,045</u>	<u>\$ 464,698</u>

8. FINANCIAL INSTRUMENTS

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.

(a) 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 full amount.

(i) 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.

(ii) 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.

(iii) Derivative financial instruments

As at April 30, 2009, 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.

SILVERMEX RESOURCES LTD.
(An Exploration Stage Company)
Notes to the Consolidated Financial Statements
April 30, 2009

8. FINANCIAL INSTRUMENTS – (continued)

(b) 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 year ended April 30		
	2010	2011	2012
Property payments:			
Lety	70,000		
San Marcial (1)			14,250,000
Exploration commitment:			
San Marcial (2)		1,000,000	

(1) All amounts are denominated are in US dollars

The Company's accounts payable are all current and are normally payable within 60 – 90 days of the liability being incurred.

The Company is facing a cash shortfall. In an effort to ensure that there are sufficient cash balances to meet its short-term business requirements, the Company will raise interim short term financing (Note 12(e)); complete a second private placement in the fall of 2009, and renegotiate some of its option payments.

(c) 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.

(d) Fair value disclosures

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

(e) 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. Several of the Company's options to acquire properties in Mexico may result in option payments by the Company denominated in the 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 loss on the Company's books 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, 2009, 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	\$	6,810
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A 10% depreciation of the Mexican peso against the Canadian dollar would have a similar decrease in net loss.

SILVERMEX RESOURCES LTD.
(An Exploration Stage Company)
Notes to the Consolidated Financial Statements
April 30, 2009

8. FINANCIAL INSTRUMENTS – (continued)

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, 2009, by:

Net loss and other comprehensive loss	\$	9,156
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A 10% depreciation of the US dollar against the Canadian dollar would have a similar decrease in net loss.

9. COMMITMENTS

The Company has agreed to reimburse a company with directors in common one-half of its rental cost of the Vancouver office. The Company's portion amounts to \$43,974 annually, from March 1, 2007 to March 31, 2011.

10. SEGMENTED INFORMATION

The Company primarily operates in one reportable operating segment, being the acquisition, exploration and development 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
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>
2008				
Canada	\$ 1,104,612	\$ 44,838	\$ -	\$ 1,059,774
Mexico	7,045,976	7,031	6,069,370	899,575
	<u>\$ 8,150,588</u>	<u>\$ 121,869</u>	<u>\$ 6,069,370</u>	<u>\$ 1,959,349</u>

11. MANAGEMENT OF CAPITAL RISK

The Company manages its cash and cash equivalents, common shares, stock options and warrants as capital (Note 6). 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 costs of capital at an acceptable risk.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions 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 currently assessing financing alternatives for its exploration plans and operations through its current operating period. The Company is not currently subject to externally imposed financing restrictions.

12. SUBSEQUENT EVENTS

Subsequent to the year end:

- a) The Company entered into letter of intent with Aurcana Corp. (“Aurcana“) to acquire a 100% interest in the Rosario Property. The agreement was to have been signed by June 15, 2009, at which time the Company was to pay Aurcana \$125,000 and issue 1,000,000 shares. In addition, \$125,000 was to be paid within 90 days of signing. Upon successful production or within 24 months, the Company was to issue an additional 1,000,000 shares and pay to Aurcana \$3,000,000 in six installments of \$500,000 every six months over 36 months. The Company was also to assume the balance of payments due to Grupo Mexico in the amounts of US\$350,000 due in July 2009, and US\$650,000 due in January 2010. There is also an NSR payable to Grupo Mexico. The agreement is subject to Exchange approval, the assignment of the underlying option agreement to the Company and satisfactory due diligence by the Company. A definitive agreement has not yet been concluded.
- b) The agreement for the Lety project was amended. The complete payment schedule is as follows:
 - i) US\$ 50,000 on signing (paid);
 - ii) US\$ 50,000 by November 17, 2007 (paid);
 - iii) US\$ 50,000 by May 17, 2008 (paid);
 - iv) US\$ 10,000 by November 17, 2008 (paid);
 - v) US\$ 20,000 on or before February 28, 2009 (paid);
 - vi) US\$ 20,000 on or before October 15, 2009;
 - vii) US\$ 50,000 and 250,000 common shares on December 28, 2009.
- c) 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 are convertible at any time into common shares and/or warrants of the Company on the same terms and at a conversion rate equal to the price of the next financing undertaken by the Company before August 28, 2009.
- d) The 1,000,000 shares issued to Silver Standard were returned to treasury and were reissued at a deemed price of \$0.75 in compliance with the formal agreement and Exchange policies.
- e) 427,500 warrants at \$0.15 were exercised for total proceeds of \$64,125.
- f) The Company announced a non-brokered private placement to raise gross proceeds of up to \$765,000. The private placement is planned to consist of 4,500,000 units at a price of \$0.17 per unit. Each unit would consist of one common share and one non-transferable share purchase warrant. Each whole warrant would entitle the holder to purchase one additional common share of the Company at a price of \$0.20 for a period of 12 months from the date of closing. The private placement is subject to Exchange approval.