

SILVERMEX RESOURCES LTD
(AN EXPLORATION STAGE COMPANY)
CONSOLIDATED FINANCIAL STATEMENTS

April 30, 2008 and 2007



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Auditors' Report

To the Shareholders of
Silvermex Resources Ltd.
(an exploration stage company)

We have audited the consolidated balance sheet of Silvermex Resources Ltd. (an exploration stage company) as at April 30, 2008 and the consolidated statements of operations, comprehensive loss and deficit and cash flows for the year 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 audit.

We conducted our audit 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, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The financial statements as at April 30, 2007, and for the year then ended, were audited by other auditors who expressed an opinion without reservation on those statements in their report dated August 15, 2007.

A handwritten signature in cursive script that reads "Deloitte & Touche LLP".

Chartered Accountants
August 7, 2008

Silvermex Resources Ltd.
(An Exploration Stage Company)
Consolidated Balance Sheets
As at April 30

	<u>ASSETS</u>	<u>2008</u>	<u>2007</u>
Current			
Cash		\$ 1,455,130	\$ 1,154,948
Amounts receivable		409,449	151,453
Prepaid expenses		94,770	40,591
		<u>1,959,349</u>	<u>1,346,992</u>
Cash –restricted (Note 3)		-	68,334
Equipment (Note 4)		121,869	105,700
Resource properties (Note 5)		<u>6,069,370</u>	<u>2,160,658</u>
		<u>\$ 8,150,588</u>	<u>\$ 3,681,684</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Current			
Accounts payable and accrued liabilities		\$ 184,065	\$ 123,826
Due to related parties (Note 9)		5,250	48,010
		<u>189,315</u>	<u>171,836</u>
Shareholders' equity			
Share capital (Note 8)		10,108,838	4,645,643
Contributed surplus (Note 8)		1,549,282	196,716
Deficit, per accompanying statement		<u>(3,696,847)</u>	<u>(1,332,511)</u>
		<u>7,961,273</u>	<u>3,509,848</u>
		<u>\$ 8,150,588</u>	<u>\$ 3,681,684</u>

Nature and continuance of operations (Note 1)

Commitments (Note 11)

Contingencies (Note 12)

Approved by the Board:

"Bruce Bragagnolo"

Director

"Darcy Krohman"

Director

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

Silvermex Resources Ltd.
(An Exploration Stage Company)
Consolidated Statements of Operations, Comprehensive Loss and Deficit
For the year ended April 30

	2008	2007
General and administrative expenses		
Accounting and audit	\$ 87,635	\$ 50,113
Amortization	31,477	16,783
Bank charges and interest	61,053	22,397
Consulting	245,226	219,657
Foreign exchange loss	33,005	41,847
Investor relations	480,574	202,482
Legal	77,198	76,663
Management fees	-	64,498
Office and miscellaneous	130,032	51,378
Rent	42,511	28,829
Regulatory and filing fees	61,524	33,332
Salaries and wages	414,368	185,668
Stock-based compensation (Note 8)	552,730	65,292
Telephone	38,987	29,208
Travel	119,481	37,666
	<u>(2,375,801)</u>	<u>(1,125,813)</u>
Other items		
Interest income	11,465	11,184
	<u>11,465</u>	<u>11,184</u>
Net loss and comprehensive loss for the year	(2,364,336)	(1,114,629)
Deficit, beginning of year	(1,332,511)	(217,882)
Deficit, end of year	<u>\$ (3,696,847)</u>	<u>\$ (1,332,511)</u>
Loss per share – basic and diluted	\$ (0.10)	\$ (0.06)
Weighted average number of shares outstanding	24,557,011	18,052,035

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

Sivermex Resources Ltd.
(An Exploration Stage Company)
Consolidated Statements of Cash Flows
For the years ended April 30

