

TIMMINS GOLD CORP.
MANAGEMENT DISCUSSION AND ANALYSIS – FORM 51-102F1
for the three month period ended June 30, 2006

1.1 Date of Report

The following Management Discussion and Analysis (“MD&A”) for Timmins Gold Corp. (“Timmins” or the “Company”) is prepared as of August 23, 2006 and should be read in conjunction with the interim consolidated financial statements for the three month period ended June 30, 2006 and the audited consolidated financial statements and related notes for the years ended March 31, 2006 and 2005. Except as noted, all dollar amounts contained in this discussion and analysis and in the financial statements are in Canadian dollars.

Forward-Looking Statements

This MD&A contains certain statements that may be deemed “forward-looking statements”. All statements in this MD&A, other than statements of historical fact, that address exploration drilling, exploitation activities and events or developments that the Company expects to occur, are forward looking statements. Forward looking statements are statements that are not historical facts and are generally, but not always, identified by the words “expects”, “plans”, “anticipates”, “believes”, “intends”, “estimates”, “projects”, “potential” and similar expressions, or that events or conditions “will”, “would”, “may”, “could” or “should” occur. Information inferred from the interpretation of drilling results and information concerning mineral resource estimates may also be deemed to be forward looking statements, as it constitutes a prediction of what might be found to be present when and if a project is actually developed. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results may differ materially from those in the forward-looking statements. Factors that could cause the actual results to differ materially from those in forward-looking statements include market prices, exploitation and exploration successes, and continued availability of capital and financing, and general economic, market or business conditions. Investors are cautioned that any such statements are not guarantees of future performance and actual results or developments may differ materially from those projected in the forward-looking statements. Forward looking statements are based on the beliefs, estimates and opinions of the Company’s management on the date the statements are made. The Company undertakes no obligation to update these forward-looking statements in the event that management’s beliefs, estimates or opinions, or other factors, should change.

Management’s Responsibility for Financial Statements

The information provided in this MD&A, including the interim consolidated financial statements, is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of the future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying financial statements.

Management maintains a system of internal controls to provide reasonable assurance that the Company’s assets are safeguarded and to facilitate the preparation of relevant and timely information.

1.2 Nature of Business and Overall Performance

Timmins Gold Corp. is a junior resource company engaged in the acquisition, exploration and development of gold properties in Mexico.

The Company completed its initial public offering (“IPO”) and raised gross proceeds of \$3,150,000. The Company’s agent for the IPO was Bolder Investment Partners, Ltd. (“Bolder”) of Vancouver, British Columbia. The IPO was fully subscribed for 9,000,000 Units at a price of \$0.35 per Unit. Each Unit consisted of one common share and one non-transferable share purchase warrant which entitles the holder to acquire

one additional common share at a price of \$0.50 per share for a period of 1 year from the closing. In consideration of their services, the Company paid Bolder a cash commission of 8% of the aggregate proceeds of the offering, and issued agent's warrants in an amount equal to 12% of the number of units sold under the IPO. Bolder was also paid a corporate finance fee of 75,000 Units.

The Company has its corporate office in Vancouver and has administrative offices in Hermosillo, Sonora, Mexico and a field office in Magdalena, Sonora, Mexico.

The interim consolidated financial statements include the accounts of Timmins Gold Corp. and its wholly owned subsidiary, Timmins Goldcorp Mexico, S.A. de C.V. (the "Subsidiary").

Mineral Project

1. SAN FRANCISCO PROJECT, SONORA STATE, MEXICO

The Company's first project is the San Francisco Mine in Sonora Mexico, approximately 120 kms south of Nogales, Mexico. The mine is approximately 1km from a major highway, has an existing trained workforce that previously worked at the mine and has power, water and an existing infrastructure.

The San Francisco Mine is a past producing open pit heap leach operation. Operations were terminated in 2001 due to the low price of gold. A total of 110,310 meters of drilling including 1,114 drill holes indicated a historical resource of 683,000 ounces of gold at a cutoff grade of 0.5 g/t Au. The Company's upcoming drill program is designed to bring the resource estimate into compliance with National Instrument 43-101 (NI 43-101) since the historical resource was not prepared in accordance with that Instrument. The project is the subject of a technical report dated December, 2005 prepared in compliance with NI 43-101 by Micon International Limited of Toronto, Ontario.