	2008	2007
Cash flows from (to) operating activities		
Loss for the year	\$ (2,364,336)	\$ (1,114,629)
Items not affecting cash:		
Amortization	31,477	16,783
Stock-based compensation	552,730	65,292
	(1,780,129)	(1,032,554)
Changes in non-cash working capital items:		
Amounts receivable	(257,996)	(98,323)
Prepaid expenses	(54,179)	(27,509)
Accounts payable and accrued liabilities	60,238	(26,885)
Due to related parties	(42,760)	35,342
Cash flows used in operating activities	(2,074,826)	(1,149,929)
Cash flows from (to) investing activities		
Purchase of equipment	(47,646)	(122,483)
Expenditures on resource properties	(2,475,087)	(1,276,909)
Cash flows to investing activities	(2,522,733)	(1,399,392)
Cash flows from (to) financing activities		
Loans payable	-	(65,000)
Issuance of common shares	5,199,851	4,235,950
Share issue costs	(370,444)	(560,590)
Deferred financing charges	-	141,300
Proceeds from promissory notes	365,000	-
Repayment of promissory notes	(365,000)	-
Cash flows from financing activities	4,829,407	3,751,660
Increase in cash and cash equivalents during the year	231,848	1,202,339
Cash, beginning of year	1,223,282	20,943
Cash, end of year	\$ 1,455,130	\$ 1,223,282
Cash consists of:		
Cash	\$ 1,455,130	\$ 1,154,948
Cash – restricted	-	68,334
	\$ 1,455,130	\$ 1,223,282
Cash paid during the period for income taxes and interest	\$ -	\$ -
Non – cash activities		
Shares issued on property acquisitions	\$ 1,433,625	\$ 340,000
Fair value of securities granted	\$ 170,375	\$ -
Fair value of securities exercised	\$ 97,787	\$ -

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
For the years ended April 30, 2008 and 2007

1. NATURE AND CONTINUANCE OF OPERATIONS

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 ("TSX-V"). 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 this activity

These consolidated financial statements have been prepared assuming the Company will continue on a going-concern basis. The Company has incurred losses since inception and the ability of the Company to continue as a going-concern depends upon its ability to develop profitable operations and to continue to raise adequate financing. Management will need 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 realize its assets and discharge its liabilities in the normal course of business.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Company are prepared 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% declining balance method
Leasehold improvements	20% straight line method
Office furniture and equipment	10% - 20% declining balance method
Vehicles	25% declining balance method

SILVERMEX RESOURCES LTD.
(An Exploration Stage Company)
Notes to the Consolidated Financial Statements
For the years ended April 30, 2008 and 2007

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. Costs 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 and developing its mineral properties and has not yet determined the amount of reserves 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.

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, comprehensive loss and deficit.

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.

SILVERMEX RESOURCES LTD.
(An Exploration Stage Company)
Notes to the Consolidated Financial Statements
For the years ended April 30, 2008 and 2007

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. 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 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, amortization of charges and valuation allowance of future income tax costs.

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.

Cost of maintaining resource properties

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

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, 2008, the Company has made no provision for site restoration costs or potential environmental liabilities as the ultimate liability is not reasonably determinable and neither is it currently material.

SILVERMEX RESOURCES LTD.
(An Exploration Stage Company)
Notes to the Consolidated Financial Statements
For the years ended April 30, 2008 and 2007

2. SIGNIFICANT ACCOUNTING POLICIES - (continued)

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

Effective May 1, 2007, the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants (CICA) Handbook Section 1530, Comprehensive Income; Section 3251, Equity; Section 3855, Financial Instruments - Recognition and Measurement; and Section 3865, Hedges, retroactively without restatement. These new Handbook Sections, which apply to fiscal years beginning on or after October 1, 2006, provide requirements for the recognition and measurement of financial instruments and on the use of hedge accounting. Section 1530 establishes standards for reporting and presenting comprehensive income, which is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income that are excluded from net income calculated in accordance with GAAP. Under the new standards, policies followed for periods prior to the effective date generally are not revised and therefore, the comparative figures have not been restated. The adoption of these Handbook Sections had no impact on opening deficit.

Section 3865, Hedges, requires all derivatives to be recorded on the balance sheet at fair value and describe when and how hedge accounting can be used. Hedge accounting results in gains, losses, revenues and expenses from the hedge transaction (usually a derivative) and the item it hedges being recorded in the statement of operations in the same period. The Company does not use hedges.

Under Section 3855, financial instruments must be classified into one of these five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments, including derivatives, are recorded in the balance sheet at fair value at the date of acquisition. Subsequent measurement and accounting for changes in fair value will depend on their initial classification, as follows: held-for-trading, financial assets are measured at fair value and changes in fair value are recognized in net income; available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is no longer held or impaired, at which time the amounts would be recorded in net income; and loans and receivables, held-to-maturity investments and other financial liabilities, which are measured at amortized cost.

Upon adoption of these new standards, the Company designated its cash and cash equivalents 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, accrued liabilities 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 year ended 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.

SILVERMEX RESOURCES LTD.
(An Exploration Stage Company)
Notes to the Consolidated Financial Statements
For the years ended April 30, 2008 and 2007

2. SIGNIFICANT ACCOUNTING POLICIES - (continued)

Changes in accounting policies

Accounting changes

On May 1, 2007, the Company adopted new Section 1506, Accounting Changes. The main features of this section are as follows:

- Voluntary changes in accounting policy are made only if they result in the financial statements providing reliable and more relevant information;
- Changes in accounting policies are applied retrospectively unless doing so is impracticable;
- Prior period errors are corrected retrospectively; and
- New disclosures are required in respect of changes in accounting policies, changes in accounting estimates and correction of errors.

New accounting pronouncements

a) Capital disclosures

Effective April 30, 2008, the Company will adopt Section 1535 of the CICA Handbook, Capital Disclosures. This section establishes standards for disclosing information about an entity's capital and how it is managed. The Company will implement these disclosures in the first quarter of 2009. The main features of this new section are:

- Provide information that enables users of the Company's financial statements to evaluate the entity's objectives, policies and processes for managing capital;
- Summary quantitative data about what the entity manages as capital;
- Whether the entity has complied with any capital requirements; and
- If it has not complied, the consequences of non-compliance.

b) Inventories

In June 2007, the CICA issued Section 3031, Inventories, which provides more guidance on the measurement and disclosure, requirements for inventories. Specifically the new pronouncement requires inventories to be measured at the lower of cost and net realizable value, and provides guidance on the determination of cost and its subsequent recognition as an expense, including any write-down to net realizable value. The new pronouncement is effective the first quarter of 2009 and does not have a material impact on the Company's result of operations.

c) Financial instrument disclosures

In March 2007, the CICA issued Section 3862, Financial Instruments - Disclosures, and Section 3863, Financial instruments - Presentation, which together comprise a complete set of disclosure and presentation requirements that revise and enhance current disclosure requirements for financial instruments. Section 3862 requires disclosure of additional detail by financial asset and liability categories. Section 3863 establishes standards for presentation of financial instruments and non-financial derivatives. It deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset. The Company will implement these disclosures in the first quarter of 2009, although the adoption of this section will not impact the Company.

SILVERMEX RESOURCES LTD.
(An Exploration Stage Company)
Notes to the Consolidated Financial Statements
For the years ended April 30, 2008 and 2007

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

New accounting pronouncements (continued)

d) Goodwill and intangible assets

In February 2008, the CICA issued Section 3064, Goodwill and Intangible Assets, replacing Section 3062, Goodwill and Other Intangible Assets, and Section 3450, Research and Development Costs. The new pronouncement establishes standards for the recognition, measurement, presentation, and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. This section is effective in the first quarter of 2009. The adoption of this section is not expected to impact the Company.

e) Business combinations

The proposed amended recommendations of the CICA for accounting for business combinations will apply to the Company's business combinations, if any, with an acquisition date subsequent to the effective date. Whether the Company would be materially affected by the proposed amended recommendations would depend upon the specific facts of the business combinations, if any. Generally, the proposed recommendations will result in measuring business acquisitions at the fair value of the acquired entities and a prospectively applied shift from a parent company conceptual view of consolidation theory (which results in the parent company recording the book values attributable to non-controlling interests) to an entity conceptual view (which results in the parent company recording the fair values attributable to non-controlling interests).

f) Convergence with International Financial Reporting Standards

In February 2008, the Canadian Accounting Standards Board confirmed that the use of International Financial Reporting Standards ("IFRS") would be required for Canadian publicly accountable enterprises for years beginning on or after January 1, 2011. The conversion to IFRS will affect interim and annual financial statements relating to the Company for the year commencing May 1, 2011. The Company is currently evaluating the impact of adopting IFRS.

3. CASH - RESTRICTED

In 2006, pursuant to an employment agreement with a director and officer of the Company, funds were placed in trust in accordance with the terms of the agreement. During 2008, the restricted cash held in trust in accordance with an employment contract was released to the Company.

SILVERMEX RESOURCES LTD.
(An Exploration Stage Company)
Notes to the Consolidated Financial Statements
For the years ended April 30, 2008 and 2007

4. EQUIPMENT

	2008			2007		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Computer equipment	\$ 23,172	\$ 12,566	\$ 10,606	\$ 22,319	\$ 4,918	\$ 17,401
Leasehold improvements	10,254	3,789	6,735	10,524	2,105	8,419
Office furniture and equipment	49,536	12,464	37,072	46,340	4,395	41,945
Vehicles	86,897	19,441	67,456	43,300	5,365	37,935
	<u>\$ 170,129</u>	<u>\$ 48,260</u>	<u>\$ 121,869</u>	<u>\$ 122,483</u>	<u>\$ 16,783</u>	<u>\$ 105,700</u>