Pursuant to an agreement dated April 15, 2005 as amended February 13, 2006 between the Subsidiary and Geomaque de Mexico, S.A. de C.V., ("Geomaque"), the Subsidiary acquired an option to purchase a 50% interest in five exploitation concessions known as the San Francisco, the San Francisco Dos, the San Francisco Cuatro, the Llano II, and the Llano III situated in the north-central portion of the state of Sonora, Mexico. Geomaque is owned by a private company controlled by the Astiazaran family of Sonora both of whom are parties dealing at arm's length with the Company. The option will be exercised if the Company expends US\$1,000,000 before September 1, 2006 and a further US\$1,500,000 before April 15, 2007 on the Property. The payments will be used for exploration, development, geological studies, geological interpretations, metallurgical studies, engineering studies and any other costs directly related to the exploration or development of the Optioned Concessions. In order to exercise the option, the Company also agreed to pay a finder's fee of US\$25,000 to an arm's length party, work contracts totaling US\$5,700 per month, mining taxes of US\$40,000 annually and other payments to use the surface land estimated to be approximately US\$30,000 annually. The Corporation has agreed with Geomaque to form a joint venture company which will own the Optioned 9 Concessions and the Staked Concessions. The Subsidiary will be the operator of the joint venture company's activities. The joint venture has the option to acquire the crusher, heap leach equipment and other equipment located at the Property for its appraised value at any time over the next two years from Explotaciones Mineras Del Noroeste S.A. de C.V. another private company controlled by the Astiazaran family.

The Company, through its Subsidiary, has also acquired, by staking, four mining concessions (the "Staked Concessions") which surround the Optioned Concessions. The Staked Concessions were originally staked as one smaller claim of 337 hectares and one larger claim of 36,542 hectares ("Timmins II") however the larger claim has since been split into one large claim of 36,142 has. and two smaller fractions. All of the Optioned Concessions and the Staked Concessions are subject to a bi-annual fee and the filing of reports in May of each year covering the work accomplished on the Property between January and December of the preceding year. At present, the total bi-annual fee payable to the Mexican government on the Property is US\$23,020.

(a) **Exploration Program**

Approximately \$1,155,830 from the IPO proceeds have been earmarked for the 8,000 metre drill program consisting of 4,000 metres of core drilling and 4,000 metres of reverse circulation drilling. The Company commenced drilling immediately after its IPO and has to date completed a total of 3,400 metres of drilling including 2,200 metres of diamond drilling and 1,200 metres of reverse circulation drilling.

The Company's current drill program is designed to bring the resource estimate into compliance with National Instrument 43-101 (NI 43-101) since the historical resource was not prepared in accordance with that Instrument.

(b) **Exploration Results**

N/A

(c) **Future Developments**

It is anticipated that the current drill program will be completed by the middle of September. Assays are being performed by ALS Chemex of Hermosillo, Mexico. The Company is also investigating further properties for acquisition in Mexico.

1.3 Selected Annual Information

N/A

1.4 Results of Operations

During the three-month period ended June 30, 2006, the Company reported a loss of \$140,304 or \$0.01 per share, as compared to a loss of \$18,052 or \$0.01 per share for the three-month period ended June 30, 2005, a increase of \$122,252. This increase was mainly attributable to:

- a. Bank charges and interest increased by \$32,270 due to the 10% bonus payable on interim financing for the convertible promissory and promissory notes that were required until the IPO offering funds were received by the Company.
- b. Transfer agent and regulatory fees increased by \$16,865 due to the costs required for the approval of the Company's IPO prospectus.
- c. Consulting fees increased by \$26,307 due to corporate development work required for the IPO.

Overall, the Company's general and administrative expenses increased significantly as compared to the prior period due to its increased activity on its San Francisco gold project in Mexico and the increased activity required to complete the Company's IPO offering.

1.5 Summary of Quarterly Results

The following is a summary of the Company's financial results for the eight most recently completed quarters:

	Q1 Jun 30, 2006	Q4 Mar. 31, 2006	Q3 Dec. 31, 2005	Q2 Sep. 30, 2005	Q1 Jun. 30, 2005	Q4 Mar. 31, 2005	Q3 Dec. 31, 2004	Q2 Sep. 30, 2004
Total revenues	\$ Nil	\$ Nil	\$ Nil	\$ Nil	\$ Nil	\$ N/A	\$ N/A	\$ N/A
Net loss	\$ (140,034)	\$ (165,236)	\$ (42,418)	\$ (12,556)	\$ (18,088)	\$ N/A	\$ N/A	\$ N/A
Basic loss per share (1)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ N/A	\$ N/A	\$ N/A

(1) Loss per share on a diluted basis is not disclosed as it is anti-dilutive due to losses incurred.

The expenses incurred by the Company are those typical of junior exploration companies that have not established mineral reserves. In some quarters more expenses are incurred than in others as a result of non-recurring activities or events.

1.6 Liquidity

The interim consolidated financial statements for the three month period ended June 30, 2006 have been prepared on the basis of accounting principles applicable to a going concern. This assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. The Company has incurred operating losses since inception, has limited financial resources, no source of operating cash flow and no assurances that sufficient funding, including adequate financing, will be available to further explore its mineral property projects and to cover general and administrative expenses necessary to maintain a public company.

The Company has cash of \$5,868 as at June 30, 2006 compared to \$2,996 as at March 31, 2006. The Company's has a working capital deficiency of \$371,567 as at June 30, 2006 compared to working capital deficiency of \$58,284 as at March 31, 2006. Subsequent to June 30, 2006, completed its IPO offering and the gross proceeds received by the Company for the Offering were \$3,150,000 (9,000,000 common shares at \$0.35 per share with 9,000,000 share purchase warrants to purchase one share at \$0.50 up to July 25, 2007). The Company paid a cash commission of 8% of the aggregate proceeds of the offering.

1.7 Capital Resources

Timmins has historically relied upon equity financings to satisfy its capital requirements and will continue to depend heavily upon equity capital to finance its activities. There can be no assurance the Company will be able to obtain required financing in the future on acceptable terms or that optionees will continue to make property payments to the Company.

The Company anticipates it will need additional capital in the future to finance ongoing exploration of its properties, such capital to be derived from the exercise of outstanding stock options and warrants and/or the completion of private placements. The Company may also seek short-term loans from directors of the Company.

1.8 Off-Balance Sheet Arrangements

There are no off-balance sheet arrangements to which the Company is committed.

1.9 Transactions with Related Parties

- a) The Company was charged the following by directors of the Company or companies with common directors:

	Three months ended June 30,	
	<u>2006</u>	<u>2005</u>
Mineral property costs:		
- deferred exploration costs – field work and consulting	\$ 28,591	\$ -
Legal fees	10,000	937
Salaries and wages	<u>18,900</u>	<u>11,500</u>
	<u>\$ 57,491</u>	<u>\$ 12,436</u>

These charges were measured by the exchange amount, which is the amount agreed upon by the transacting parties.

- b) Accounts payable and accrued liabilities outstanding with related parties are unsecured, non-interest bearing and have no fixed terms of repayment. Included in accounts payable and accrued liabilities at June 30, 2006 and March 31, 2006 are the following related party amounts:

	June 30, <u>2006</u>	March 31, <u>2006</u>
Accounts payable and accrued liabilities	<u>\$ 134,743</u>	<u>\$ 75,000</u>

- c) Advances due to related parties are unsecured, do not bear interest and are payable on demand.

	June 30, <u>2006</u>	March 31, <u>2006</u>
Advances due to related parties	<u>\$ 29,741</u>	<u>\$ 79,600</u>

- d) Promissory notes are unsecured, are repayable for the principal amount plus a 10% bonus of the principal and have no fixed term of repayment.