5. RESOURCE PROPERTIES

	April 30, 2006	Additions	April 30, 2007	Additions	April 30, 2008
PEÑASCO QUEMADO PROJECT (Note 5a)					
Acquisition and holding costs					
Acquisition costs	\$ 174,979	\$ 503,656	\$ 678,635	\$ 196,178	\$ 874,813
Claim staking	13,589	5,791	19,380	-	19,380
Mining taxes	8,740	13,530	22,270	20,948	43,218
Surface rights and rights of way	16,124	21,907	38,031	17,112	55,143
	<u>213,432</u>	<u>544,884</u>	<u>758,316</u>	<u>234,238</u>	<u>992,554</u>
Deferred exploration costs					
Assaying	37,168	69,601	106,769	39,659	146,428
Camp and accommodation	14,631	27,328	41,959	16,542	58,501
Communications	-	1,211	1,211	2,086	3,297
Drafting, reporting and reproduction	10,595	1,918	12,513	278	12,791
Drilling	76,116	244,899	321,015	372,218	693,233
Engineering and feasibility	-	5,053	5,053	-	5,053
Equipment rental	-	11,906	11,906	-	11,906
Geophysics	-	-	-	110,517	110,517
Legal cost	-	33,514	33,514	7,724	41,238
Miscellaneous exploration expenses	15,181	108,300	123,481	17,058	40,539
Salaries and consulting fees	153,166	185,891	339,057	370,337	709,394
Travel expenses	16,090	29,101	45,191	1,062	46,253
Trenching and road construction	-	40,108	40,108	13,620	53,728
	<u>322,947</u>	<u>758,830</u>	<u>1,081,777</u>	<u>951,101</u>	<u>2,032,878</u>
Total Peñasco Quemado Project	536,379	1,303,714	1,840,093	1,185,339	3,025,432

SILVERMEX RESOURCES LTD.
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Notes to the Consolidated Financial Statements
For the years ended April 30, 2008 and 2007

5. RESOURCE PROPERTIES - (continued)

	April 30, 2006	Additions	April 30, 2007	Additions	April 30, 2008
LOBOS PROJECT (Note 5b)					
Acquisition and holding costs					
Claim staking	7,257	-	7,257	-	7,257
Mining taxes	-	2,686	2,686	4,130	6,816
	<u>7,257</u>	<u>2,686</u>	<u>9,943</u>	<u>4,130</u>	<u>14,073</u>
Deferred exploration costs					
Assaying	-	-	-	7,055	7,055
Camp and accommodation	94	-	94	2,770	2,864
Communications	-	-	-	353	353
Miscellaneous exploration expenses	19	5,215	5,234	1,436	6,670
Salaries and consulting fees	-	-	-	1,594	1,594
Travel expenses	-	-	-	130	130
	<u>113</u>	<u>5,215</u>	<u>5,328</u>	<u>13,338</u>	<u>18,666</u>
Total Lobos Project	7,370	7,901	15,271	17,468	32,739
CERRO DE PLATA PROJECT (Note 5c)					
Acquisition and holding costs					
Acquisition costs	-	62,339	62,339	124,435	186,774
Claim staking	-	6,441	6,441	4,563	11,004
Mining taxes	-	149	149	18,525	18,674
	<u>-</u>	<u>68,929</u>	<u>68,929</u>	<u>147,523</u>	<u>216,452</u>
Deferred exploration costs					
Assaying	-	5,739	5,739	40,673	46,412
Camp and accommodation	-	8,432	8,432	15,140	23,572
Communications	-	46	46	3,910	3,956
Drafting, reporting and reproduction	-	1,561	1,561	2,008	3,569
Drilling	-	33,611	33,611	295,701	329,312
Equipment rental	-	-	-	438	438
Geophysics	-	-	-	106,497	106,497
Legal cost	-	1,830	1,830	22,112	23,942
Field work	-	-	-	11,650	11,650
Miscellaneous exploration expenses	-	17,999	17,999	60,222	78,221
Other	-	303	303	1,300	1,603
Salaries and consulting fees	-	63,833	63,833	246,407	310,240
Travel expenses	-	13,852	13,852	18,221	32,073
Trenching and road construction	-	-	-	117,116	117,116
	<u>-</u>	<u>147,206</u>	<u>147,206</u>	<u>941,395</u>	<u>1,088,601</u>
Total Cerro de Plata Project	-	216,135	216,135	1,088,918	1,305,053

SILVERMEX RESOURCES LTD.
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Notes to the Consolidated Financial Statements
For the years ended April 30, 2008 and 2007

5. RESOURCE PROPERTIES – (continued)

	April 30, 2006	Additions	April 30, 2007	Additions	April 30, 2008
LETY PROJECT (Note 5d)					
Acquisition costs and holding costs					
Acquisition costs	-	57,856	57,856	145,451	203,307
Claim staking	-	8,520	8,520	496	9,016
Mining taxes	-	-	-	3,989	3,989
	-	66,376	66,376	149,936	216,312
Deferred exploration costs					
Camp and accommodation	-	-	-	2,646	2,646
Communications	-	-	-	264	264
Drafting, reporting and reproduction	-	-	-	166	166
Miscellaneous exploration expenses	-	-	-	7,977	7,977
Salaries and consulting fees	-	-	-	25,346	25,346
Travel expenses	-	-	-	335	335
	-	-	-	36,734	36,734
Total Lety Project	-	66,376	66,376	186,670	253,046
EI RAYO PROJECT (Note 5e)					
Acquisition and holding costs					
Acquisition costs	-	17,177	17,177	20,156	37,333
Claim staking	-	5,606	5,606	-	5,606
Mining taxes	-	-	-	2,563	2,563
	-	22,783	22,783	22,719	45,502
Deferred exploration costs					
Assaying	-	-	-	1,720	1,720
Camp and accommodation	-	-	-	153	153
Communications	-	-	-	140	140
Miscellaneous exploration expenses	-	-	-	1,971	1,971
Legal cost	-	-	-	181	181
Salaries and consulting fees	-	-	-	1,315	1,315
Trenching and road construction	-	-	-	11,672	11,672
	-	-	-	17,152	17,152
Total El Rayo Project	-	22,783	22,783	39,871	62,654

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5. RESOURCE PROPERTIES – (continued)

	April 30, 2006	Additions	April 30, 2007	Additions	April 30, 2008
SAN MARCIAL PROJECT (Note 5f)					
Acquisition and holding costs					
Acquisition costs	-	-	-	1,280,000	1,280,000
Mining taxes	-	-	-	7,041	7,041
	-	-	-	1,287,041	1,287,041
Deferred exploration costs					
Assaying	-	-	-	119	119
Camp and accommodation	-	-	-	3,276	3,276
Communications	-	-	-	191	191
Geological	-	-	-	11,494	11,494
Miscellaneous exploration expenses	-	-	-	40,219	40,219
Field work	-	-	-	7,422	7,422
Salaries and consulting fees	-	-	-	5,000	5,000
Travel expenses	-	-	-	1,498	1,498
Trenching and road construction	-	-	-	15,426	15,426
	-	-	-	84,645	84,645
Total San Marcial Project	-	-	-	1,371,686	1,371,686
OTHER PROJECTS (Note 5g)					
Deferred exploration costs					
Geophysics	-	-	-	16,137	16,137
Field work	-	-	-	232	232
Reports and maps	-	-	-	720	720
Salaries and consulting fees	-	-	-	1,671	1,671
Total Other Projects	-	-	-	18,760	18,760
Total Property Expenditures	\$ 543,749	\$ 1,616,909	\$ 2,160,658	\$ 3,908,712	\$ 6,069,370

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

In May 26, 2005, the Company was assigned the contractual rights, obligations and commitments under an option agreement. In consideration for this transfer, the Company paid US\$50,000 and issued 500,000 common shares. The Company will pay the following for its interest:

i)	US\$	5,000	on letter of intent agreement (paid);
ii)	US\$	10,000	on closing (paid);
iii)	US\$	20,000	on April 29, 2005 (paid);
iv)	US\$	30,000	on October 29, 2005 (paid);
v)	US\$	30,000	on April 29, 2006 (paid);
vi)	US\$	70,000	on October 29, 2006 (paid);
vii)	US\$	70,000	on April 29, 2007 (paid);
viii)	US\$	100,000	on October 29, 2007 (paid);
ix)	US\$	100,000	on April 29, 2008 (paid);
x)	US\$	165,000	on October 29, 2008.
	US\$	<u>600,000</u>	

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5. RESOURCE PROPERTIES – (continued)

(a) Peñasco Quemado Project (continued)

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.

(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 500,000 common shares as follows:

- i) US\$ 20,000 and 50,000 common shares on Exchange acceptance (paid and issued) (Note 8b);
- ii) US\$ 20,000 six months from Exchange acceptance (paid);
- iii) US\$ 25,000 and 100,000 common shares on or before January 3, 2008 (paid and issued) (Note 8g);
- iv) US\$ 30,000 and 100,000 common shares on or before January 3, 2009;
- v) US\$ 30,000 on or before January 3, 2010;
- vi) US\$ 275,000 and 250,000 common shares (provided that the feasibility study is acceptable) on or before January 3, 2011.

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5. RESOURCE PROPERTIES - (continued)

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

In July 2007, the Company signed an option agreement 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\$100,000 paid) and issue 250,000 shares over a two year option period with US\$50,000 payable every six months. In addition, the Company must spend a minimum of US\$500,000 during the first year of the option, and a further US\$500,000 during the second year. 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 8g), and six future releases of 37,500 shares (first 37,500 shares issued, Note 8g) 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.