	June 30, <u>2006</u>	March 31, <u>2006</u>
Promissory notes	<u>\$ 192,500</u>	<u>\$ -</u>

1.10 First Quarter

First quarter results do not differ significantly from other quarters.

1.11 Proposed Transactions

N/A

1.12 Critical Accounting Estimates

Critical accounting estimates used in the preparation of the interim consolidated financial statements include the Company's estimate of recoverable value of its mineral properties and related deferred expenditures as

well as the value of stock-based compensation. All of these estimates involve considerable judgement and are, or could be, affected by significant factors that are out of the Company's control.

The factors affecting stock-based compensation include estimates of when the stock options might be exercised and the stock price volatility. The timing for exercise of options is out of the Company's control and will depend upon a variety of factors including the market value of the Company's shares and the financial objectives of the optionees.

The Company's recoverability of the recorded value of its mineral properties and associated deferred expenses is based on market conditions for minerals, underlying mineral resources associated with the properties and future costs that may be required for ultimate realization through mining operations or by sale. The Company is in an industry that is dependent on a number of factors including environmental, legal and political risks, the existence of economically recoverable reserves and the ability of the Company to obtain necessary financing to complete the development and future profitable production or proceeds of disposition thereof.

1.13 Changes in Accounting Policies

The interim consolidated financial statements for the three month period ended June 30, 2006 have been prepared in accordance with Canadian generally accepted accounting principles. The accounting policies and methods remain consistent with the previous period.

1.14 Financial Instruments and Other Instruments

The carrying value of financial instruments which include cash, accounts payable and accrued liabilities, convertible promissory notes and promissory notes approximate fair value because of the short-term maturity of those instruments. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

1.15 Other MD&A Requirements

Disclosure of Outstanding Share Capital

a. Authorized: Unlimited number of common shares without par value.

b. Issued and outstanding:

	<u>Number of Shares</u>	<u>Amount</u>	<u>Contributed Surplus</u>
Balance, June 30 and March 31, 2006	<u>10,948,633</u>	<u>\$ 685,516</u>	<u>\$ 92,625</u>

Issued subsequent to June 30, 2006: See Note 8 Subsequent Events

c. Share purchase options outstanding at June 30, 2006 are as follows:

<u>Number of Options</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
<u>1,500,000</u>	\$0.35	July 25, 2011

d. Outstanding Share Purchase Warrants:

Nil

DIRECTORS AND OFFICERS

Arturo Bonillas	Director, President & CEO
Bruce Braganolo	Director, Secretary
Derek Thomson	Director
Miguel Soto	Director & COO
Lawrence Dick, PhD.	Director
Eugene Hodgson	Director
Mark Aplas	CFO

The Company is dependent on a small number of key directors and officers. Loss of any one of those persons could have an adverse affect on the Company. The Company does not maintain “key-man” insurance with respect to any of its management.

CONFLICTS OF INTEREST

Certain officers and directors of the Company are officers and/or directors of, or are associated with other natural resource companies that acquire interests in mineral properties. Such associations may give rise to conflicts of interest. The directors are required by law, however, to act honestly and in good faith with a view to the best interests of the Company and its shareholders and to disclose any personal interest which they may have in any material transaction which is proposed to be entered into with the Company and to abstain from voting as a director for the approval of any such transaction.

OUTLOOK

It is anticipated that the current drill program will be completed by the middle of September. Assays are being performed by ALS Chemex of Hermosillo, Mexico. The results from the drill program will be combined with historical data in order to prepare a resource estimate that is compliant with NI 43-101. Independent Mining Consultants of Tucson, Arizona has been commissioned to prepare the resource estimate. In addition, there are numerous exploration targets inside the boundaries of the property which are in the process of being reviewed.

OTHER INFORMATION

The Company web address is www.timminsgold.com. Other information relating to the Company may be found on the SEDAR website www.sedar.com.

BY ORDER OF THE BOARD

“Arturo Bonillas”

“Bruce Braganolo”

Arturo Bonillas
President & CEO

Bruce Braganolo
Secretary & Director

August 23, 2006