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

On May 28, 2007, the Company entered into an option agreement for the El Rayo Project. In consideration for its interest, the Company will pay US\$315,000 over four years, of which US\$35,000 has been paid, and 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.

(f) San Marcial Project, Sinaloa, Mexico

On October 5, 2007, the Company entered into an option agreement with Silver Standard to purchase a 100% interest in the San Marcial Project.

In consideration for this interest, the Company (i) issued 1,000,000 common shares (Note 8g) upon Exchange acceptance; (ii) a further 1,000,000 shares will be issued on each of the first and second anniversaries; and (iii) a lump sum payment in either cash or shares at the election of Silver Standard, on the third anniversary. The lump sum payment will be calculated by deducting the deemed value of the above share issuances from either US\$15,000,000 if the price of silver is \$15.00 per ounce or less, or US\$18,000,000 if the price of silver is above US\$15.00 per ounce. The Company must also expend US\$3.5 million on exploration over three years and provide Silver Standard with an updated resource estimate based on such expenditures. The Company is also obligated to pay Silver Standard an additional US\$0.50 per ounce of silver in any resource category in excess of 14.26 million ounces. Further, if the resource increases to 100 million ounces of silver equivalent (silver and gold), Silver Standard has the option to back-in for 50% of the property by spending an additional \$10.5 million on exploration. Silver Standard will then become the operator of the project. This right does not expire.

(g) Other Projects

Other Projects includes the La Frazada Project, which is a concession staked by the Company in the state of Nayarit, Mexico.

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6. INCOME TAXES

The Canadian statutory federal income tax rate for the year ended April 30, 2008 was 31.5% (2007 – 34.1%). A reconciliation of income tax recovery at statutory rates compared to reported income tax recovery is as follows:

	2008	2007
Loss for the year	\$ (2,364,336)	\$ (1,114,629)
Expected income tax recovery	\$ (744,766)	\$ (380,311)
Effect of tax rates in foreign jurisdiction	5,405	-
Non-deductible expenses	183,336	22,264
Other	114,491	-
Valuation allowance	441,534	358,047
Total income tax provision	\$ -	\$ -

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

	2008	2007
Future income tax assets:		
Non-capital loss carry forwards	\$ 1,004,418	\$ 419,812
Share issue costs	233,483	202,382
Other	-	174,173-
Future income tax assets	1,334,053	796,367
Valuation allowance	(1,334,053)	(796,367)
Net future income tax assets	-	-

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	\$ -
2027	975,573	5,066
2028	1,850,259	107,881
2029	-	179,468
	\$ 2,928,705	\$ 292,415

7. PROMISSORY NOTES

During the year the Company issued six promissory notes (the "Notes") totalling \$365,000. All the Notes were unsecured and repaid in cash in full with bonuses totalling \$36,500. The Notes were convertible, at the option of the holders, at any time and in any amount, into shares or warrants of the Company based on the market price at the date of conversion. Due to the terms of the Notes, the Company determined that the valuation of the conversion privilege was nominal.

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8. SHARE CAPITAL AND CONTRIBUTED SURPLUS

	<u>Number</u>	<u>Amount</u>	<u>Contributed Surplus</u>
Authorized:			
Unlimited number of common shares			
Balance, April 30, 2006	11,240,001	\$ 682,050	\$ 79,657
Issued:			
IPO (Note 8a)	6,900,000	2,070,000	-
Agent's corporate finance shares (Notes 8a and c)	180,000	69,000	-
Agent's commission shares (Notes 8a and c)	470,000	221,000	-
Property acquisition (Note 8b)	1,050,000	340,000	-
Private placement (Note 8c)	2,000,000	1,600,000	-
Options exercised (Note 8d)	425,000	160,000	-
Agent's warrants exercised (Note 8a)	386,500	115,950	-
Share issue costs (Notes 8a and c)	-	(741,436)	180,846
Fair value on stock options and agent's warrants exercised (Notes 8a and d)	-	129,079	(129,079)
Stock-based compensation	-	-	65,292
Balance, April 30, 2007	22,651,501	4,645,643	196,716
Issued:			
Private placement (Note 8e)	2,197,500	1,777,470	420,030
Private placement (Note 8f)	2,906,000	2,598,782	307,218
Property acquisition (Note 8g)	1,162,500	1,433,625	-
Warrants exercised (Note 8c)	162,750	162,750	-
Agent's warrants exercised (Note 8a)	157,000	47,100	-
Options exercised (Note 8h)	150,000	84,000	-
Share issue costs (Notes 8e and f)	-	(738,319)	170,375
Fair value on stock options and agent's warrants exercised (Notes 8a and h)	-	97,787	(97,787)
Stock-based compensation	-	-	552,730
Balance, April 30, 2008	29,387,251	\$ 10,108,838	\$ 1,549,282

- a) On July 10, 2006, the Company completed its IPO and issued 6,900,000 common shares at a price of \$0.30 per unit for gross proceeds of \$2,070,000. The Company paid an agent's fee of \$93,300 in cash and 310,000 agent's commission shares, and issued 828,000 non-transferable agent's warrants which are exercisable into one common share at a price of \$0.30 up to July 31, 2008. The fair value of the agent's warrants of \$102,522 was recognized. The agent was also paid a corporate finance fee of 150,000 common shares. During fiscal 2007, 386,500 agent's warrants issued under the IPO were exercised for total proceeds of \$115,950 and fair value of \$47,856, using Black-Scholes, was recognized on these exercised warrants. During fiscal 2008, 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.
- b) During the year ended April 30, 2007, 1,000,000 common shares at a price of \$0.30 were issued on the Peñasco Quemado property acquisition and 50,000 shares at a price of \$0.56 were issued for the Cerro de Plata property acquisition.

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8. SHARE CAPITAL AND CONTRIBUTED SURPLUS - (continued)

- c) On April 4, 2007, the company closed a brokered private placement of 2,000,000 units at a price of \$0.80 per Unit (the "Units") for total gross proceeds of \$1,600,000. Each Unit consists of one common share and one-half non-transferable share purchase warrant. Each whole warrant entitles the holder to purchase one common share of the Company at a price of \$1.00 per share until April 4, 2009. During fiscal 2008, 162,750 warrants were exercised.

The agent's compensation consisted of a total of 190,000 units (160,000 agent's commission units and 30,000 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 \$0.80 up to April 4, 2009. The fair value of the agent's warrants of \$78,324 using Black-Scholes was recognized.

- d) During the year ended April 30, 2007, 125,000 stock options at a price of \$0.56 were exercised for gross proceeds of \$70,000 and 300,000 stock options at a price of \$0.30 were exercised for gross proceeds of \$90,000. The fair value of \$81,223 was transferred from contributed surplus on the exercise of these options. The assumptions used to determine the fair value of the warrants are consistent with those disclosed under "Stock-based Compensation" below.
- e) 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 consists of one common share and one half non-transferable share purchase warrant. Each whole warrant entitles 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. (The assumptions used to determine the fair value of the warrants are consistent with those disclosed under "Stock-based Compensation" below).
- f) 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 consists 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 is 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' options and \$307,218 was assigned to the warrants. (The assumptions used to determine the fair value of the warrants are consistent with those disclosed under "Stock-based Compensation" below).

The common shares and warrants comprising the units are subject to a hold period expiring August 5, 2008.

- g) During the year ended April 30, 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 for the San Marcial property acquisition, and 100,000 shares with a fair value of \$78,000 were issued for the Cerro de Plata property acquisition (Note 5).
- h) During the year ended April 30, 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.

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8. SHARE CAPITAL AND CONTRIBUTED SURPLUS - (continued)

Warrants

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

	Number of Warrants	Weighted Average Exercise Price
Outstanding, April 30, 2006	-	\$ -
Granted	2,083,000	0.70
Exercised	(386,500)	0.30
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

Warrants outstanding at April 30, 2008 are as follows:

Number of Warrants	Exercise Price	Expiry Date
284,500	\$ 0.30	July 31, 2008*
1,098,750	\$ 1.25	November 15, 2008
160,000	\$ 1.00	November 15, 2008
160,000	\$ 0.80	April 4, 2009
932,250	\$ 1.00	April 4, 2009
1,453,000	\$ 1.25	April 4, 2009
4,088,500		

* Subsequent to year end these warrants were exercised

Brokers' options

	Number of Options	Exercise price	Expiry Date
Outstanding, April 30, 2006 and 2007	-	\$ -	-
Issued (Note 8f)	192,880	1.00	April 4, 2009
Outstanding, April 30, 2008	192,880	\$ 1.00	

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.

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8. SHARE CAPITAL AND CONTRIBUTED SURPLUS - (continued)

Options – (continued)

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

	Shares	Weighted Average Exercise Price
Outstanding, April 30, 2006	1,500,000	\$ 0.30
Granted	1,150,000	0.85
Exercised	(425,000)	0.38
Cancelled	(200,000)	0.30
Outstanding, April 30, 2007	2,025,000	0.60
Exercised	(150,000)	0.56
Outstanding, April 30, 2008	1,875,000	\$ 0.60

Stock options outstanding at April 30, 2008 are as follows:

Number of Options	Number of Options Exercisable	Exercise Price	Expiry Date
1,000,000	1,000,000	\$ 0.30	July 31, 2011
225,000	-	\$ 0.56	September 22, 2011*
550,000	-	\$ 1.11	April 12, 2012
100,000	-	\$ 0.90	April 12, 2012
1,875,000	1,000,000		

* Subsequently, these options were exercised.

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 option 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 2008 was \$552,730 (2007 - \$65,292).

The following assumptions were used for the Black-Scholes valuation of stock options and agents' compensation options granted during 2008 and 2007:

	2008	2007
Risk-free interest rate	2.73 - 3.76	3.88-4.16%
Expected life of options	1-5 years	2 - 5 years
Annualized volatility	79-81%	71-84%
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. At April 30, 2008, 3,300,000 shares had been released from escrow, leaving a balance of 2,700,000 common shares held in escrow. The remaining shares held in escrow are to be released over semi-annual instalments to July 31 2009.

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9. RELATED PARTY TRANSACTIONS

- (a) The Company paid \$123,846 for services related to resource property development (2007 - \$95,354 of management fees) to the president and director and a director and officer of the Company.
- (b) The Company paid \$Nil of legal fees (2007 - \$45,980 legal fees and share issue costs) to a company controlled by a director and officer. As of April 30, 2008, \$Nil (April 30, 2007 - \$5,650) was owed to this company.
- (c) During the year ended April 30, 2007, \$90,000 was placed in trust with a law firm pursuant to the Company's employment agreement with a director and officer. As of April 30, 2008, the cash and interest of \$4,039 was released to the Company (April 30, 2007 - \$68,334 was held in trust by the law firm).
- (d) The Company paid \$10,000 in consulting fees (2007 - \$52,500 were incurred by a director, an officer and a former director of the Company) to a director and an officer of the Company.
- (e) As of April 30, 2008, an amount of \$Nil (April 30, 2007 - \$48,010) is due to directors and officers of the Company. The amount was non-interest bearing and has no terms of repayment.
- (f) During the fiscal 2008, rent (Note 11) and other administrative expenditures of \$79,820 (2007 - \$10,704) was charged by a company related by common directors and officers for shared office premises.
- (g) The Company paid \$61,500 (2006 - \$Nil) for accounting services provided by a private company of which a director of the Company is a vice-president. As of April 30, 2008, \$5,250 (April 30, 2007 - \$Nil) was owed to that company.
- (h) The Company paid \$116,000 in consulting fees (2007 - \$Nil) to a company controlled by its corporate secretary.
- (i) During fiscal 2008, a director and Chief Executive Officer loaned \$20,000 to the Company. The loan was evidenced by way of a promissory note, was unsecured and non-interest bearing. It was repaid in full.

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.

10. FINANCIAL INSTRUMENTS

Fair values

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.

Foreign exchange risk

The Company is exposed to foreign exchange risk to the extent it incurs costs in foreign currencies including the Mexican Peso and the US Dollar. The Company does not use derivatives to manage its exposure to foreign exchange risk.

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10. FINANCIAL INSTRUMENTS – (continued)

Other risks

Due to the nature of the Company's operations management considers that risks related to credit, interest and liquidity are not significant to the Company at this time.

11. 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 \$45,773 annually, from March 1, 2007 to March 31, 2011.

The Company is required to issue 500,000 common shares to a director and officer in terms of its employment agreement with the director and officer. The Company was also responsible for satisfying the director and officer's personal income tax liability created by the issuance of these shares.

12. CONTINGENCIES

A former director, officer and employee, and a former consultant of the Company have separately initiated action against the Company for damages for breach of contract/wrongful dismissal and for the right to exercise their stock options originally granted under the Company's stock option plan. The Company cancelled these options when the individuals were dismissed. The Company has commenced an action against the former director, officer and employee and the Company's transfer agent seeking cancellation of performance shares granted to this individual. Legal counsel to the Company is unable to assess the Company's potential liability, if any, resulting from these actions. Any settlement will be reflected as a charge to operations in the year incurred. Based on management's assessment no provision for possible loss has been included in these financial statements.

13. 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
April 30, 2008				
Canada	\$ 1,104,612	\$ 44,838	\$ -	\$ 1,059,774
Mexico	7,045,976	77,031	6,069,370	899,575
	<u>\$ 8,150,588</u>	<u>\$ 121,869</u>	<u>\$ 6,069,370</u>	<u>\$ 1,959,349</u>
April 30, 2007				
Canada	\$ 774,505	\$ 60,365	\$ -	\$ 714,140
Mexico	2,907,179	45,335	2,160,658	701,186
	<u>\$ 3,681,684</u>	<u>\$ 105,700</u>	<u>\$ 2,160,658</u>	<u>\$ 1,415,326</u>